PA Statement 3

BEFORE THE

PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

RE. APPLICATION OF THE PHILADELPHIA WATER DEPARTMENT FOR INCREASED RATES AND RELATED CHARGES	)))))))	Fiscal Years 2017 - 2018

DIRECT TESTIMONY OF

ROGER D. COLTON

ON BEHALF OF THE PUBLIC ADVOCATE

March 24, 2016

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA 02478.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am a principal in the firm of Fisher Sheehan & Colton, Public Finance and General Economics of Belmont, Massachusetts. In that capacity, I provide technical assistance to a variety of federal and state agencies, consumer organizations and public utilities on rate and customer service issues involving telephone, water/sewer, natural gas and electric utilities.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Public Advocate of the City of Philadelphia.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. I work on rate and customer service issues, as well as research into low-income usage, payment patterns, and affordability programs. At present, I am working on various projects in the states of New York, Pennsylvania, Michigan, Illinois, Iowa and California, as well as in the provinces of Ontario, Manitoba and British Columbia. My clients include state agencies (e.g., Pennsylvania Office of Consumer Advocate, Maryland Office of People's Counsel, Iowa Department of Human Rights), federal agencies (e.g., the U.S. Department of Health and Human Services), community-based organizations (e.g., Energy Outreach Colorado, Natural Resources Defense Council, Action Centre

Tenants Ontario), and private utilities (e.g., Unitil Corporation d/b/a Fitchburg Gas and Electric Company, Entergy Services, Xcel Energy d/b/a Public Service of Colorado). In addition to state- and utility-specific work, I engage in national work throughout the United States. For example, in 2011, I worked with the U.S. Department of Health and Human Services (the federal LIHEAP office) to advance the review and utilization of the Home Energy Insecurity Scale as an outcomes measurement tool for LIHEAP. In 2007, I was part of a team that performed a multi-sponsor public/private national study of low-income energy assistance programs. My professional background is further described in Appendix A.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. After receiving my undergraduate degree in 1975 (Iowa State University), I obtained further training in both law and economics. I received my law degree in 1981 (University of Florida). I received my Master's Degree (regulatory economics) from the MacGregor School in 1993.

Q. HAVE YOU EVER PUBLISHED ON PUBLIC UTILITY REGULATORY ISSUES?

A. Yes. I have published three books and more than 80 articles in scholarly and trade journals, primarily on low-income utility and housing issues. I have published an equal number of technical reports for various clients on energy, water, telecommunications and other associated low-income utility issues. A list of my publications is included in Appendix A.

Q. HAVE YOU EVER TESTIFIED BEFORE THE PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD OR ANY STATE UTILITY COMMISSIONS?

A. The Philadelphia Water, Sewer and Storm Water Rate Board (Board) was established by an ordinance, which became effective January 20, 2014. The 2016 rate proceeding is the first rate proceeding to come before the Board. This is my first time testifying before the Board; however, I have testified on numerous occasions regarding Philadelphia Water Department rate cases prior to the establishment of the Board. In addition, I have testified before the Pennsylvania Public Utility Commission ("PUC" or "Commission") on numerous occasions regarding utility issues affecting low-income customers. I have also testified in regulatory proceedings in more than 30 states and various Canadian provinces on a wide range of low-income utility issues. A list of the roughly 250 proceedings in which I have testified is listed in Appendix A.

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR DIRECT TESTIMONY.

A. The purpose of my Direct Testimony is as follows.

- First, I examine the proposed structure and operation of the Income-based Water Rate Assistance Program (IWRAP) that the Philadelphia City Council has mandated be pursued;
- Second, I examine the funding of that IWRAP program; and

- Third, I examine a series of customer service issues presented by the operations of the Philadelphia Water Department.[1]

Part 1. Structure and Operation of IWRAP.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I examine the proposed Income-based Water Rate Assistance Program (IWRAP) presented by the Philadelphia Water Department. Adoption of an IWRAP was required by the Philadelphia City Council in Bill No. 140607-AA, adopted by City Council on November 19, 2015 and signed by the Mayor on December 1, 2015. I have attached a copy of the City Council IWRAP legislation to my testimony as Appendix B. I will consider two aspects of the proposed IWRAP program in this section of my testimony: (1) whether the program structure advanced by the Department is consistent with the structure mandated by City Council; and (2) what decisions should be made on issues that have been assigned to the discretion of the Board.

Q. WHAT TYPE OF PROGRAM DOES THE CITY COUNCIL LEGISLATION REQUIRE?

A. The very name of the program –the *Income-based* Water Rate Assistance Program (emphasis added)-- indicates that the program is to be "income-based." More

[1] My Direct Testimony will not distinguish between the Philadelphia Water Department and the Water Revenue Bureau. References to "the Department" and to "the City" should be broadly construed to incorporate the entity providing the relevant service.

specifically, the City Council legislation provides in relevant part[2] that the IWRAP program "is authorized under the following terms and conditions":

- Monthly IWRAP bills "shall be" affordable "based on a percentage of *the household's* income." (Chapter 1600, Section 19-1605(3)(a)) (emphasis added).
- Affordability is to be based on a "schedule of different percentage rates," which can be limited to the three income tiers stated in the legislation, subject to the discretion of the Board "to establish more, but not fewer, Low-Income tiers." (Chapter 1600, Section 19-1605(3)(a)).
- The affordability goals are to be "based upon *each Customer's actual income*." (Chapter 1600, Section 19-1605(3)(a)) (emphasis added).
- The "percentage of income limitations to be imposed at each [low-income tier] level" are to be determined by the Board. (Chapter 1600, Section 19-1605(3)(a)).
- Low-income customers who are enrolled in IWRAP "shall be required to make *no additional payment* in respect to any pre-IWRAP arrears to maintain service." (Chapter 1600, Section 19-1605(3)(h) (emphasis added).
- The IWRAP program may involve the imposition of "minimum bill amounts consistent with the goal of providing affordability. . ." (Chapter 1600, Section 19-1605(3)(h.1).
- A program participant's recertification of "income and eligibility" may be required "*no more frequently* than once every year." (Chapter 1600, Section 19-1605(3)(o)) (emphasis added).

[2] Other details of the IWRAP program mandated by City Council are, of course, included in the legislation that I have attached as Appendix B to this testimony.

- "Earned forgiveness of arrearages *shall be available* under such terms and conditions as are adopted by regulation." (Chapter 1600, Section 19-1605(3)(h.2)) (emphasis added).
- Customers with household income between 150% and 250% of the Federal Poverty Level "*shall* be offered payment plans that result in a *total bill –including arrearages*—that is affordable." (Chapter 1600, Section 19-1605(3)(h.2)) (emphasis added).

Given that overview of the IWRAP "terms and conditions" mandated by City Council, I next turn my attention to the two aspects of IWRAP that I identified above, program design and recommendations for the Board.

A. Department-Proposed IWRAP Design Compliance with City Council Legislation.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I examine the structure of the IWRAP program advanced by the Department to assess whether that program design complies with the mandatory "terms and conditions" adopted by the Philadelphia City Council. I conclude that there is a substantial lack of compliance with the City Council's legislation in each of the respects I detail below.

(1) Burdens Based on Each Customer's Actual Income.

Q. PLEASE DESCRIBE THE FIRST IWRAP PROGRAM STRUCTURE ISSUE YOU HAVE EXAMINED.

A. The IWRAP program structure proposed by the Department does not comply with the City Council's legislation in that it does not base its determination of affordability on "a percentage of *the household's* income." The Council states that the affordability goals are to be "based upon *each Customer's actual income*." (Chapter 1600, Section 19-1605(3)(a)) (emphasis added). Rather than basing an affordability determination on "the household's income" and "each customer's actual income," the program design advanced by the Department instead bases its affordability determination on an assortment of averages. For example, Mr. Davis testified that rather than basing affordability on "the household's income" or on "each Customer's actual income," the Department's affordability determinations are "based on *the middle—the median income within the tier* and the median consumption within the usage." (Tr., 02-22-16, 104:6-8) (emphasis added). Moreover, even those averages are based on further averages, since the income is not based on "each Customer's actual income" but rather, according to Mr. Davis, "it is based on the *average* household size for the City of Philadelphia." (Tr., 02-22-16, 104:22-23) (emphasis added).

What it appears Mr. Davis has done is not to calculate an average or a median (that would be impossible given a hypothetical household size of 2.56 persons), but rather to take the mid-point of an artificial poverty range (with some unspecified rounding). Mr. Davis provided the determination of affordability in the spreadsheet attached to the response to PA-RDC-60. I have included a table of 100% of Poverty by household size as Schedule RDC-1. Taking the mid-point of each range of Poverty would yield the following results (compared to those incomes actually used by Mr. Davis):

	Income Used by Davis	Mid-Point of Poverty Range
0 – 50% FPL	$5,000	$4,600
50 – 100% FPL	$13,800	$13,700
100 – 150% FPL	$22,800	$22,800
150 - 200% FPL	$31,300	$32,000
200 - 250% FPL	$40,800	$41,100

Q. WHAT IS THE SIGNIFICANCE OF THE DEPARTMENT'S FAILURE TO COMPLY WITH THE CITY COUNCIL DIRECTIVE TO BASE IWRAP BILLS ON "EACH CUSTOMER'S ACTUAL INCOME"?

A. The problems with the Department's use of a mid-range of income for a hypothetical household of 2.56 persons[3] can be seen in the discussion below. Two problems immediately become evident.

- First, the extent to which households do not live at the hypothetical household size of 2.56 persons significantly changes a household's income. As summarized in Schedule RDC-2, derived from Philadelphia Public Use Microdata Areas (PUMAs) census data, on a PUMA-by-PUMA basis, the income for a 1-person household tends to be less than half of the income for a 5-person household. In addition, just one step up from a 3-person household to a 4-person household, in virtually every PUMA in Philadelphia, represents a substantial increase in income. The summary below focuses on income from 50% to 100% of Poverty. The data shows the substantial difference in income arising based on the actual size of a household. The hypothetical average household size of 2.56 persons used in the Department's proposed program design cannot capture these ranges. The

[3] Mr. Davis asserts that the average household size citywide is 2.56 persons.

Department's proposed program design based on averages thus cannot ensure affordability based either on "the household's income" or on a customer's "actual income" as mandated by the City Council.

- Second, the data set forth in Schedule RDC-3 shows that the distribution of households by number of persons in a household does not even come close to the Department's hypothetical household of 2.56 persons. As the data summary below shows, in all three low-income tiers, the number of households with either four or five persons[4] outnumber the number of households with either two or three persons (those household sizes that bracket the hypothetical 2.56 person household size). The Department's use of an average, in other words, does not result in a substantially deficient affordability determination merely *some* of the time; it results in a substantially deficient affordability determination *most* of the time. In assessing affordability, what the Department does, in essence, is to take some of the income from 5-person households and to artificially assign that income to 1-person households in order to find that water burdens are affordable "on average."[5] The City Council, however, has said that rather than doing that, the Water Affordability program is to be based on "the household's income" and "based upon *each Customer's actual income*." (Chapter 1600, Section 19-1605(3)(a)) (emphasis added).

[4] Households with six or more members have been excluded simply for space purposes.

[5] In naming the low-income program Income-based Water Rate Affordability Program, the Council went further to indicate that the "income" intended to be used was "the household's" income and "each customer's actual income," not some hypothetical or average income not applicable to any individual household.

Q. HAVE YOU HAD THE OPPORTUNITY TO STUDY THE UNDER- AND OVER-PAYMENTS TO PHILADELPHIA CUSTOMERS RESULTING FROM USING A TIERED RATE DISCOUNT?

A. Yes. The Department's tiered discount proposal will generate a bill that is "affordable" (defined by the ordinance as a percentage of income) only in the rare instance when a household: (1) has an income precisely equal to the fictional average for the discount tier; and (2) has a household size precisely equal to the fictional average household size. For bills to meet the affordability requirement of the City Council's legislation, *both* of these factors must be met. Since this does *not* happen, the program proposed by the Department will over-pay some City residents and under-pay others. As a result, the Department's proposal will represent an ineffective and inefficient use of ratepayer funds since those expenditures do not accomplish the affordability mandate set forth in the City Council's legislation. In addition, the Department's proposal will redistribute benefits from lower income Philadelphia neighborhoods to higher income neighborhoods.[6]

Rather than utilizing a fictional average citywide household income based on a fictional average citywide household size, and a fictional average citywide Poverty Level, I have examined actual incomes for different regions of the City as reported by the Census Bureau.[7] Using a city-wide average does not reflect the wide diversity of income and water usage throughout Philadelphia. Schedule RDC-4 divides Philadelphia into the

[6] All recipients under the Department's proposal will be "low-income." Nonetheless, as the data will show, this redistribution will inherently occur because of the very design of the program as set forth by the Department.

[7] The affordability problems sought to be addressed by the City Council in its IWRAP legislation do not occur, and cannot be assessed, at the "average." The public input hearings made clear that there are substantial numbers of Philadelphia households who are going without water service due to an inability to pay. (See, e.g., Tr., 02/22/16, 23:9-15; 24:17-24; 25:17-22; 26:6-14; 31:1-15; 39:4-8; 49:16 – 50:16 ;73:17-24; 77:1-5). Many of these customers do not live at the "average," but have special needs.

eleven (11) PUMAs for the City of Philadelphia, using data from the 2013 American Community Survey from the U.S. Bureau of the Census. Schedule RDC-4 presents for households at or below 50% of Poverty Level, for the City as a whole (as well as for each PUMA), the actual household sizes and actual average Poverty Levels.[8]

The data is important in that if the PUMA income is lower than the City average, the PWD proposal will fail to deliver affordable bills. As one can see in Schedule RDC-4, in three of the eleven PUMAs, income is lower –sometimes substantially lower—than the citywide average.

Q. CAN YOU QUANTIFY THE EXTENT OF UNDER- AND OVER-PAYMENTS OCCURING THROUGH THE USE OF A TIERED DISCOUNT MODEL?

A. Yes. Schedule RDC-4 presents an analysis of the impacts of the City proposal in each PUMA for the City. Schedule RDC-4 determines a bill based on four percent (4%) of income using the city-wide income for households at or below 50% of Federal Poverty Level.[9] It then calculates the percentage discount needed to achieve that 4% burden using these city-wide averages. The 4% figure is used for analysis here because that is the burden proposed by the Department, not because it is acknowledged as an appropriate demarcation of "affordability."

The discount I calculate is different from the Department's discount for two reasons. First, my discount calculation reflects the discount on a current bill basis, without regard

[8] Rather than presenting the actual average citywide poverty level for households with income between 0% and 50%, I use the mid-range used by Mr. Davis (25%). (PA-RDC-60).
[9] The citywide income I used is $5,000 as presented by Mr. Davis. (PA-RDC-60).

to arrears, rather than the Department's approach of calculating an initially higher discount, and then increasing the bill by a monthly copay on arrears. Second, my discount reflects incomes from 2014, not current incomes. Accordingly, the actual discount figures proposed by the Department are not directly comparable to the discounts used in my calculation. The discount I use is presented solely for the purpose of illustrating the inequitable distribution, not for the purpose of establishing an appropriate discount level (even if I were to accept the propriety of using tiered discounts, which I do not).

Schedule RDC-4 applies the city-wide percentage discount I calculated to each PUMA throughout the City. It finally examines the extent to which the Department's proposal would under-pay and/or over-pay low-income households in each PUMA. The inability of the Department's proposal to achieve an affordable bill when not using a household's actual income becomes evident. Three PUMAs report receiving underpayments under the Department's proposed use of the hypothetical citywide averages, while seven PUMAs report overpayments. In only one PUMA does the discount yield an accurate discount level.

These results arise due to the very design of the Department proposal. Irrespective of whether the cost of the Department's proposed alternative is "more" or "less" than the model recommended by the Public Advocate, the expenditure of money under the Department's proposal fails to achieve the desired affordability outcome. In many instances, the Department's proposed program design pays too much; in other instances, the Department's proposed program design pays too little.

The conclusion must be that the use of a discount based on city-wide average income and city-wide average water bills does not conform to the City Council's directive that the program be income-based. The divergence of income below the city-wide average, and the divergence of household sizes above the city-wide average, shows that the Department's proposed non-income-based discounts would continue to provide unaffordable bills to a significant proportion of the low-income residents of Philadelphia. Money would be more wisely spent if a true affordability program, explicitly taking into account a household's water bill as a percentage of income as required by the City Council's legislation, were to be adopted in Philadelphia.

Q. HAVE YOU EMPIRICALLY EXAMINED THE DIVERSITY OF INCOME THROUGHOUT THE CITY IN ANY FINAL WAY?

A. Yes. An examination of income by Census tract provides additional insights into the diversity of income relative to a city-wide average. If areas exist where the income is substantively less than the city-wide average, the non-income-based PWD proposal will underserve that area by failing to deliver an affordable water bill.

Mean income for the Census tracts comprising the City of Philadelphia are examined for the bottom quintile of income.[10] Mean income, by quintile, is reported by the American Community Survey ("ACS"). The three-year data for 2011 – 2013 was used in this analysis. The ACS reports data for 362 Census tracts comprising the City of

[10] A "quintile" involves dividing the population of an area into five equal parts. A geographic area with 1,000 persons, for example, would have 200 persons in each quintile. The "bottom" quintile would be that one-fifth of the population with the lowest income. The "second" quintile would be that fifth with the next lowest income.

Philadelphia. The ratio of the Census tract income to the city-wide income[11] was classified into five ranges: (1) Census tract is less than 50% of city-wide average; (2) tract is 51% to 75% of the city-wide average; (3) tract is 76% to 95% of the city-wide average; (4) tract is 96% to 105% of the city-wide average; and (5) tract is 106% or more of the city-wide average.

In the lowest income quintile, 36 of the 362 Census tracts[12] had average incomes 50% or less of the city-wide average. An additional 51 had mean incomes for their lowest income quintile between 50% and 75% of the city-wide average. Overall, nearly four of every ten Census tracts in Philadelphia (135 of 357) would be ill-served by the PWD proposed discount based on a simple city-wide average income. One of every four Census tracts (87 of 357) would be *significantly* under-served. In effect, the PWD proposal takes money from the 135 Census tracts with residents who need water affordability assistance the most and transfers that money to the Census tracts who need it the least. The results are set forth in Schedule RDC-5.

The data in Schedule RDC-5 shows that the 201 Census tracts with a mean household income of $12,444 in its lowest quintile of income population would receive the same water discounts as the Census tracts with a mean household income of $2,149.[13] In so doing, the PWD proposal would divert funding that would otherwise be available to those Census tracts with the lowest incomes to the tracts with the higher incomes. Such a result

[11] This ratio involves placing the mean income of the quintile for the Census tract in the numerator and the mean income of the same quintile for the City as a whole in the denominator. If the two numbers are equal, the ratio is 1.0. If the mean income in the Census tract is lower than that of the City as a whole, the ratio is less than 1.0.
[12] For the lowest income quintile, the Census did not report data for five of the City's 362 Census tracts.
[13] This statement considers only income differences. Accordingly, usage is assumed to be held constant.

does not fulfill the objective of providing affordable water service to low-income residents of Philadelphia, let alone providing affordability assistance based on the "actual income" of customers.

The conclusion must be that both the PUMA and the Census tract analysis confirm that the use of a discount based on city-wide average income is wholly inappropriate. The divergence of income below the city average shows that the Department's proposed discounts would result in continuing to provide unaffordable bills to a huge proportion of the low-income residents of the City.

Q. WHAT DO YOU CONCLUDE BASED ON THIS DATA AND ANALYSIS?

A. I conclude that it is not possible to conform the IWRAP model proposed by the Department in the testimony of Mr. Davis to the City Council mandate that the affordability goals are to be calculated using "*the household's* income" and are to be "based upon *each Customer's actual income*." (Chapter 1600, Section 19-1605(3)(a)) (emphasis added).

Q. HAVE YOU RECENTLY WORKED ON ANY PROGRAM SIMILAR TO THAT WHICH HAS BEEN PROPOSED BY THE DEPARTMENT?

A. Yes. In Docket M-2012-2290911 before the Pennsylvania Public Utility Commission (PUC), PECO Energy, the electric utility serving Philadelphia, engaged in a collaborative mediation process to consider the reasonableness of its then-existing tiered rate discount. The PECO affordability program was structured in the same way that the Department

now proposes to structure its IWRAP program. At the end of the mediated process, PECO, the state Office of Consumer Advocate (OCA),[14] and the low-income stakeholders, all agreed that PECO would replace its tiered rate discount with a percentage of income program. In its "Statement in Support" of the proposed Settlement, PECO told the PUC that it "expects to see significant improvements in affordability, both for breadth of unaffordability (percentage of customers who receive unaffordable bills) and depth of unaffordability (amount by which an unaffordable customer misses the affordability target)." The PECO data, which I have set forth in Schedule RDC-6, confirmed these observations.

Adopting a percentage of income program based on customers' actual incomes reduced the incidence of unaffordability for low-income PECO customers from 34% to 12% for non-heating customers, and reduced the incidence of unaffordability from 28% to 10% for PECO's heating customers. Moving to setting affordability on customers' actual income also improved the depth of unaffordability. PECO correctly notes that the program could not achieve 100% affordability because of the minimum payment requirements imposed on program participants.

The proposal by the Department in this proceeding to adopt the same tiered discount structure that PECO just rejected is substantively unreasonable. The Department's proposal would result in the same problems of breadth and depth of unaffordability that PECO chose to move away from. In developing its tiered discount proposal, the

[14] Like the Public Advocate in this proceeding, OCA represents all residential ratepayers in proceedings before the PUC.

Department did not seek to determine either the continuing breadth or depth of unaffordability subsequent to adoption of its program design. (PA-RDC-61(j) and PA-RDC-61(k)).

Q. IS THERE ANY FINAL PROBLEM YOU HAVE EXAMINED WITH RESPECT TO THE DEPARTMENT'S PROPOSED NON-INCOME-BASED TIERED RATE DISCOUNT APPROACH?

A. Yes. The IWRAP discount proposal that the Department advances seeks to tie the proposed discounts more closely to customer usage by overlaying an additional system of tiers based on whether the customer's usage is "low," "medium" or "high." In calculating costs, Mr. Davis assumed a "medium" consumption of five (5) CCF per month. In contrast, Mr. Davis assumed a "high" consumption of eleven (11) CCF per month, or more than twice the medium consumption. Davis assumed that 25% of all customers in each income tier fall into this range of consumption that is more than twice as high as the "medium" usage. The numbers Mr. Davis uses are completely artificial. For example, while Davis assumes that 25% of IWRAP program participants will use 11 CCF of water per month (PA-RDC-60), the Department has previously reported that "nearly 90% of residential customers are billed for 10 ccf or less per month." The data used by Davis, in other words, is not even consistent with the Department's own data. (See also, PA-RDC-5).

(2) Additional Payment for Pre-Program Arrears.

Q. PLEASE DESCRIBE THE SECOND IWRAP PROGRAM STRUCTURE ISSUE YOU HAVE EXAMINED.

A. In this section of my testimony, I consider the Department's proposed handling of pre-existing arrearages. In most bill affordability programs with which I have worked, the program design incorporates not only a structure directed toward making bills for current service affordable, but also a structure directed toward ensuring that the *total* bill for service is not made unaffordable through the inclusion of payments toward arrears incurred in the time before affordability is pursued. From an affordability perspective, it makes little sense to make the bill for current service affordable if the overall payment for the total bill required of low-income customers remains unaffordable due to a payment obligation toward a pre-existing arrearage.

Q. PLEASE DESCRIBE THE CITY COUNCIL'S LANGUAGE IN THE IWRAP ORDINANCE UPON WHICH YOU RELY IN REACHING CONCLUSIONS ABOUT THE TREATMENT OF PREPROGRAM ARREARAGES.

A. Under a section titled "total bill," the City Council legislation provides quite explicitly that "low-income customers who are enrolled in IWRAP shall be required to make *no additional payment* in respect to any pre-IWRAP arrears to maintain service." (Chapter 1600, Section 19-1605(3)(h) (emphasis added).

Q. PLEASE DESCRIBE THE TREATMENT OF PRE-PROGRAM ARREARS EMBEDDED IN THE DEPARTMENT'S PROGRAM STRUCTURE.

A. While not described in the text of the testimony of Mr. Davis presenting the Department's proposed IWRAP program design, the treatment of pre-program arrearages is embedded in the cost analysis developed by Mr. Davis. (PA-RDC-60). The Department proposes that IWRAP participants each make a monthly payment toward their pre-program arrears. According to Davis:

- Customers with incomes at or below 100% of Federal Poverty Level, would be required to make a $5 monthly payment toward their pre-existing arrears;
- Customers with incomes between 100% and 150% of Federal Poverty Level would be required to make a $25 monthly payment toward their pre-existing arrears;
- Customers with incomes between 150% and 200% of Poverty would be required to make a $30 monthly payment toward pre-existing arrears;
- Customers with incomes between 200% and 250% of Poverty would be required to make a $60 payment toward their pre-existing arrears.

(PA-RDC-60). The proposed payments toward pre-program arrears included in the Department's IWRAP design represent a substantial bill increase for IWRAP participants. Schedule RDC-7 sets forth an analysis of the impacts of the "arrears contributions" proposed by the Department as part of its IWRAP program design. Schedule RDC-7 shows that:

- The "arrears contribution" represents a percentage ranging from nearly 20% to more than 70% of the *discounted current bill* standing alone.
- When viewed somewhat differently, the "arrears contribution" represents from roughly 15% to more than 44% of the *discounted total bill* (current bill plus arrears contribution).

The "arrears contribution" is, in other words, an add back to the discounted water bill provided through the IWRAP program. The arrears contribution substantially detracts from the discounts toward the current bill that are otherwise provided through the IWRAP program.

These substantive program design problems with the treatment of pre-existing arrears proposed by the Department are in addition to the issue presented by the fact that the Department seeks to impose additional payments toward pre-IWRAP arrears even though the City Council's legislation explicitly states that "low-income customers who are enrolled in IWRAP shall be required to make *no additional payment* in respect to any pre-IWRAP arrears. . ."

Q. HAVE YOU HAD AN OPPORTUNITY TO CONSIDER THE IMPACT OF THE ARREARAGE FORGIVENESS PROVISION ON THE POTENTIAL COLLECTION OF REVENUE?

A. Yes. The cost of an arrearage forgiveness program does not represent 100% of outstanding arrears not covered by program participant payments towards pre-existing arrears. The question presented is to what extent, if at all, will PWD fail to collect revenue from the dollar amounts represented by pre-existing arrears even in the absence of IWRAP. If PWD has already projected that these billed dollars will not be collected, the lost revenue from that lack of collection is already embedded in rates. If the lost revenue from pre-existing arrearages is already embedded in rates, recognition of that lost revenue through arrearage forgiveness does not create new costs.

PWD presents a set of collectability factors which varies based on the age of arrears. Since these collectability factors represent the dollars of revenue PWD expects to receive, if one subtracts those collectability factors from 100% of the billing, it is possible to determine the amount of billing PWD does *not* expect to receive, even in the absence of IWRAP.[15] The amount of billing that PWD already does not expect to receive, even in the absence of IWRAP, represents the embedded lost revenue.

I have distributed PWD's arrears over its aging buckets based on the aging reports that PWD provided. (PA-RDC-4). I then apply the collectability factors that PWD, itself, developed against each aging bucket. I finally divide the dollars of revenue PWD expects to receive by the dollars of billing outstanding in arrears. I find that application of the Department's own collectability factors (by aging of arrears) shows that the Department expects to collect only one-fourth of its total arrears (26.77%). More than 73% of the Department's arrears, in other words, already comprise lost revenue embedded in the Department's financial projections for this rate case.[16]

My conclusion is that an arrearage forgiveness program will not represent a substantial amount of lost revenue to PWD that is above and beyond the lost revenue already embedded in PWD rates.

(3) Design and Operation of Arrearage Forgiveness.

[15] Billed revenue minus revenue expected to be received = revenue not expected to be received.
[16] See, PA-RDC-6, referencing Report 4: Customer Category Payment Pattern Summary Report. See also, PA-RDC-81(d).

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I discuss the way to structure and operate an arrearage forgiveness program. The IWRAP legislation provides that "Earned forgiveness of arrearages shall be available under such terms and conditions as are adopted by regulation." (Chapter 1600, Section 19-1605(3)(h.2)). The Department's proposal fails to address this earned forgiveness requirement.

Q. PLEASE DESCRIBE THE ESSENTIAL ELEMENTS OF AN ARREARAGE FORGIVENESS PROGRAM.

A. There are two essential elements to an arrearage forgiveness program: (1) over what period of time will pre-existing arrearages be forgiven; and (2) on what condition(s) will pre-existing arrearages be forgiven. I will address each of these elements in turn below.

Q. PLEASE EXPLAIN YOUR RECOMMENDATION ON THE PERIOD OF TIME OVER WHICH ARREARAGES SHOULD BE FORGIVEN.

A. I recommend that pre-existing arrearages be forgiven over a two-year period. There is a financial reason, as well as a substantive program-related reason, for this recommendation.

From a program perspective, pre-existing arrearages should be forgiven over a period of time that falls within the planning horizon of a low-income program participant. One purpose of providing bill credits against pre-existing arrearages is not simply to allow

those arrearages to be retired, but to allow the customer to *see* those arrearages being retired in a meaningful time and at a meaningful rate. As a customer is provided the opportunity to pay an affordable amount for his or her bill for current service, the customer will also see the meaningful decrease of the account balance incurred during the time in which bills were not affordable. My experience with low-income affordability programs is that arrearage forgiveness periods that extend beyond two years have the effect of extending beyond a customer's planning horizon, largely impeding one important purpose of the program, which is to incent a regular payment pattern.

From a financial perspective, concentrating the forgiveness of pre-existing arrearages in the first two years takes advantage of the lower costs of carrying these dollars. It also allows the Department to take these pre-existing arrearages off-the-books more quickly, so that they can be recognized as cash in the budget.[17]

Q. PLEASE DESCRIBE THE CONDITIONS UNDER WHICH YOU RECOMMEND THAT FORGIVENESS FOR PRE-EXISTING ARREARAGES SHOULD BE GRANTED.

A. Arrears credits should be earned as bills for current service are paid over time. As data from the New Jersey Universal Service Fund (USF) program and Pennsylvania PUC's Customer Assistance Programs (CAPs) shows, it is reasonable to expect program participants to pay 90% or more of their bills over an annual basis. We must recognize that while that will be the *annual* result, low-income customers may miss an occasional

[17] Arrears subject to forgiveness do not just disappear. They are spread as costs over remaining rates. Rather than being carried as arrears, and to a large degree ultimately written-off, they appear as cash payments by non-program participants.

payment and then make that payment up the next month. The important lessons to be teaching are two-fold. First, it is important to make *some* payment even if the customer cannot make the *entire* payment. If the customer cannot pay an entire $60 bill, he or she should make the $40 payment they *can* make, so that the first $20 in the next month gets them their arrearage credit. Second, it is important to continue making regular payments even if those payments do not always cover the entire current month's bill. Both of these lessons are directed toward communicating and understanding the importance for a customer to avoid falling into a hole and becoming stuck there. Failing to recognize the low-income customer who gets behind, and then catches up, impedes rather than furthers accomplishing the objectives of IWRAP.

In sum, allowing credits for pre-existing arrearages to be granted when bill payments are made, even if such bill payments are made in cure of a previously missed payment, has not merely a policy and programmatic basis, but an empirical basis as well.

(4) Arrearage Forgiveness for Above-150% of Poverty.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I consider what mechanism would be appropriate to address pre-IWRAP arrears for households with annual income exceeding 150% of the Federal Poverty Level, but below the maximum IWRAP income of 250% of FPL.

Q. PLEASE COMMENT ON THE OFFER OF ARREARAGE FORGIVENESS TO CUSTOMERS WITH INCOME EXCEEDING 150% OF THE FEDERAL POVERTY LEVEL.

A. I recommend that PWD customers with income greater than 150% of Poverty but equal to or less than 250% of Poverty Level, be required to pay four percent (4%) of their income toward their PWD bill should such customers seek forgiveness of pre-existing arrearages. To the extent that the 4% customer payment exceeds the customer's actual bill, that payment should be applied against the customer's pre-existing arrearage. To the extent that this 4% payment does not cover the entire pre-existing arrearage, the remaining balance of the customer's pre-existing arrearage shall be forgiven under similar terms to other IWRAP participants (e.g., monthly, in 1/24th increments, etc.). To the extent that customers with income greater than 150% of Poverty but less than 250% of Poverty do not have pre-existing arrearages, they would pay their bill calculated at standard residential rates.

I recommend this approach because the approach is consistent both with the City Council's directive that arrearage payments for these customers be determined within an affordability constraint (Chapter 1600, Section 19-1605.3(h.2), and the City Council directive that "any amount paid for a monthly IWRAP bill in excess of the customer's current water liabilities shall reduce the balance of his or her arrears." (Chapter 1600, Section 19-1605.3(e)).

B. IWRAP Program Decisions Assigned to the Board.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I consider certain IWRAP program design elements that the City Council legislation assigned to the discretion of the Board. I make recommendations on how those design elements should be structured. More specifically, in this section of my testimony, I consider the percentage of income that the Philadelphia IWRAP program should define to be "affordable" for customers with household income at or below 150% of the federal poverty level. The City Council's legislation states that "monthly IWRAP bills shall be affordable for low-income households based on a percentage of the household's income. . .The percentage of income limitations to be imposed on each level by the first sentence shall be determined by the Water, Sewer and Storm Water Rate Board, which also shall have the discretion to establish more, but not fewer, Low-Income tiers." (Chapter 1600, Section 19-605(3(a)).

Q. DO YOU RECOMMEND THAT THE BOARD ESTABLISH AN INCREASED NUMBER OF "LOW-INCOME" TIERS FOR THE IWRAP PROGRAM?

A. Assuming that the Board adopts a program design in compliance with the City Council's dictate that affordability in the *Income-based* WRAP (IWRAP) is "based on a percentage of *the household's* income," rather than on some average income for a hypothetical household that does not exist in reality; and assuming further that the Board adopts a program design in compliance with the City Council's dictate that the "bill calculation mechanism [shall be] based on *each Customer's actual income*," there is, in my experience, no need for more than three low-income tiers at or below 150% of Poverty

Level. However, should the Department's non-income-based tiered discount program design continue to be the basis of the IWRAP design, I recommend that the Department move to the same number of tiers that PECO eventually adopted (before it gave up on its tiered discount design in its entirety). PECO had adopted an affordability program based on six tiers. PECO's decision to increase the number of tiers over the years, before abandoning the tiered discount approach completely, was in recognition of the fact that low-income tiers that are defined in 50% increments are too wide for the utility to regularly achieve an affordable bill.

In sum, a three tier structure is adequate and appropriate so long as the overall program design complies with the City Council mandate that bills be based on a percentage of "the household's" income and that the bills calculated be based "on each Customer's actual income." A six tier structure offers improved targeting relative to a three tier structure assuming a tiered discount approach is used. What a six tier structure can*not* accomplish, however, is to comply with the City Council's legislation mandating that affordability assistance be provided using "the household's income" and that affordability assistance be calculated using "actual household income."

Q. HAVE YOU UNDERTAKEN ANY STUDY ON WHAT PERCENTAGE OF INCOME BURDEN SHOULD BE SET AS AN "AFFORDABLE" BILL?

A. Yes. My work for the Detroit Water and Sewer Department (DWSD) in 2005/2006 found that a water/wastewater burden of 2% is a generally recognized affordability

standard. I published a discussion of my water affordability standard research in my firm's March/April 2005 newsletter.[18]

Q. WHAT PERCENTAGE OF INCOME BURDENS DOES THE DEPARTMENT PROPOSE FOR THE IWRAP PROGRAM?

A. The Department offers conflicting information on the percentage of income burdens it proposes to use. In the February hearing before the Board, PWD witness Davis stated "generally, I think the target is set by counsel for tier one is 2 percent of income; for tier 2 it was 3 percent of income; and for tier 3 it was 4 percent of income." (Tr. 2/22/16, at 105:15-19). In fact, however, the percentage burdens used by Mr. Davis in the model he used to develop program costs involved 4% for households at 0 – 50% of Poverty; 3% for households at 50 – 100% of Poverty; and 4% for households at 100 – 150% of Poverty. (PA-RDC-60).[19] Even not taking into account the proposed participant payments toward arrears, the burdens used by Mr. Davis did not approach the 2%/3%/4% levels that he mentioned in the February hearing.

Q. WHAT DO YOU RECOMMEND FOR IWRAP?

A. I begin with the recognition that the City Council has expressed its intent to have a tiered affordability burden for IWRAP. Quite aside from what City Council indicates in its IWRAP ordinance, I have long supported the conclusion that a program design which

[18] FSC's Law and Economics Insights (March/April 2005). "Defining 'Affordable' Water Rates for Low-Income Affordability Programs."

[19] When the City Council decided that there should be no fewer than three tiers for affordability, it presumably intended that the affordability determination for each tier would be *different*. Having three tiers using the same 4% burden would not seem to be consistent with the ordinance. It is not clear why the percentage of income burden used by Mr. Davis is lower for the middle tier than for either the bottom or top tiers.

sets different affordability standards for different income tiers is substantively reasonable as a matter of affordability policy and program ease of administration. Moreover, it is universally recognized that burdens for households at lower income levels must be lower than burdens considered to be affordable at a median income level. A burden considered to be affordable at median income would, by universal acceptance in the industry, be unaffordable for low-income households.

Accordingly, I recommend that, pursuant to the City Council legislation stating that the Board should set the affordability standard(s), the IWRAP affordability burdens be set at 2% for households with income at or below 50% of Poverty; 2.5% for households with income between 50% and 100% of Poverty; and 3% for households with income between 100% and 150% of Poverty.[20]

Part 2. IWRAP Cost Recovery.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I consider the Department's proposed cost recovery for IWRAP. In turn, the proposed cost recovery will consist of three elements: (1) costs/expenses; (2) revenues; and (3) the cost recovery mechanism.

A. Cost of IWRAP Discounts.

Q. HAVE YOU DEVELOPED A COST-RECOVERY PROPOSAL FOR IWRAP?

[20] These burdens are also consistent with international standards applicable to a combined water and wastewater burdens. See, United Nations Development Program, Beyond Scarcity: Power, Poverty and the Global Water Crisis, at 97 (3% affordable standard appropriate).

A. Yes. I propose that the Department include $13.002 million in base rates for the operation and administration of a percentage of income-based IWRAP program. Since PWD already includes $4.000 million in rates for existing low-income programs (Testimony of Dahme and Williams, Exhibit JD-2) that would be subsumed by IWRAP, the net increase in rates attributable to IWRAP would be $9.002 million. This cost includes both the cost of current bill discounts and the cost of arrearage forgiveness.

The derivation of this figure is set forth in Schedule RDC-8. In calculating this estimate, I use the percentage of income affordability parameters I discuss above:

- 2% for 0 – 50% of Poverty;
- 2.5% for 51 – 100% of Poverty; and
- 3.0% for 101 -150% of Poverty.

The arrearage forgiveness program for customers at or above 150% of Federal Poverty Level does not add an incremental cost to the program.

B. Program Participation Rate.

Q. WHAT PROGRAM PARTICIPATION RATE DO YOU USE IN YOUR COST CALCULATION?

A. In calculating the program costs I present above, I use the program participation figure (31,000 participants) prepared for the Philadelphia Water Department by RFC using Philadelphia Gas Works' (PGW's) participation rates as the touchstone for the participation in a PWD program. I further accept the mid-range bill used for the

Department by RFC in calculating program costs ($67.78/month).[21] I finally accept the PWD's estimate of the dollars of benefits from existing low-income programs[22] that would be subsumed into the IWRAP program.[23] I do *not* net any matching Utility Emergency Services Fund (UESF) local "crisis fund" grants against the cost of the IWRAP program.

Q. PLEASE EXPLAIN THE BASIS FOR YOUR ESTIMATED PARTICIPATION RATE.

A. PWD currently operates a low-income assistance program, with 21,112 low-income customers currently participating in that program. To introduce an element of conservatism into an IWRAP program participation figure, I have assumed that the more extensive benefits of IWRAP will generate an increased participation rate consistent with PGW's participation. I thus increase the estimated participation rate using the PGW figures that PWD, itself, provided. This estimated participation of 31,000 low-income customers represents a participation rate of roughly 55% of eligible customers (using PWD's estimate of the number of eligible customers) (31,000 / 56,156 = 0.552). A 55% participation rate is somewhat higher than normal, but is generally consistent with participation rates in bill affordability programs with which I have had experience.

[21] Response to PA-RDC-60. I recognize that PWD estimated that there would be a certain percentage of "high users" and a certain percentage of "low users." These high and low users, however, in the PWD model, cancel each other out.
[22] Existing SPA, Existing WRAP (non-WRBCC); Existing WRAP (WRBCC).
[23] To the extent that benefits from existing programs are subsumed by IWRAP, those benefits would not be incremental lost revenue to the utility. They are instead already reflected in PWD rates.

While I recognize that Mr. Davis asserts a belief that the program participation rate will be higher than 55%, he has no experience and no knowledge upon which to base this assertion. Mr. Davis not only did not ***present*** any information in support of a higher participation rate than the participation rate generally experienced in other jurisdictions, he does not ***possess*** any information that he could present in support of such a higher participation rate. He said that for him to develop any such information would require "extensive research."[24] Nor could Mr. Davis provide a list of any other water utility operating an affordability program that experienced a participation rate that equaled the participation rate he assumes for his cost calculation for IWRAP. (PA-RDC-67).[25]

In contrast, in Schedule RDC-9, I present the participation rates for Pennsylvania CAP programs (the state equivalent of the IWRAP program) for the past four years. Each year, Pennsylvania's gas and electric utilities report this data to the Pennsylvania PUC's Bureau of Consumer Services (BCS). The participation rate I estimate for PWD's IWRAP is higher than the participation reported for every Pennsylvania gas and electric utility. The utilities with participation rates closest to that which I estimate for PWD are Philadelphia Gas Works (PGW) (34%), PECO gas (35%), and PECO electric (37%).

[24] See e.g., PA-RDC-113; PA-RDC-114; PA-RDC-115; PA-RDC-116; PA-RDC-117; PA-RDC-118; PA-RDC-119; PA-RDC-120; PA-RDC-121; PA-RDC-122; PA-RDC-123; PA-RDC-124.

[25] Davis testified that he set a participation rate that would project lost revenues "at a level that would cover 80% of forecast outcomes." (Davis, at 5). He stated that his estimate was such that the costs would not be "detrimental to the financial stability of the utility." (Davis, at 3). When asked, however, for any quantitative indicators that the Department could or has used to "objectively determine the level at which program costs become 'detrimental to the financial stability of the utility,'" Davis could provide nothing. (PA-RDC-42(a)). Nor could he provide any examples in which such indicators were applied to a utility other than PWD. (PA-RDC-42(b) – (c)).

C. Administrative Costs.

Q. PLEASE EXPLAIN YOUR ESTIMATED ADMINISTRATIVE COSTS.

A. I estimate an incremental administrative cost of roughly $900,000 a year for the IWRAP program ($879,545). I have established a ceiling on total administrative costs (existing plus incremental) of 10% for the program. This administrative cost is substantially less than the ongoing administrative costs which Mr. Davis estimates for the IWRAP program. Mr. Davis proposes an incremental administrative cost of more than 17% for IWRAP ($2.808 million in new administrative costs against program benefits of $16,300,000). Mr. Davis estimates that IWRAP would require an *additional* 24.5 PWD staffpersons above and beyond those staffpersons currently devoted to implementing the Department's existing low-income programs.[26] In addition, Mr. Davis includes a 25% "implementation contingency" to be included in the administrative costs.

Q. HOW DO THE ADMINISTRATIVE TASKS OF A PERCENTAGE OF INCOME IWRAP PROGRAM COMPARE TO THE ADMINISTRATIVE TASKS OF EXISTING PWD LOW-INCOME PROGRAMS?

A. The addition of staff estimated by Mr. Davis is patently unreasonable given the relative nature of intake and enrollment under IWRAP compared to existing PWD low-income programs. It strains credulity to believe that the Department will need to retain its entire existing staff working on the low-income WRAP program and, in addition, hire an additional 24½ new staffpersons to administer the IWRAP program. The Department concedes that it does not now even record or track, on either a per-applicant basis or on an aggregated annual basis, the number of person-hours its staff annually devotes to the

[26] 2.5 IT persons, 16 customer service representatives, 2 supervisors, 4 data clerks. (PA-RDC-51).

WRAP intake process. (PA-RDC-95). Nor does the Department track, on either a per-applicant basis or on an aggregated annual basis, the number of person-hours its staff devotes to the existing process of communicating with WRAP participants. (PA-RDC-96). When communicating with other utilities having a low-income bill assistance program for purposes of preparing the management report, the Department did not request information from those utilities on the estimated number of person-hours devoted annually to ongoing program administration, or the estimated person-hours devoted annually for ongoing IT support for the low-income program. (PA-RDC-97 and PA-RDC-98).

Q. IS THERE REASON TO BELIEVE THAT THE DEPARTMENT WOULD NOT NEED TO RETAIN ITS ENTIRE EXISTING STAFF PLUS HIRE NEW STAFF TO ADMINISTER AN IWRAP?

A. Yes. The Department's Management Audit (Exhibit HL-2), for example, reported as follows under a Section titled "limiting redundancy":

> After careful review and analysis of the customer service processes within the Revenue Department, in WRB and in payment processing functions, RFC identified several opportunities for improved efficiency and effectiveness. Foremost, the division of labor between different departments, and between individuals within the same department, results in a great amount of redundancy in many customer service processes. The best example of this is found within WRAP application processing where different individuals open mail, file applications, determine eligibility and log applications, develop customer communication text, and type letters to the customer. Each step in the process requires the individual to review the work performed by the last person, perform his or her specific duty, and transfer the file or information to the next individual.

(Exhibit HL-2, at 79 – 80). The Management Audit continued on to state:

> WRB also has almost an entirely duplicated paper-based process. Nearly all incoming and outgoing customer communication is paper-based, and this information is all either entered into or reported from one of the many databases or electronic systems in use. RFC strongly recommends creating a digital method for customers to interact with and communicate with the City. One example may be an online WRAP application interface, where appropriate and complete data is collected, organized, and transferred to WRB seamlessly.
>
> Along those same lines, different groups and departments often communicate via inter-office paper mail. During interviews and observations, RFC noticed paper documentation being transferred between departments to convey work orders, adjustment requests, lists of purchased/transferred properties, proof of bill payment, and other pieces of information that are all stored digitally.

(Exhibit HL-2, at 80). The Management Audit reported:

> While observing WRAP processing, RFC noted that there is not a high degree of standardization in determining eligibility for the program. As part of the process, customer service representatives look up income thresholds, calculate income, apply adjustments and take into account other considerations outside of existing software programs. Individual steps in this process could be standardized through fairly simply tools.

(Exhibit HL-2, at 82). The Management Audit finally stated:

> [T]he City should establish electronic application processing capabilities, which would greatly reduce processing time and better ensure application completeness. The City should develop a standard procedure or model for calculating agreement payments to increase consistency, and develop a more robust electronic application log in and referencing system to make the search and location of applications more efficient and transparent.
>
> In this process, staff trained on the process more broadly could greatly reduce the processing layers (division of labor) and consolidate steps so that each staff reviewing applications can process an application from start to finish. This would streamline the process and improve efficiency and accountability.

(Exhibit HL-2, at 84). This computerization and standardization is *precisely* the impact that adopting the computerized percentage of income-based IWRAP program would

generate. The testimony of Mr. Davis, who has no independent personal knowledge of how to administer a low-income affordability program, regarding what staff is required for such a program, or what costs the administration of such a program might entail (PA-RDC-115 through PA-RDC-124), is simply not credible when he asserts that adoption of the computerized, standardized IWRAP would require PWD not only to maintain all of its existing staff, but to hire 24½ *additional* staff, to handle IWRAP program participants. That conclusion is not even supported by the Department's own Management Audit.

Q. PLEASE DESCRIBE WHAT PERSONAL AND/OR PROFESSIONAL KNOWLEDGE THE DEPARTMENT AND/OR MR. DAVIS BROUGHT TO BEAR ON ESTIMATING THE ADMINISTRATIVE BURDEN OF IMPLEMENTING A BILL AFFORDABILITY PROGRAM.

A. Mr. Davis made no effort to explain what tasks would need to be done by the additional 24½ PWD staffpersons that could or would not otherwise be done by staffpersons that administer the existing PWD low-income programs. He has no experience or information upon which he can rely. Mr. Davis does not even *possess* any information that he could present in support of such a higher administrative cost. He said that for him to develop any such information would require "extensive research."[27]

Moreover, in seeking information on affordability programs in its review of "peer" programs, PWD did not request information regarding the costs of the ongoing

[27] When asked in numerous ways for information that he might have on administrative costs, both the Department generally, and Mr. Davis in particular, disclaimed having any personal knowledge, or even any information within their possession. (See, e.g., PA-RDC-113; PA-RDC-114; PA-RDC-115; PA-RDC-116; PA-RDC-117; PA-RDC-118; PA-RDC-119; PA-RDC-120; PA-RDC-121; PA-RDC-122; PA-RDC-123; PA-RDC-124).

administration of a low-income bill affordability program, including administrative costs as a percentage of total program costs, administrative cost per unit of water billed, or absolute dollar amounts of administrative costs. (PA-RDC-77). Nor did PWD, in this peer review, seek information on the required staff resources, either in terms of Full-Time Equivalent (FTE) staff positions or person-years of effort. (PA-RDC-78 and PA-RDC-80).

Mr. Davis acknowledges that each of the programs on which RFC purports to have assisted included "some level of review of ongoing administration costs." (PA-RDC-44). He did not concede until later that he had no knowledge of what those reviews examined, or found, or recommended. (PA-RDC-114(i) and (j) through PA-RDC-124(i) and (j)).[28] Indeed, Mr. Davis did not even have knowledge of the name of the staffperson who was responsible for administering any of the cited programs. (PA-RDC-114(a) through PA-RDC-124(a)).

Q. PLEASE COMPARE THE 17% INCREMENTAL ADMINISTRATIVE COST PROPOSED BY PWD TO THE COST OF ADMINISTERING OTHER PERCENTAGE OF INCOME BASED BILL AFFORDABILITY PROGRAMS.

A. The 17% *incremental* administrative cost far exceeds the *total* cost of administering any other percentage of income based low-income bill affordability program that I have seen. In Schedule RDC-10 (page 1 of 2), for example, I present the administrative costs of the various Pennsylvania gas and electric CAP programs for the past four years. As can be

[28] Though Mr. Davis asserted that each program included "some level of review of ongoing administrative costs," he could not provide any information on what that "some level" of review was or whether administrative costs found in that "some level" of review were considered to be significant.

seen, the total administrative costs for Pennsylvania's CAP programs can reach as high as 10% or 11%, but even that does not routinely occur. Most administrative cost rates are noticeably lower than 10%. Remember, too, that these administrative costs were total administrative costs. In contrast, Mr. Davis proposes that PWD keep all of it existing costs *plus* add an *additional* 17% in new costs.

In contrast, in Schedule RDC-10 (page 2 of 2), I present the annual administrative costs needed to operate the percentage of income payment plan (PIPP) for Ohio's electric utilities.[29] As this data shows, the Ohio PIPP is operated on an administrative budget of between two percent (2%) and four percent (4%) a year. In the last six years, the *highest* annual administrative expense was less than $500,000 ($487,373) and less than 4% of total program costs.

Q. PLEASE EXPLAIN THE TERM "INCREMENTAL ADMINISTRATIVE COST" YOU USE IN YOUR RESPONSE IMMEDIATELY ABOVE.

A. It is important to remember that what PWD is proposing is not to spend a *total* of 17% of program costs on administering the IWRAP program. The 17% represents the *additional* costs that PWD seeks to recover for administration. In addition to this 17%, PWD proposes to continue to collect all of the administrative costs it already incurs to administer the existing low-income programs serving current WRAP participants. Those existing low-income programs will be subsumed by the new IWRAP program. Mr. Davis confirmed that each of the 22 (non-IT) positions he identifies "are all new,

[29] Ohio is generally recognized as having the oldest percentage of income based utility bill affordability program in the nation.

incremental staff additions to WRB that would not be staff positions at WRB in the absence of the Affordability Program." (PA-RDC-53).

Mr. Davis could provide no documents, including internal workpapers or correspondence, generated in the development of the ongoing costs of the Affordability Program. (PA-RDC-54). However, in explaining how PWD calculated the need for 22 new (non-IT) positions to administer IWRAP, the Department explained "for the 22 positions that we were projecting for WRB, it's going with amounts of pieces of paper that we would anticipate perhaps receiving based on what we get right now. So right now, that unit deals in like 12,000 pieces of paper. If we went with that assumption of 50,000. . .then we did the calculations based on that. So, that's what got us to our staffing." (TR. 02-22-16, at p. 206).[30] The calculation of incremental staff, in other words, did not take into a consideration *any* of the efficiencies that will arise for IWRAP given that IWRAP will be computerized. It assumes the same inefficiencies for IWRAP that exist in the current low-income program as identified in the Department's own Management Report.

Q. PLEASE COMMENT ON THE PROPOSAL TO KEEP ALL EXISTING STAFF AND COSTS TO ADMINISTER IWRAP.

[30] The Department, however, did not explain why it would more than quadruple (from 12,000 to 50,000) the pieces of paper that it would generate because of IWRAP. This inability is inexplicable given that for the existing low-income assistance program, many households must not only verify income, but must submit household expenses as well. (PA-RDC-90 – PA-RDC-93). For some of those household expenses, the household must not only submit a claim for such expenses to be taken into account, but must submit "recent bills to affirm or verify" those expenses. (PA-RDC-93). As discussed above in the Management Audit, all of this is done by paper; none of it is computerized.

A. The failure to account for existing staff, and the existing staff resources devoted to existing low-income programs, is a major flaw in the "analysis" of the incremental costs of ongoing program administration. The Department's own Management Report (Exhibit HL-2 attached to Locklear's testimony) indicated that substantial administrative efficiencies could be achieved through adoption of "a digital method for customers to interact with and communicate with the City." (PA-RDC-82). The Management Report further reported that substantial administrative efficiencies could be achieved through implementing a "workflow management system and an electronic management system to better manage files and information being transferred among individuals, units, and departments." (PA-RDC-83). Both of these recommendations primarily related to WRAP, the program to be replaced by the IWRAP Program. (PA-RDC-82 and PA-RDC-83). Despite the fact that exactly the systems recommended by the Management Report will or should be adopted as part of the new IWRAP program, the Department claims that it needs all of the pre-existing administrative personnel and administrative costs *plus* an additional 24.5 staff positions.

Q. WHAT ROLE MIGHT OUT-SOURCING INTAKE AND ENROLLMENT FUNCTIONS PLAY IN CONTROLLING ADMINISTRATIVE COSTS?

A. Out-sourcing intake and enrollment functions for IWRAP is a mechanism that would help PWD control its administrative costs. Out-sourcing was recommended by the Department's own Management Audit. The Audit stated: "The WRAP application process, as observed by RFC, could benefit from a number of alterations to improve efficiency. RFC suggests entirely or partially outsourcing qualification and

requalification to another agency that also provides social services based on set criteria." (Exhibit HL-2, at 84).

Since a utility is not designed to operate as an intake and enrollment center for means-tested affordability programs, and lacks the trained staff needed to engage in such intake and enrollment, the process of contracting the intake and enrollment process to third party community-based organizations is nearly universal in the utility industry. It is noteworthy that the Pennsylvania Public Utility Commission ***requires*** the involvement of community-based organizations in the administration of the various affordable CAP programs operated around the state. The PUC's CAP regulations provide in relevant part:

> (6) Administration. If feasible, the utility should include nonprofit community based organizations in the operation of the CAP. The utility should incorporate the following components into the CAP administration:
>
> (i) Outreach. Outreach may be conducted by nonprofit, community-based organizations and should be targeted to low income payment troubled customers. The utility should make automatic referrals to CAP when a low-income customer calls to make payment arrangements.
>
> (ii) Intake and verification. Income verification may be completed through a certification process that is satisfactory to the utility or certification through a government agency. Intake may also be conducted by those organizations and should include verification of the following: (A) Identification of the CAP applicant. (B) The annual household income. (C) The family size. (D) The ratepayer status. (E) The class of service — heating or nonheating.
>
> (iii) Calculation of payment. Calculation of the monthly CAP payment should be the responsibility of the utility. The utility may develop a payment chart so that the assisting community-

> based organizations may determine payment amounts during the intake interview.

(52 Pa. Code, Section 69.265). As I previously noted, the use of these community-based organizations as the doorway through which low-income customers may enter an affordability program has yielded administrative costs substantively lower than those estimated by PWD to perform such tasks in-house. While I do not propose that the Board *order* the Department to outsource its administration of IWRAP, the availability and efficiency of such a process is yet further reason not to approve PWD's proposal to maintain *all* of its existing administrative spending, *plus* add new and additional spending equal to 17% of program costs.

Q. WHAT DO YOU CONCLUDE?

A. The incremental administrative costs identified by PWD are substantively unreasonable. Those administrative costs have certainly not been supported by the Department's presentation in this proceeding. I recommend that *total* administrative costs for IWRAP, --total administrative costs would include those administrative costs that are currently used for the existing WRAP program *plus* any new administrative costs for IWRAP—be limited to no more than 10% of program benefits.

D. Start-Up Costs.

Q. PLEASE EXPLAIN WHY YOU DO NOT INCLUDE A SEPARATE COST RECOVERY FOR THE NET INCREMENTAL PROGRAM START-UP COSTS FOR IWRAP.

A. PWD should be allowed to include the start-up costs of IWRAP in rates to the extent that those costs are not otherwise subject to collection. My experience with the design and implementation of low-income affordability programs, however, indicates that there is no need for a separate recovery of the start-up costs. I reach this conclusion based on the fact that participation in the IWRAP program will not reach 100% of expected participation on Day One of the program. Instead, there will be a ramp-up period to full participation. During this ramp-up period, the full cost of program benefits will be collected but not expended. The resulting unexpended funds will represent a source of dollars to pay PWD for its incremental start-up costs without separately including those costs in rates.[31] Moreover, there is no need for separate recovery of start-up costs if, as is the case here, those costs are already embedded in rates.

Q. HAVE YOU EXAMINED THE REASONABLENESS OF THE START-UP COSTS ESTIMATED BY PWD WITNESS DAVIS?

A. Except as I otherwise discuss below, no. I find that there is no need to undertake such an additional review. Mr. Davis proposes to include a start-up cost of $1,125,000 a year for the first two years. Even if that cost is completely accurate, that level of front-end administrative costs would be reasonably absorbed by the ramp-up process that I describe immediately above even if not found to already be included in the Department's budget.

[31] This observation is even more relevant where, as here, the first year of rates will be 2017 while the first year of the affordability program will not be until one year later in 2018.

Q. DO YOU HAVE REASON TO BELIEVE THAT THE FRONT-END INFORMATION TECHNOLOGY COSTS ESTIMATED FOR IWRAP ARE NOT INCREMENTAL COSTS ATTRIBUTABLE TO IWRAP?

A. Yes. PWD's Management Audit (Exhibit HL-2) discusses a variety of Information Technology projects that are already a "high priority" for PWD. According to PWD witness Locklear, some of those "high priority" projects "primarily related to WRAP." (PA-RDC-82 and PA-RDC-83). These projects, in other words, are already in PWD's pipeline. According to the Management Audit, for example, "projects that are *already high priority* for WRB *should be completed* in order to ensure that Basis2 continues to be able to function at the highest level possible." (Exhibit HL-2, at 6) (emphasis added). The Management Audit continues to state later on that "RFC supports *the ongoing effort* to update functionality of Basis2 application to remove the need for a separate WRAP database. This process *is underway* as a result of a previous management study performed for the Bureau." (Exhibit HL-2, at 80) (emphasis added). These IT projects, in other words, are not completely new, but are sufficiently far enough in the process that the Department talks not about "pursuing" or "initiating" them, but rather about "completing" them; the Department's Management Audit specifically and explicitly notes that these projects are "underway" and that they represent an "ongoing effort."

More specifically, the Public Advocate *asked* the Department to "provide by Exhibit, Schedule and Line number all places where expenses are included in the current rate application for: (a) "Projects that are already high priority for WRB. . .in order to ensure that Basis2 continues to be able to function at the highest level possible"; (b) the "efforts

of WRB to upgrade the functionality of Basis2 to remove the need for a separate WRAP database"; (c) a "digital method for customers to interact with and communicate with the City"; and (d) The "implementation of a workflow management system and an electronic management system to better manage files and information being transferred among individuals, units and departments." The Water Revenue Bureau (Michelle Methel and Mark Harvey) referenced the 2016 budget detail at Book 1, Section 21, pages 23 – 30; pages 45 – 48; and pages 71 - -80. (PA-RDC-88).[32] In this response, the specific page and line citations are not as important as the simple acknowledgement that the expenses are already included in the 2016 budget quite aside from the implementation of IWRAP.

The fact that these costs are already in the 2016 budget is important because, when the Information Technology needed to implement IWRAP is undertaken, Locklear acknowledges that these pre-existing "high priority" projects relating to WRAP will no longer need to be implemented. (PA-RDC-84 and PA-RDC-85). Accordingly, the IT resources to be devoted to the IWRAP design and implementation do not represent *new* costs to PWD, but instead these IT resources appear to represent redeployed (or reassigned) costs from projects that were already in the budget. Since these IT costs are not new, incremental costs that would not have been incurred in the absence of IWRAP, but rather are costs that stand in lieu of costs that would have, in the absence of IWRAP, been devoted to existing "high priority" projects involving the existing low-income

[32] The availability of funding to pay for the start-up costs of IWRAP from the existing budget appears reasonable. The Department stated quite clearly that "there is no ongoing effort to update Basis2 application because subsequent to the release of the Management Audit, the City determined a new WRAP database was the more appropriate solution." (PA-RDC-105). Notwithstanding the fact that "there is no ongoing effort to update the Basis2 application," the Department has included more than $2.5 million in Basis2 consulting in its Fiscal Year budget. City of Philadelphia 2016 Operating Budget at Section 21, page 78.

affordability program (WRAP), there is no need to separately include these costs anew in the IWRAP budget for the Department. This observation is quite independent of my discussion of the ability to use the ramp-up timing difference of cost recovery. To the extent that IWRAP costs will simply replace WRAP costs that are already in the budget, but no longer need to be expended, there is no incremental IWRAP cost to be recovered.

Q. HOW DO YOU KNOW THAT THE EXISTING BUDGET FOR THE BASIS2 IMPROVEMENTS WAS FOR PWD'S EXISTING LOW-INCOME WRAP PROGRAM AND THAT THE IWRAP BUDGET FOR INFORMATION TECHNOLOGY IS NOT INCREMENTAL TO THAT EXISTING BUDGET?

A. I know that the existing Basis2 projects were primarily directed toward WRAP because, when asked to explain whether the recommended implementation of "a digital method for customers to interact with and communicate with the City" addresses programs and/or processes in addition to WRAP, the Department responded "The recommendation is primarily related to WRAP." Moreover, when asked to explain whether the recommended implementation of a "workflow management system and an electronic management system to better manage files and information being transferred among individuals, units, and departments" addresses programs and/or processes in addition to WRAP, the Department responded "The recommendation is primarily related to WRAP." (PA-RDC-83).

I know further that the IT start-up costs identified by Mr. Davis are not incremental because, when asked, the Department said so. The Department was asked to provide a

detailed explanation of whether the "five person-years of effort" to implement a water affordability program assumes the implementation or non-implementation of the existing Basis2 efforts. The Department said it assumed their non-implementation. (PA-RDC-84). The Department was further asked to provide a detailed explanation of whether the $2.8 million annual to cover two FTEs for IT support and 22 WRB positions for program administration for a low-income bill affordability program assumes the implementation or non-implementation of the existing Basis2 efforts. The Department said it assumed their non-implementation. (PA-RDC-85).

E. IWRAP Cost Offsets in Revenue and Expenses.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I explain the adjustments I make to PWD bills to ensure that PWD accurately portrays and characterizes the "lost revenue" that should be attributed to the IWRAP programs. In addition, I discuss a source of "offsets" that should be, but has not been, taken into account in assessing the costs of IWRAP to be collected through rates.

(1) Embedded Lost Revenues.

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU HAVE MADE IN YOUR PROGRAM COST ANALYSIS TO ENSURE THAT PWD ACCURATELY PORTRAYS AND CHARACTERIZES THE "LOST REVENUE" THAT SHOULD BE ATTRIBUTED TO THE LOW-INCOME PERCENTAGE OF INCOME-BASED IWRAP PROGRAM.

A. Whenever a public utility, whether it be PWD or another utility, adopts a low-income bill affordability program, there will, by definition, be some amount of discount offered to program participants tied to bills that would have been rendered at standard residential rates. The difference between the bill at standard residential rates and the discounted bill, however, does not constitute the "lost revenue" to the utility. The "lost revenue" to the utility is not the difference between *billings* and the discounted rate, but rather is the difference between *revenue* and the discounted rate. If, in other words, a utility is not fully collecting the bills that it is rendering in the first place, the fact that some portion of that bill is set aside as a discount does not represent lost revenue.

Q. TO WHAT EXTENT DOES PWD NOT COLLECT ALL OF THE REVENUE THAT IT BILLS?

A. PWD fails to collect the revenue that it bills to the extent that there are dollars that the Department ultimately writes off as uncollectible. PWD has calculated three different types of "billings collected." First, it determines the billings that have been collected at any point in time. Second, it determines the billings that have been collected in the same fiscal year. Third, it determines the billings that were collected within the same fiscal year plus one month. (PA-RDC-6). According to the Department, in the four most recent

fiscal years, the "Billings Collected (Ever)" ranged from 95.2% (2012); to 94.7% (2013); to 93.5% (2014); to 84.6% (2015). The three year average collection rate of 2012 through 2014 is 94.5%. (SI-58). Since PWD fails to collect 5.5% of its billings "ever," that portion of the billings to IWRAP participants cannot be assigned as lost income attributable to providing an IWRAP discount. Using the 5.5% figure, however, is not correct.

Q. DO YOU ACCOUNT FOR THE FACT THAT LOW-INCOME CUSTOMERS WILL GENERATE A HIGHER RATE OF NON-COLLECTION THAN RESIDENTIAL CUSTOMERS IN GENERAL?

A. Yes. Given the complete lack of information collected by PWD, I have turned to the information that is available for "confirmed low-income customers,"[33] as well as for residential customers as a whole, for Pennsylvania natural gas and electric utilities. The information is set forth in Schedule RDC-11. Schedule RDC-11 sets forth the ratio of the gross write-off rate for confirmed low-income customers to the gross write-off rate for residential customers as a whole for each Pennsylvania gas and electric utility for the years 2011 through 2014. The ratio of low-income bad debt to residential bad debt throughout the Commonwealth of Pennsylvania ranged from 4.5x to 6.05x. The gross uncollectible rates for confirmed low-income, in other words, were from 4½ to 6 times higher than the gross uncollectibles for residential customers as a whole. Because no other Pennsylvania utility (other than PGW) had a residential gross write-off rate as high as PWD, however, rather than using any of these averages, I used the lower PGW ratio of

[33] A "confirmed low-income customer" is a term-of-art used by the Pennsylvania PUC and defined by PUC regulation.

confirmed low-income to residential of 2.2x. The broader lesson from Schedule RDC-11, however, is that the rate of non-collection for low-income customers is substantially higher than the rate of non-collection for residential customers as a whole. For PWD, if the rate of non-collection for residential customers as a whole is 5.5%, the rate for low-income customers will be substantially greater than 5.5%. That rate of non-collection must be taken into account in calculating lost revenue attributable to the IWRAP discount. Based on the above data and discussion, I conclude that the rate of low-income non-collection will be 12.1% (5.5% x 2.2 = 12.1%).

Q. DOES THE DEPARTMENT'S COST ANALYSIS FOR IWRAP CONSIDER THE COLLECTION RATE FOR LOW-INCOME BILLS IN THE ABSENCE OF A BILL AFFORDABILITY PROGRAM OR HAVE ANY BASIS TO CONSIDER SUCH A COLLECTION FACTOR?

A. No. When asked whether he considered the impact of IWRAP on the collection rate of IWRAP participants, Department witness Davis indicated he had not done so separately from the collection rate for total PWD billings as a whole. (PA-RDC-57(b)).[34] The Department states that it does not even *know* the gross uncollectible rate for existing low-income WRAP participants or the average monthly arrears for existing low-income WRAP participants. (PA-RDC-58(b) & (h)).

[34] Moreover, Mr. Davis had not reviewed or considered the impact of an affordability program on collection rates for any Pennsylvania utility, whether that utility be water, electricity or natural gas. (PA-RDC-57(c)). Nor had he reviewed any empirical evaluation of an affordability program, be it for water, electricity or natural gas, to study the impact of such programs either on low-income payment patterns (PA-RDC-57(d)) or the impact on collection factors. (PA-RDC-57(e)).

The Department does not generate or retain data on the total amount of billed revenue to its existing low-income WRAP participants, let alone the total collected revenue. (PA-RDC-55(a) – (b)). It does not collect data on the average arrears of its existing low-income WRAP participants or on the "collection factor" for WRAP billings. (PA-RDC-55(c)- (d)). The Department does not collect data on the average monthly bill for current service rendered to existing low-income WRAP participants, or on the average monthly payments made by WRAP participants. (PA-RDC-56(b) & (d)). The Department does not collect information on the aging of accounts receivable for existing low-income WRAP participants, either for accounts by aged arrears or for dollars by aged arrears. (PA-RDC-56(e) – (f)).

In short, the Department's cost analysis assumes, without information or inquiry, that 100% of the bills to IWRAP participants will be collected in the absence of the IWRAP discount. We know this to be wrong. The Department assigns the difference between the discounted IWRAP bill and 100% of the billed revenue at standard residential rates as a cost of the program. We know this to be incorrect.

Q. IS THERE ALSO AN EMBEDDED LOST REVENUE THAT SHOULD BE TAKEN INTO ACCOUNT IN ASSESSING THE COSTS OF ARREARAGE FORGIVENESS?

A. Yes. The embedded lost revenue is higher for arrearage forgiveness than it is for bills for current service. The Department acknowledges in developing its collection factors what is generally recognized in the utility industry as a whole. Bills are less and less

subject to collection the older they become. For PWD, roughly two-thirds (66.3%) of the revenue that is not collected by the end of Year 1 after billing is not collected at all. Accordingly, to provide credits against those pre-existing arrears is not to create new costs, but rather to recognize lost revenue that is already embedded in PWD rates. I discussed the embedded lost revenue from arrearages in detail above.

Q. HAS THE PENNSYLVANIA PUC PREVIOUSLY RECOGNIZED THE NEED TO ELIMINATE THIS DOUBLE-RECOVERY OF EMBEDDED LOST REVENUE?

A. Yes. In reviewing the ALJ opinion in a Philadelphia Gas Works proceeding,[35] the Pennsylvania PUC noted: "The ALJs believe that the OCA made a convincing argument that double recovery is a possibility and can be alleviated by implementing a mechanism for reconciliation and that PGW did not provide a persuasive argument that the current practice guards against double recovery."[36] The Commission held: "Double recovery of uncollectible accounts expense is a possibility and can be alleviated by implementing a mechanism for reconciliation."[37] The PUC's extensive experience with bill affordability programs over more than 30 years makes its insights and decision compelling precedent for ensuring that PWD does not double-recover costs by claiming lost revenue that is already embedded in rates as lost revenue even without the IWRAP program.

In sum, to the extent that billings are already recognized as being not subject to collection, the dollars of discount that represent those uncollected billings should not be

[35] Pennsylvania PUC v. Philadelphia Gas Works, R-0006193, slip opinion, at 39, citing CAP Policy Statement (Order entered September 28, 2007).
[36] Id.
[37] Id., at 42.

claimed as a new cost. To include those embedded lost revenues as part of the cost of IWRAP would allow the Department to double-recover the same dollars. As I discussed above, this embedded lost revenue is 12.1% (5.5% x 2.2 = 12.1%) of bills for current service.[38]

(2) Increased Revenue Due to Reduced Expense.

Q. PLEASE IDENTIFY THE PART OF THE IWRAP COST RECOVERY TO WHICH YOUR NEXT RECOMMENDED ADJUSTMENT APPLIES.

A. A water bill for *current* service rendered to an IWRAP participant is comprised of two parts:

- that portion of the bill that is at or below an affordable percentage of income ("IWRAP Bill"), which is charged to the IWRAP participant; and
- that portion of the bill that is above an affordable percentage of income ("IWRAP Credit"), which is collected from IWRAP non-participants.

The issue that I discuss below involves how the second part of the bill ("IWRAP Credit") is treated.

Q. IF THE AMOUNT OF IWRAP CREDITS INCREASES OR DECREASES AS IWRAP PARTICIPATION INCREASES OR DECREASES, WHAT HAPPENS TO BASE RATES?

A. Base rates remain the same. It is important to remember that PWD has already set its proposed base rates as though the unpaid bills from IWRAP customers will be a part of

[38] Whether or not the Department refers to this non-collection as "bad debt" or as a "write-off," it represents the loss of revenue due to non-collection.

uncollectibles. Through its proposed base rates, the Department continues to collect that uncollectible expense as though IWRAP participation rates are exactly on target.

Q. WHY IS THAT SIGNIFICANT?

A. Revenues must be one place or another. Customers (and their associated revenue) *must* be in *either* the group of IWRAP non-participants *or* in the group of IWRAP participants. They cannot be in both. A customer is either an IWRAP participant or is *not* an IWRAP participant; the customer cannot be both places at once. There is no dispute, in other words, that in any given month, the group of residential customers who receive an IWRAP bill and the group of customers who do not receive an IWRAP bill are mutually exclusive groups. No group of customers receives both an IWRAP bill and a non-IWRAP bill in the same month. Increased participation by low-income customers in IWRAP, in other words, simply *moves* the unpaid bills out of the group of customers known as "residential" customers and into the group of customers known as "IWRAP participants."

Q. HOW DOES THE TREATMENT OF THE BILL CHANGE WHEN THE CUSTOMER ENROLLS IN IWRAP?

A. When a customer enrolls in IWRAP, the program participant is provided an affordable bill ("IWRAP Bill"), which the participant is expected to pay. The remainder of the bill ("IWRAP Credit") is charged to IWRAP *non*-participants through the IWRAP Rider. Accordingly, when a low-income customer enrolls in IWRAP, the portion of the bill that

the customer previously could not afford now becomes the IWRAP credit and is recovered on a dollar-for-dollar basis through the IWRAP Rider.

Q. PLEASE SUMMARIZE THE SIGNIFICANCE OF THIS DISCUSSION AS TO HOW IT REFLECTS AN IMPACT ON HOW MUCH REVENUE THE DEPARTMENT COLLECTS?

A. When billings are rendered to low-income customers, the level of revenue collection reflects the non-payment level of low-income customers. In contrast, when billings are rendered to residential customers in general, the level of revenue collection reflects the different, and lower, non-payment level of residential customers as a whole. Through IWRAP, the level of IWRAP credits will no longer represent billings to low-income customers, but are instead billings to non-low-income customers. Accordingly, since the level of non-collection is lower, the rate at which these billing dollars are converted into actual revenue to the Department is higher. That increased collection of revenue should be reflected as an offset to the costs of the IWRAP program since the increased revenue is not reflected in the Department budget in the absence of IWRAP.

Q. DOES THIS ADJUSTMENT DEPEND ON, OR ASSUME IN ANY WAY, THAT THE OFFER OF AN AFFORDABLE BILL WILL IMPROVE THE PAYMENT PATTERNS OF PROGRAM PARTICIPANTS?

A. No. Whether or not IWRAP participants improve their payments patterns is completely irrelevant to this adjustment.[39] This adjustment is based on two simple observations.

[39] Any improvement in payment patterns by IWRAP participants would affect the IWRAP bill, for which I have offered no adjustment. The adjustments I propose affect only the IWRAP credits. However, I do recommend that

First, non-low-income customers impose fewer bad debts on the Department than low-income customers. Second, the revenues reflected in the IWRAP credits represents dollars that had historically been billed to low-income customers but, under the IWRAP program, will instead be billed to non-low-income customers in the future. As a result of these two observations, it becomes clear that on the dollars of IWRAP credits billed to non-IWRAP participants, future bad debt will be incurred at the non-low-income rate rather than at the low-income rate. Revenue will be higher to the extent of the difference between the low-income write-off rate and the residential write-off rate.

Q. DOES THIS SAME OFFSET APPLY BOTH TO CREDITS AGAINST CURRENT SERVICE AND TO CREDITS AGAINST PRE-EXISTING ARREARS SUBJECT TO FORGIVENESS?

A. Yes.

Q. HAS THE PENNSYLVANIA PUC EVER PREVIOUSLY RECOGNIZED THE NEED TO PREVENT THE OVER-RECOVERY OF ARREARAGE FORGIVENESS COSTS?

A. Yes. In its CAP cost recovery order, the Pennsylvania PUC specifically addressed the issue, stating:

> There is some merit in reasoning that arrearage forgiveness amounts should not be recovered separately because these are amounts that, but for the existence of the CAP program, would be included within the utility's claim for uncollectible expenses. The law requires "full recovery" of CAP costs,

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the Department be required to track and report data on differences in whether the payments on bills rendered to IWRAP participants improve with respect to their complete, timely, regular payments. The Department should also track the extent to which bill payments improve such that they reflect greater efficiency (i.e., greater collections per unit of collection effort; fewer units of collection effort per amount of collection).

> but not "double recovery." At the same time, utilities should have the opportunity to demonstrate when they seek to establish a surcharge that arrearage forgiveness costs are not completely covered by uncollectible expenses. *The utilities should bear the burden of proving that allowing recovery of their claim for arrearage forgiveness costs will not give them double-recovery of these costs*.[40]

(emphasis added). The PUC's experience with percentage of income programs over more than 30 years, and the reasoning it engages in based on that experience, is compelling.

Q. HAS PWD DEMONSTRATED THAT IT IS NOT DOUBLE-RECOVERING COSTS?

A. No. PWD has completely failed to address whether or not it is double-recovering.

Q. FOR PWD, WHAT OFFSETS SHOULD APPLY TO THE CURRENT BILL CREDITS AND TO THE ARREARAGE FORGIVENESS CREDITS?

A. The appropriate offset for PWD current bill credits and arrearage forgiveness credits is 6.6%. This offset is the difference between the bad debt rate for residential customers as a whole (5.5%) and the bad debt rate for low-income residential customers (12.1%).

A Rate at which Low-Income Bills Not Collected	B Rate at Which Residential Bills Not Collected	Added Revenue from Moving Revenue from Low-Income to Residential (A – B)
0.121	0.055	0.066

(3) Decreased Credit and Collection Expenses.

[40] Final Investigatory Order, at 38 – 39.

Q. PLEASE EXPLAIN THE EXTENT TO WHICH, IF AT ALL, YOU MAKE AN ADJUSTMENT FOR DECREASED CREDIT AND COLLECTION EXPENSES.

A. I do not make an adjustment to reflect decreased credit and collection expenses attributable to the low-income IWRAP program. There is no reasonable dispute today but that the adoption of a low-income bill affordability program will reduce both the amount and the intensity of credit and collection activities that are directed toward low-income program participants. Low-income customers will improve their payment patterns. They will improve their frequency of payments; their completeness of payments; their timeliness of payments; and their ability to make payments without need for the utility to engage in collection efforts. Low-income customers will receive fewer disconnect notices; they will experience fewer actual disconnections of service for nonpayment.

These results, however, will not likely result in a decrease in the overall level of credit and collection activities undertaken by the Department. Absolute costs would decrease if, but only if, the Department was directing its credit and collection efforts toward every single customer from whom the Department had not fully collected its revenue. However, since the Department does not do so, to the extent that fewer credit and collection efforts are directed toward IWRAP participants, those efforts can reasonably be expected, in the future, to simply be redeployed toward other customers who would have gone untreated in the absence of IWRAP. The bottom line of this redirection of resources is that, even though the expenditures can no longer be attributed to program

participants, the overall level of expenditures can reasonably be expected to remain reasonably constant. As a result, no expense adjustment is made.

F. An IWRAP Rider.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I propose that the Department promulgate an IWRAP Rider designed to collect the net incremental real costs of the IWRAP program that extend above or below those administrative costs that are included in base rates. The adoption of such a Rider is necessitated by the fact, in particular, that program participation may, throughout any given year, vary from the participation that is estimated in setting base rates. If program participation increases, the Department should be allowed to recover the net incremental real costs of the increased IWRAP participation. If program participation decreases, the Department should not be allowed to recover non-existent program expenses.[41]

Q. ARE SUCH RIDERS COMMON WITH LOW-INCOME BILL AFFORDABILITY PROGRAMS IN PENNSYLVANIA?

A. Yes. Each Pennsylvania natural gas and electric utility operating a low-income bill affordability program recovers program costs through a rider such as that which I propose

[41] The one exception is that, as I recommend elsewhere, program start-up costs to the extent that they exist and can be shown to be incremental, might be paid from the excess collections resulting from program ramp-up.

in this proceeding. This is based on the Pennsylvania PUC's discussion in its CAP cost recovery order, which stated in relevant part:[42]

> With these ratemaking principles in mind as we proceed forward, the statutory requirements that the Commission allow "full recovery" of CAP costs cannot be effectuated by a policy of including these costs in base rates. Base rate treatment of universal service costs puts the utility at risk of not recovering the full amount of its prudently-incurred costs, which conflicts with the direction given by the General Assembly in the Competition Acts. In addition, the policy arguments for base rate recovery of most utility expenses provided by some of the commenting parties cannot override the policy decision of the General Assembly to require "full recovery" of universal service costs. Allowing recovery through a surcharge rather than a base rate will establish a charge which tracks the actual amount spent and allows customer rates to be adjusted on a regular basis to recover the actual costs. Accordingly, the Commission must allow recovery through a surcharge that is either reconciled or adjusted frequently to track changes in the level of CAP costs consistent with the direction given in the Competition Acts.[43]

The Commission continued in relevant part:

> A true indication of the Commission's initial legal interpretation of the Electric Competition Act is in the final orders that the Commission entered prior to submission of the restructuring settlements. In every one of these orders, the Commission held that the electric utility was entitled to recover its universal service costs through a surcharge that would be reconciled pursuant to 66 Pa. C.S. § 1307(f). For example, the Commission stated in the initial PECO restructuring order:
>
> > We accept PECO's proposal to adopt a reconcilable Universal Service Fund Charge that is separately identified for cost accounting but included within the distribution portion of a customer's bill. The USFC shall be reconcilable pursuant to Section 1307.

[42] Customer Assistance Programs: Funding Levels and Cost Recovery Mechanism, Docket M-00051923, Final Investigatory Order (October 19, 2006).
[43] CAP Funding Level and Cost Recovery Mechanism, at 15,

> All of these decisions support the interpretation of "full recovery" set forth above.[44]

Finally, the Commission noted the particular applicability of the use of a reconcilable surcharge for PGW as a municipal utility operating on a cash flow basis.[45] This same reasoning would apply to PWD.

Q. DOES THE RIDER APPEAR AS A SEPARATE LINE-ITEM ON A CUSTOMER'S BILL?

A. No. The costs collected through the Rider appear as an undifferentiated element of the volumetric charges appearing on a customer's bill. There is no reason for it to appear as a separate line-item on the bill. Allowing the IWRAP Rider to appear as a separate line-item fails to treat this program as an integrated component of the utility's operations and improperly isolates this one item of expense for separate line-item recovery. What I propose mirrors what the Pennsylvania PUC has previously done. For example, the PUC stated that "We accept PECO's proposal to adopt a reconcilable Universal Service Fund Charge that is separately identified for cost accounting but included within the distribution portion of a customer's bill."[46] No separate line items exist on the bill for the senior citizen discount, charitable discounts, PHA discounts, stormwater CAP, or other similar programs. These programs have an aggregated value substantially greater than the proposed IWRAP program.[47]

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[44] CAP Funding Level and Cost Recovery Mechanism, at 17 – 18 (internal citations omitted).
[45] CAP Funding Level and Cost Recovery Mechanism, at 20.
[46] *Application of PECO Energy Co. for Approval of a Restructuring Plan*, R-00973953, 1997 Pa. PUC Lexis 51 (December 23, 1997).
[47] See generally, PWD Testimony of Dahme and Williams, Exhibit JD-2; see also, SI-14.

Q. SHOULD PWD BE ALLOWED TO RECOVER ADMINISTRATIVE COSTS THROUGH YOUR PROPOSED RATE RIDER?

A. No. Administrative costs are not costs that substantially vary based on the operation of the program from year-to-year. As a result, these costs should be included in base rates. For example, the IT oversight, to the extent that one accepts that it exists at all, does not increase if the program participation increases. The same would be true with space. Expenditures on space do not increase in relation to the size of the participant population. The size (and cost) of the IT system does not vary based on the size of the participant population. Since the administrative costs of the program do not vary based on the size of the participant population, there is no need to allow the collection of administrative costs through anything other than through base rates. Moreover, as discussed above, a substantial part, if not all, of the IWRAP administrative costs are already included in base rates.

Q. WHAT DO YOU PROPOSE AS A COST RECOVERY MECHANISM FOR IWRAP?

A. I propose a reconcilable surcharge such as the proposed Rider set forth in Schedule RDC-12.[48]

[48] An alternative to creating a reconcilable Rider, which has the same effect as a Rider in protecting both the Department and the participating low-income customers, would be to create a deferred account. The Maine Commission, in approving the Maine Public Service Company's PowerPact program, authorized such a reserve account. David Carroll, et al. (2007). Ratepayer Funded Low-Income Energy Assistance Programs: Performance and Possibilities (Maine appendix, at 12). The California Commission, also, created a similar type of cost recovery when it authorized what it called "two way balancing accounts." The 2007 study cited above reported: "California utilities 'receive reimbursement on a dollar-for-dollar basis of all bill subsidies' provided to low-income customers. California utilities use what are called 'two-way balancing accounts' through which to recover their CARE expenditures.

Part 3. Customer Service Issues Affecting Rates.

Q. PLEASE EXPLAIN THE PURPOSE OF THS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I examine a series of customer service issues. In the first subsection (A) below, I discuss two fundamentally necessary planning processes in which PWD should engage to provide reasonable customer service but does not. In the next two subsections (B & C), I discuss specific customer service problems facing PWD that should be resolved. In each instance, I propose a necessary remedy.

A. Prudent Planning Regarding Nonpayment.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I review whether PWD is operating reasonably and prudently in responding to inability-to-pay problems on its system. The need to operate in a reasonable and prudent fashion is not exclusively for the benefit of those customers facing an inability-to-pay. It is for the benefit of all ratepayers. Not only are the

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Two-way balancing accounts allow the utility to recover actual program costs that may be higher than the amount of funding authorized, subject to audit or reasonableness review. One-way balancing accounts limit total recovery to the authorized funding level. The large investor-owned utilities (PG&E, SCE, San Diego Gas & Electric Company and Southern California Gas Company) have two-way balancing accounts for CARE administrative and subsidy costs. These costs are particularly difficult to forecast accurately in advance, due to the open-ended nature of program eligibility (i.e., anyone who qualifies for the programs is entitled to participate).

One advantage of the two-way balancing accounts, the Commission said, is that the state's utilities can 'increase their efforts, as needed, to meet (and exceed) their minimum CARE penetration targets.'"Ratepayer-Funded Programs, supra, California appendix, at 10 (internal citations omitted).

customers who face an inability-to-pay harmed by the Department's lack of reasonable and prudent actions, but *all* customers are.

For example, we know that the collections of PWD are decreasing both in absolute terms and in terms of timeliness. The Department's collectability studies show not only is the amount of billing that it collects "ever" decreasing, but the amount of billing that it collects in the first year after billing is decreasing as well. (PA-RDC-6, referencing Report 4: Customer Category Payment Pattern Summary Report; see also, PA-RDC-81(c) - (d)).

(1) Fundamental Proactive Planning Processes.

Q. PLEASE DESCRIBE THE STANDARD OF REASONABLE AND PRUDENT OPERATIONS THAT YOU APPLY IN THIS SECTION OF YOUR TESTIMONY.

A. To operate as a reasonable and prudent utility, PWD should engage in a planning process to determine an appropriate response to nonpayment. Without such a planning process, through which the Department would identify existing problems, develop responses, determine performance metrics, and establish a feedback process to measure actual performance against expected (or desired) performance, the Department's responses to nonpayment would be precisely as indeed currently exist: haphazard, lacking both strategic and operational direction, and based almost exclusively on supposition. PWD fails to engage in a reasonable and prudent planning process from a programmatic perspective.

Q. PLEASE IDENTIFY THE BASIS FOR YOUR CONCLUSION THAT PWD LACKS A REASONABLE AND PRUDENT PROGRAMMATIC PLANNING PROCESS REGARDING INABILITY-TO-PAY.

A. PWD has failed to engage in any planning process and failed to develop any methodology or procedure to identify vulnerable customers on its system. PWD has done no work to systematically review, study or assess the records of vulnerable residential customers to determine patterns of payment or other behavior that will be used to determine appropriate customer service actions by the Department. Nor has PWD engaged in any planning to characterize patterns of nonpayment; identify the characteristics of nonpayers; identify predictors of nonpayment; or to identify early indicators of nonpayment.

The Department has engaged in no customer segmentation study for purposes of determining the causes of, and appropriate responses to, inability-to-pay. When asked for any study, evaluation, or any other written document that would evidence the notion that the Department has sought to understand why customers do not pay their bills, PWD could provide nothing. (PA-RDC-19). PWD has never engaged in a segmentation study to determine different customer characteristics associated with nonpayment, or even different patterns of nonpayment. (PA-RDC-7). PWD has undertaken no effort to understand the order in which customers pay their bills, or where customers go for information and assistance when they find they cannot pay. (PA-RDC-19). PWD has never undertaken any study of the "satisfaction" of customers when such customers have reason to contact the City in response to nonpayment, whether it be to negotiate a

deferred payment plan, to prevent a disconnection of service, to inquire about a "high bill," or otherwise. (PA-RDC-9). The Department has never undertaken any effort to understand why customers do not contact the City in response to nonpayment after being solicited to do so through a shutoff notice or some other communication. (PA-RDC-20). The Department has undertaken no inquiry, let alone any study or evaluation, of what might constitute "meaningful assistance" to customers who have not paid their bills. (PA-RDC-40). Given this utter lack of attention to such a fundamental planning process as understanding the underlying problem, it comes as little surprise that PWD's rate of collection is as low as it is and declining.

Q. HAS PWD ENGAGED IN ANY PLANNING TO DETERMINE THE EXTENT TO WHICH, IF AT ALL, ITS EXISTING RESIDENTIAL COLLECTION PROCESSES ARE GENERALLY APPROPRIATE?

A. No. PWD has no planning document that has assessed the circumstances under which termination of service is appropriate or inappropriate. PWD has no idea of when the termination of service is an effective response to non-payment. PWD has established no criteria by which to assess on an ongoing basis the effectiveness of its current credit and collection activities. The Department has no studies that even *consider* the extent to which any of its collection activities reduce residential bad debt.

Nor does the Department have any studies that even *considers* the extent to which any of the following activities reduce residential arrears, let alone *documents* or *demonstrates* that any of its existing activities reduce residential arrears.

Q. CAN YOU GIVE AN EXAMPLE OF WHAT A CUSTOMER SEGMENTATION STUDY MIGHT REVEAL FOR PURPOSES OF UTILITY PLANNING?

A. Yes. Consider the study that Ron Grosse performed for Wisconsin Public Service Corporation.[49] Mr. Grosse stated that:

> In early 1983, it occurred to some people at WPSC that we really didn't know why customers didn't pay their bills. It had been widely assumed that people didn't pay because they were playing games with the bill collector. It did not seem reasonable to us that a substantial number of customers might not be adequately prepared to respond to the collection demands put on them.[50]

Grosse continued:[51]

> Contrary to the assumptions prior to the research that most customers had money, knew exactly what they were doing, and could pay, only 12 percent fell into that category. These were customers who paid almost immediately when presented with a disconnect notice.
>
> The remaining 88 percent had very limited or no resources to respond to disconnection demands. Furthermore, 19 percent saw themselves as helpless to cope with the situation and blamed themselves. The operational implications of these findings were extremely important.
>
> First, all of the Company's credit policies were geared to the 12 percent who could easily respond to disconnect notices. These policies were very inadequate to help Company employees cope with the other 88 percent who could not respond in the same way. In addition, to the extent that Company management implied to frontline collection personnel that the Company's response to rising arrears or losses would be to "get tough" by disconnecting more accounts, certain results were inevitable. Frontline credit personnel would probably choose to disconnect those among the 19 percent who saw themselves as helpless and <u>would not complain</u>! Such behavior would produce the illusion of action (more disconnects) but with no concomitant

[49] Ron Grosse. Win-Win Alternatives for Credit and Collection, Wisconsin Public Service Corporation: Green Bay (WI).
[50] Id., at 2.
[51] Id., at 3.

> improvement of results (collection of money, reduced arrears). Subsequent research into specific accounts confirmed this to be the case. (Emphasis in original).

Grosse concluded:[52]

> Perhaps the most important paradigm challenged was the widely held view that disconnection produces payment. Public Service has found that this is just simply not so. Disconnection produces a statistic concerning disconnection, but it will not produce payment if the customer is incapable of paying. Based on our research, many of the disconnections previously accomplished were with those customers who considered themselves poor and helpless and blamed themselves for their lot in life. Under these circumstances, the customers would be disconnected repeatedly and never complain-but also never produce sufficient payment.

Q. HAS THIS NOTION OF THE NEED FOR CUSTOMER SEGMENTATION BEEN BROUGHT FORWARD INTO THE WATER UTILITY INDUSTRY?

A. Yes. In the 2010 report I co-authored for the Water Research Foundation and U.S. Environmental Protection Agency on "Best Practices in Customer Payment Assistance Programs,"[53] we repeatedly referred to the need of a utility to understand its customer base in collecting revenue and offering quality customer service. We concluded:

> The need for a utility to characterize and segment its overdue caseload arises from a recognition that the payment troubles of differing customers are a result of differing circumstances. To treat the problems most effectively, the utility should be aware of the underlying circumstances so that it can take them into account in offering a collections response. Different collection tools will be necessary to remedy different collection problems. As the saying goes, when your only tool is a hammer, you tend to see every problem as a nail. To decide what tools are best, the utility needs to be able to specify what problems it is seeking to "fix."

[52] Id., at 11.
[53] John Cromwell, et al. (2010). Best Practices in Customer Payment Assistance Programs," Water Research Foundation: Boulder (CO).

* * *

> In constructing a profile of payment-troubled customers, a utility will want to try to identify those combinations of nonpayments issues and causes that are most prevalent in order to prioritize the tailoring of treatments for the most important segments.[54]

Q. IN LIGHT OF THE CREATION OF THE IWRAP PROGRAM, IS YOUR RECOMMENDATION TO IMPOSE MORE RESTRICTIONS ON PWD'S ABILITY TO DISCONNECT SERVICE FOR NONPAYMENT?

A. No. As I indicated above, the purpose of this section of my testimony is to assess the prudence of PWD's planning and management of its response to nonpayment, and its management of credit and collections. What I recommend is that as one condition of obtaining rate relief in this proceeding, PWD be required to prepare a customer segmentation study along the lines of what I have described above. Should PWD budget as much as $250,000 for such a study, that expenditure would be repaid if the collectability of bills increased from the current 93.46% (2014 Ever) to 93.51% (representing an improvement of 0.0005). In making this recommendation, however, I note that PWD has not historically subjected its process improvements to a cost/benefit or business case analysis. (PA-RDC-87, PA-RDC-99, PA-RDC-100).

(2) Outcomes Reporting.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

[54] Best Practices in Customer Payment Assistance Programs, at 33, 106.

A. In this section of my testimony, I explain the need for, and make recommendations regarding, the routine collection and reporting on PWD collection activities and outcomes. At present, the Department collects virtually no data on its collection activity or on the outcomes of the collection activities in which it engage. The Department neither collects nor reports any information other than the number of customers who enter into WRAP agreements (PA-RDC-55). For example, the Department does not know either the average bill or the average payment of a WRAP participant. (PA-RDC-56(b) – 56(d)). The Department does not know the aged arrears of WRAP participants. (PA-RDC-56(e) – 56(f)). The Department does not know the average arrears of WRAP participants. (PA-RDC-58).

Even more broadly, quite aside from WRAP, the Department reports that it does not know any of this information for its residential customers in general. The Department:

- has no information on deferred payment agreements other than the number of new agreements each month. For example, there is no information on the average downpayment; on the average term (in months); on the average dollar amount made subject to agreement; on the average monthly payment required on an agreement; or on the number of "successful" or "defaulted" agreements. (PA-RDC-15, PA-RDC-16, PA-RDC-17).
- has no information on the percentage of dollars made subject to a deferred payment agreement that are, in actuality, collected. (PA-RDC-36).
- has no information on the number of accounts being charged a late payment fee each month. (PA-RDC-11).

- has no information on the number of accounts who retire arrears underlying a lien that has been placed on the underlying property. (PA-RDC-12). It has no information on the number of liens that have been placed for unpaid residential bills (PA-RDC-58(i)) or on the dollars of residential arrears that have been made subject to lien. (PA-RDC-58(k)).
- Cannot provide the average residential monthly arrears (PA-RDC-58(h), let alone either the gross or net residential uncollectible rate. (PA-RDC-58(a) and 58(c)).

Q. PLEASE DESCRIBE THE STANDARD OF REASONABLE AND PRUDENT OPERATIONS THAT YOU APPLY IN THIS SECTION OF YOUR TESTIMONY.

A. One critical element of reasonable and prudent management is to establish and exercise a feedback loop by which to evaluate programmatic activities. Creating a feedback loop involves articulating performance criteria; identifying metrics that will measure performance; monitoring performance using those metrics; assessing actual performance relative to the articulated performance criteria; and determining the changes, if any, that need to be made should actual performance not meet the expected or desired performance. After reviewing PWD's planning processes regarding its responses to inability-to-pay, and its data collection (or lack thereof), I conclude that PWD has engaged in none of these fundamental activities that would underlie reasonable and prudent utility management of inability-to-pay customers. Without information, PWD can have no metrics. Without metrics, it can have no feedback loop upon which to base fundamental planning.

In short, PWD has conceded that it has no information upon which to base any measurement of the effectiveness of its responses to nonpayment and inability-to-pay. It has no information to determine whether its responses either reduce residential bad debt or even reduce residential arrears. PWD does not measure the number of avoided disconnections for non-payment as part of program measurement for the customer service activities it lists. Nor does it measure the extent to which any of its activities reduce the number of delinquent residential accounts.

PWD does not possess any benchmarking studies on revenue collection or revenue protection. PWD has no idea, in other words, of how other utilities are performing, or of how PWD is performing relative to those other utilities. (PA-RDC-80).

In sum, when it comes to responding to nonpayment, not only does PWD not know (or make any effort to determine or measure) how it is performing relative to its own internally-established performance standards, it does not know (or make any effort to determine or measure) how it is performing relative to other peer companies.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the Department be required to begin, no later than six months after a final decision in this proceeding, reporting basic consumer credit and collection activities and outcomes. One reasonable model for such collection is the list of data elements included in a resolution of the National Association of State Utility Consumer Advocates

(NASUCA). NASUCA's proposed list of data reporting elements is attached as Schedule RDC-13.[55]

Q. HAS THE DEPARTMENT EVER ACKNOWLEDGED THE BENEFIT OF BETTER DATA REPORTING?

A. Yes. PWD witness Locklear stated that "we suggest that PWD/WRB adopt Public Utility Code Chapter 14 delinquency report formats to facilitate comparisons against other Philadelphia utilities and provide improved insight into delinquencies for both management and stakeholders." (Locklear, at 4). I do not suggest the "Public Utility Code Chapter 14 delinquency report formats" in particular. Nor do I believe that the objective of such reporting is simply to facilitate comparisons with other Philadelphia utilities. Rather, the objective is to engage in fundamentally necessary internal planning processes. Nonetheless, the recommendations of Ms. Locklear and myself to increase and to improve data reporting are basically the same.

B. Deferred Payment Plans.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I discuss the extent to which the Department's deferred payment agreement process is fundamentally broken. I propose remedies to these problems.

[55] While the recommendation is for monthly data to be reported, the frequency of reporting can be less frequent. Monthly data, submitted on a quarterly or annual basis, for example, might be appropriate.

Q. PLEASE PROVIDE SOME BACKGROUND TO THIS DISCUSSION OF DEFERRED PAYMENT AGREEMENTS.

A. In the last PWD rate case, I presented information and data relating to the ways in which PWD failed to comply with regulations regarding deferred payment agreements.[56] An excerpt of my 2012 Direct Testimony setting forth my discussion of Deferred Payment Arrangements is attached to this testimony as Appendix C and, by this reference thereto, is fully incorporated herein as if fully set forth.

Q. PLEASE DESCRIBE THE OUTCOME OF THAT PRESENTATION ON DEFERRED PAYMENT ARRANGEMENTS IN THE 2012 RATE CASE.

A. In settling the last rate case, the Department and the Public Advocate mutually agreed to engage in a "facilitated mediation process" through which to address certain issues, including the "delivery of deferred payment agreements."[57] The Settlement of the 2012 rate case stated quite explicitly that "the purpose of the Facilitated Process between PWD/WRB and the Public Advocate ("PA") is to determine how to generate improvements in the customer service areas identified below."[58]

The Settlement provided that the final report of the mediation process would include, amongst other things: "(a) a set of recommendations, including specific program designs, regulations and implementation plans . . ." (emphasis added).[59] The final report of the mediation process was also required to "include an identification of a

[56] Direct Testimony of Roger Colton, on behalf of the Public Advocate (July 20, 2012).
[57] PWD Rate Case, FY 2013 – 2016, Stipulation to Mediation between PWD/WRB and PA, at para. 6.
[58] Id., at para. 1.
[59] Id., at para. 8.

timeline and mechanism for monitoring and assessment of the expected outcomes of the recommendations included in the Report, including identification of specific metrics and data elements to be collected and publicly reported to help determine whether the recommendations generated the outcomes."[60]

The Department and the Public Advocate intended for the Stipulation to Mediation "to be a condition of and included in the terms of service of the [2013-2016] Rate Determination."[61]

Q. DID THAT MEDIATION REGARDING DEFERRED PAYMENT ARRANGEMENTS EVER OCCUR?

A. No. At the sole decision of PWD, the mediation on Deferred Payment Arrangements did not occur. PWD states that the issues regarding "the structure and delivery of. . .deferred payment arrangements. . .were not mediated due to the introduction and eventual passage of Bill No. 1406077-AA mandating the implementation of the new affordable rates program (I-WRAP) during the Mediation." (PA-RDC-3).

Q. DOES THE ADOPTION AND IMPLEMENTATION OF A NEW LOW-INCOME BILL AFFORDABILITY PROGRAM RESOLVE THE ISSUES THE PUBLIC ADVOCATE PREVIOUSLY RAISED REGARDING DEFERRED PAYMENT ARRANGEMENTS?

[60] Id., at para. 9.
[61] Id., at para. 11.

A. No. The issues raised by the Public Advocate, with regard to deferred payment agreements, and made subject to Mediation by the Settlement agreed to by both parties, are generally not affected by adoption of a new low-income bill affordability program. As can be seen in the testimony attached as Appendix C, and incorporated herein by reference thereto, the issues raised were not limited to low-income issues.

Q. DID THE FAILURE TO ADDRESS DEFERRED PAYMENT ARRANGEMENTS COME UNDER CIRCUMSTANCES OF IMPROVING OR DETERIORATING RESIDENTIAL CUSTOMER PAYMENTS?

A. The failure to address the issue of its regulatory compliance with payment plan regulations came in a time period during which PWD customer payments continued to deteriorate. Indeed, the failure of PWD to offer reasonable deferred payment plans likely contributes to that deterioration. Payment plans are universally recognized as being one effective tool to use to address nonpayment within the population of customers who have an underlying ability to pay. Indeed, the publication which I co-authored on "Best Practices in Customer Payment Assistance Programs" devoted an entire chapter to deferred payment plans.[62]

Q. HAVE PWD CIRCUMSTANCES REGARDING DEFERRED PAYMENT ARRANGEMENTS IMPROVED OR DETERIORATED OR STAYED THE SAME SINCE THE TIME OF YOUR 2012 RATE CASE TESTIMONY?

[62] Cromwell, et al (2010). Best Practices in Customer Payment Assistance Programs," Chapter 14 ("Shrink the Overdue Caseload and Arrearages: Deferred Payment Plans), Water Research Foundation: Boulder (CO).

A. The circumstances regarding deferred payment arrangements have substantially deteriorated since 2012. In this rate case, not only does PWD fail to acknowledge that there are any substantive issues, or compliance issues, with respect to deferred payment arrangements, but, in addition, PWD now disclaims the existence of fundamental information on deferred payment agreements, which information it had available just three years ago. Information that the Department now claims is unavailable includes:

- The number of agreements where the arrangement was not met during the month. (PA-RDC-16(a)).
- The number of agreements on which the payment was made during the month. (PA-RDC-16(b)).
- The number of agreements that defaulted (i.e., cancelled for nonpayment) during the month. (PA-RDC-16(c)).
- The dollars of accounts subject to active deferred payment arrangements. (PA-RDC-17(a) and 17(c)).
- The collectability of residential accounts in arrears subject to deferred payment arrangements. (PA-RDC-18(b)).
- The number of payment plans entered into by payment plan type. (PA-RDC-36(a)).
- The aggregate dollars of arrears subject to such payment plans by payment plan type. (PA-RDC-36(b)).
- The number of payment plans defaulted (defined as having the plan cancelled due to nonpayment) by payment plan type. (PA-RDC-36(c)).

- The percent of dollars subject to such payment plans actually collected by payment plan type. (PA-RDC-36(d)).

As one can see from the excerpted testimony attached as Appendix C, most of this information was available in 2012 for the three years 2010 through 2012. The fact that this information is not *now* available, therefore, must necessarily mean that the Department, at the same time it failed to address payment agreement issues, also decided to *stop* collecting underlying data on deferred payment agreements.

Q. WHAT DO YOU RECOMMEND?

A. I recommend the following:

1. that the Board order the Department to resume collecting relevant data that would contribute to a review of payment plan reasonableness and to meet with the Public Advocate on a quarterly basis to address regulatory compliance. The Department's requested rate increase in its last rate case was granted, in part, based on the agreement of the Department to engage in a mediated process regarding deferred payment agreements (amongst other issues). One basis of the legitimacy of the rates approved in that proceeding, in other words, was the pursuit of the mutually agreed-upon mediation.
2. that the Board enter a finding that the deferred payment agreement process now engaged in by the Department, under which an astonishing 85% of customers entering into payment plan with PWD defaulted before successfully completing their DPAs is fundamentally broken.

3. that the Board find that the Department fails to comply with the regulation that any initial payment on a payment plan is to be limited to 25% of the outstanding delinquency, including restoration charges, if any, or 15% of the customer's household income, *whichever is less*." I recommend that no account on which the Department cannot affirmatively demonstrate compliance with this regulation shall be exempt from the disconnection of service for nonpayment pending negotiation of a new deferred payment agreement that is in compliance with this regulation.[63]
4. that the Board find that the Department, when it requires a 50% downpayment *plus* payment of the restoration fee in "water off" situations, fails to comply with the regulation that any initial payment on a payment plan is to be limited to 25% of the outstanding delinquency, *including restoration charges*, if any, or 15% of the customer's household income, whichever is less." I recommend that every account on which the Department cannot affirmatively demonstrate compliance with this regulation shall be exempt from the disconnection of service for nonpayment pending negotiation of a new deferred payment agreement that is in compliance with this regulation.[64]
5. that the Board enter an immediate stay of all service disconnections for nonpayment pending the Department's affirmative demonstration of: (1) a revised policy regarding initial payments and the treatment of "water off" accounts in compliance with applicable regulations; (2) the provision of staff training to all staff engaged in the

[63] This requested relief is consistent with the Department's procedure that all service disconnections for nonpayment be stayed pending the resolution of any "dispute." See e.g., PWD Regulation 100.8.
[64] This requested relief, also, is consistent with the Department's procedure that all service disconnections for nonpayment be stayed pending the resolution of any "dispute." *Id*.

process of negotiating deferred payment plans on the revised policy; and (3) the adoption of appropriate IT modifications incorporating the revised policy.

6. that the Board enter an immediate stay of all refusals to restore "water off" service pending the Department's affirmative demonstration of: (1) a revised policy regarding initial payments and the treatment of "water off" accounts in compliance with applicable regulations; (2) the provision of staff training to all staff engaged in the process of negotiating deferred payment plans on the revised policy; and (3) the adoption of appropriate IT modifications incorporating the revised policy.
7. that the Board find that any Department procedure, process, script or other public contact, which establishes a "default" payment plan of less than the 18 months provided for in the Department's regulations be held in noncompliance with the regulations. I recommend further that all customers currently on a deferred payment plan be made exempt from the termination of service for nonpayment pending a renegotiation of that active payment plan, under which renegotiation each customer is affirmatively offered a payment plan of 18 months.[65]
8. that that Board enter an immediate stay of all service disconnections for nonpayment pending the Department's affirmative demonstration of: (1) a revised policy regarding the length of payment plans offered to delinquent customers in compliance with applicable regulations; (2) the provision of staff training to all staff engaged in the process of negotiating deferred payment plans on the revised policy; and (3) the adoption of appropriate IT modifications incorporating the revised policy.

[65] This requested relief, also, is consistent with the Department's procedure that all service disconnections for nonpayment be stayed pending the resolution of any "dispute." *Id.*

9. that the Board direct the Department, beginning with the commencement of the IWRAP program, to refer any customer contacting the Department to the staff, or to the entities responsible for engaging in outreach, intake and enrollment in IWRAP, for a determination of income for, and enrollment in, IWRAP.[66]

C. Customer Service Issues Arising at the Public Input Hearings.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I assess some of the common customer service themes that arose in the public input hearings that merit consideration in setting rates. Assessing the quality of customer service is an essential element of any utility rate case. Quality customer service is one of the products being purchased by Philadelphia water customers when they pay for their water service. If these customers do not receive quality service, they are not receiving the product for which they have been charged.[67]

Q. WHAT LESSONS DO YOU LEARN FROM THE PUBLIC INPUT HEARINGS REGARDING QUALITY OF SERVICE?

A. I have identified three common themes, in particular, about which I have concerns:

[66] Pending commencement of the IWRAP program, the Department should be directed to make such referrals to WRAP or to other existing low-income programs as appropriate.

[67] PWD is aware that an audit by Schumacher and Co. has determined that inefficiency in its customer service functions contributes unnecessarily to its costs, harming customers both by delivering poor service and charging them for it. PA-RDC-70.

- Customers seeking to work with the Department[68] find employees to present an unresponsive bureaucracy. (See, e.g., Tr., 03/01/16, 23:18-21, 32:13-17, 44:1-14; Tr., 3/2/16 30:13-16, 61:3-19; Tr., 3/3/16, 22:8-23:16).
- Customers have an extraordinarily difficult time negotiating affordable deferred payment arrangements with the Department. (See, e.g., Tr., 03/01/16, 25:4-12, 25:13 – 26:4, 26:24 – 27:11, 43:13-22; Tr., 2/24/16, 32:4-33:5).
- The Department refuses to work with, and take into account, the many complex occupancy status situations that present themselves in Philadelphia. (See, e.g., Tr., 2/23/16, 61:10-14; Tr., 2/24/16, 29:19-32:10, 32:14-17; Tr., 03/01/16, 29:12 -16, 29:19 – 30:4, 30:10-15, 40:24 – 42:12, 43:13-22).

Q. HAVE THESE ISSUES BEEN PREVIOUSLY PRESENTED TO THE DEPARTMENT?

A. Yes. These issues are not isolated events presented to the Board in the public input hearings; they represent systemic problems. In fact, these issues were presented, also, in the last rate case. These issues served as the factual predicate for the Settlement of the last rate case in which the Department *agreed* to a mediation process that would have addressed, amongst other things, the delivery of deferred payment agreements and the treatment of tenant arrears and applications for service.[69] By the terms of that Settlement, the Department and the Public Advocate intended for the Stipulation to Mediation "to be a condition of and included in the terms of service of the [2013-2016]

[68] As I indicated at the beginning of my testimony, I do not distinguish between entities. References to "the Department" are intended to encompass both PWD and WRB.
[69] Stipulation to Mediation, supra, at para. 6. While a number of tenant issues were addressed during the mediation, many tenant and applications for service issues remained unaddressed.

Rate Determination."[70] However, as I discussed above, the Department, in its sole discretion, chose not to continue with the Mediation. It withdrew from engaging in the full range of mediation upon which the increased rates approved in the last rate case were conditioned.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the Department be directed to complete the mediation process stipulated to in the mutual Settlement of the previous rate case. That Settlement remains in full force and effect today as a condition of the increased rates in the previous rate case. In particular, the treatment of deferred payment arrangements (as I discussed above) and the treatment of tenant arrears and applications for service remain as outstanding mediation issues.

Q. HAS THE ISSUE OF DISPUTES AND APPEALS BEEN ADEQUATELY ADDRESSED THROUGH THE MEDIATION PROCESS?

A. The mediation process extended to the point where a mediation report was presented to the Department and its recommendations considered. However, what has not been resolved is whether the dispute resolution, and appeals, process has been adequately implemented. The testimony at the public input hearings would indicate that these issues have *not* been adequately addressed at the implementation stage. Rather than having customers told that they have a dispute resolution process that they can exercise, the customers report, they continue to be subjected to the unresponsive bureaucracy where the customers are not informed of such a process.

[70] Id., at para. 11.

My conclusion is that the issue today is not one of new policies but rather one of implementation and accountability. That accountability is now lacking. For example, the mediation process required regular quarterly meetings between the Department and the Public Advocate, meetings that have not been scheduled and held. Accordingly, I recommend that the Board hold regular quarterly public input hearings through which it can directly hear comments from the public, including the Public Advocate, on customer service issues. The Board can determine, after receiving this regular input, what appropriate remedies should be pursued.

Q. DOES PWD ENGAGE IN CUSTOMER SATISFACTION SURVEYS?

A. The only customer satisfaction surveys that PWD has performed involve surveys of its "Rain Check" program. (See, PA-RDC-9 and attachments). The Department, in other words, engages in no effort to determine customer satisfaction with its provision of service, let alone customer satisfaction immediately subsequent to a customer contact.

Q. WHAT DO YOU FURTHER RECOMMEND?

A. In addition to completion of the mediation process Stipulated to in the last rate case, I recommend further that the Department be required to begin, no later than six months subsequent to a final decision in this rate case, to pursue "point-of-contact" (sometimes referred to as "moment of truth") customer satisfaction surveys for call center contacts and field contacts. These point-of-contact customer satisfaction surveys should be filed with the Board, provided to the Public Advocate, and made available for public review.

A point-of-contact survey is a customer satisfaction survey that is undertaken at each point where a customer engages in a customer contact, whether the contact involves an inquiry, a dispute, a response to a shutoff notice, an attempt to negotiate a payment plan, an attempt to enroll in an assistance program, and the like.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

Colton Schedules

Schedule RDC-1

2016 Federal Poverty Levels by Household Size(100%)							
1	2	3	4	5	6	7	8
$11,880	$16,020	$20,160	$24,300	$28,440	$32,580	$36,730	$40,890
NOTE: Add $4,160 for each person over eight.							

Schedule RDC-2

Philadelphia PUMA	50% to 100% of FPL			
	1-person vs. 5-person incomes		3-person vs. 4-person income	
	1-person	5-person	3-person	4-person
Far Northeast	$8,964	$25,000	$10,000	$21,569
Near Northeast-West	$9,581	$21,851	$24,665	$27,191
Near Northeast-East	$9,770	$20,930	$12,569	$19,087
North	$8,654	$25,991	$14,986	$32,411
East	$8,821	$30,641	$14,807	$29,154
Northwest	$9,137	$28,888	NA	$14,200
Central	$8,854	$25,525	$15,931	$19,080
West	$8,729	$22,594	$22,800	$16,248
Center City	$9,233	NA	NA	$16,000
Southwest	$9,590	$18,076	$19,932	$28,677
Southeast	$8,781	NA	$23,020	$23,847

Schedule RDC-3

Number of Households by Household Size and Poverty Level (Philadelphia)			
	0 – 50%	51 – 100%	101-150%
1-person	6,916	14,200	14,454
2-persons	14,814	24,406	24,529
3-persons	13,379	21,725	14,470
4-persons	16,658	25,238	31,151
5-persons	18,267	25,589	17,635

Schedule RDC-4

	Avg FPL	Avg HH Size	Avg Inc	50% FPL	Avg Inc <50%	Affordable Bill (4%)	Avg Bill	$ Discount Needed	% Discount Needed	Delta (PUMA vs. City)
City	25%	2.56	$17,761	$8,881	$5,000	$200	$906.12	$706.12	78%	$0.00
Far Northeast	26.2%	3.60	$21,942	$10,971	$5,749	$230	$906.12	$676.17		$29.95
Near Northeast-West	17.6%	3.51	$21,580	$10,790	$3,798	$152	$906.12	$754.20		($48.08)
Near Northeast	26.9%	3.06	$19,771	$9,886	$5,318	$213	$906.12	$693.38		$12.74
North	24.4%	3.65	$22,143	$11,072	$5,403	$216	$906.12	$690.00		$16.12
East	24.5%	3.61	$21,982	$10,991	$5,386	$215	$906.12	$690.69		$15.43
Northwest	22.8%	3.14	$20,093	$10,046	$4,581	$183	$906.12	$722.87		($16.75)
Central	29.3%	2.91	$19,168	$9,584	$5,616	$225	$906.12	$681.47		$24.65
West	28.5%	3.69	$22,304	$11,152	$6,357	$254	$906.12	$651.86		$54.26
Center City	18.0%	2.15	$20,133	$10,067	$3,624	$145	$906.12	$761.16		($55.04)
Southwest	28.3%	2.57	$17,801	$8,901	$5,038	$202	$906.12	$704.61		$1.51
Southeast	30.4%	2.97	$19,409	$9,705	$5,900	$236	$906.12	$670.10		$36.02

Schedule RDC-5

Number of Philadelphia Census Tracts
By Ratio of Tract's Mean Income of Lowest Income Quintile to City's Mean Income of Lowest Income Quintile

	No Data	Less than 50%	51% - 75%	76% - 95%	96% - 105%	More than 105%	Total
Lowest quintile	5	36	51	48	21	201	362
Mean income of lowest quintile	---	$2,149	$4,173	$5,523	$6,558	$12,444	$6,507

Schedule RDC-6

	Current Program Percent Unaffordable	Current Program $ Over Affordability (Mean)	Term Sheet FCO Percent Unaffordable	Term Sheet FCO $ Over Affordability (Mean)	Change in Breadth	Change in Depth
Rate R	34%	$504	12%	$414	-22%	-$90
Rate RH	28%	$764	10%	$426	-18%	$338

Schedule RDC-7

Impact on IWRAP Bill of Department's Proposed "Arrears Contribution" Required of IWRAP Participants								
SOURCE: PA-RDC-60 ("New Tiered Discount by Usage")						Calculated Impact		
Poverty Range	Usage Range	Median Bill Amount	Discounted Current Bill	Arrears Contribution	Total Bill	Discount Off Median Bill Amount	Arrears Contribution as % of Discounted Current Bill	Arrears Contribution as % of Total Bill
		A	B	C	D	E (A – B)	F (C / B)	G (C / D)
0 – 50% FPL	Low	$36.87	$12.00	$5.00	$17.00	$24.87	42%	29%
	Medium	$67.78	$12.00	$5.00	$17.00	$55.78	42%	29%
	High	$114.15	$12.00	$5.00	$17.00	$102.15	42%	29%
51 – 100% FPL	Low	$36.87	$29.49	$5.00	$34.49	$7.38	17%	14%
	Medium	$67.78	$29.15	$5.00	$34.15	$38.63	17%	15%
	High	$114.15	$28.54	$5.00	$33.54	$85.61	18%	15%
101 – 150% FPL	Low	$36.87	$36.87	$25.00	$61.87	$0.00	69%	40%
	Medium	$67.78	$50.84	$25.00	$75.84	$16.94	49%	33%
	High	$114.15	$50.23	$25.00	$75.23	$63.92	50%	33%
151 – 200% FPL		$75.51	$75.51	$30.00	$105.51	$0.00	40%	28%
201 – 250% FPL		$75.51	$75.51	$60.00	$135.51	$0.00	79%	44%

Total Cost

	Water		
Credits toward current service	$10,300,426		
Arrearage forgiveness	$2,855,427		
Total benefits	$13,155,854	0%	Start-up costs as percent of Year 1 program costs
Crisis intervention	$0	0%	Percent of total benefit costs
Administrative	$1,030,042	10%	Administrative allowance on current credits
Outreach	$0		
Start-up (amortized)	$0	0	Start-up amortization
Sub-total costs	$14,185,896		
IWRAP Rider cost offsets (%)	9.0%		
IWRAP Rider cost offsets ($)	$1,184,027		
Sub-total costs (minus offsets)	$13,001,869		

Offsetting Public Assistance

LIHEAP participation	
Average LIHEAP grant	
Total offsetting LIHEAP payments	
Existing assistance participation	
Average state assistance grant	
Total offsetting state assistance payments	
Sub-total offsetting public assistance	($4,000,000)

Total annual cost	$9,001,869

Program Parameters		
Water bill (residential average)	$906	PWD response to PA-RDC-60 ($75.51 x 12)
Water bill (low-income)	$813	PWD response to PA-RDC-60 (67.78 x 12)
Base affordable bill percentage	2%	
Expected program participation rate	100%	Estimate for PWD participation in existing programs
Program participation	31,000	PWD response to PA-RDC-60 (using PGW participation)
Percent program participants in arrears	75%	Estimate for PWD
Months in arrears (bills behind)	11	Estimate for PWD
Participant payment toward preprogram arrears	0.0%	No arrearage copayment in this program.
Years over which arrears forgiven	2	
Crisis intervention percentage set aside	0%	No crisis intervention as part of this program.
Start-up costs as percent of Year 1 costs	0%	Paid from unused ramp-up funds in Year 1
Administrative costs	10%	
Years over which start-up costs amortized	0	
Outreach cost per participant	$0	No outreach cost beyond admin costs
LIHEAP participation rate	0%	No LIHEAP for water/sewer
Eligible for state assistance	0	No state assistance for water/sewer
State assistance participants	0	No state assistance for water/sewer
Average LIHEAP grant	$0	No LIHEAP for water/sewer
Average state assistance grant	$0	No state assistance for water/sewer
Existing local assistance	$4,000,000	Dahme and Williams, Exh. JD-2
IWRAP Rider Bad Debt Cost Offsets	9.0%	Philadelphia utility average
Percent revenue not collected "ever"	5.5%	PA-EXE-41 spreadsheet
Low-income multiplier	2.24	PUC BCS: PGW
Low-income percent not collected "ever"	12.3%	
Percent long-term arrears not collected "ever"	73.2%	Report 4: Customer Category Payment Pattern Summary Report: Finance Filing
Low-income multiplier	1.00	Not used (setting to 1.0)
Low-income arrears not collected ever	73.2%	

Schedule RDC-9

CAP participants as percent of confirmed low-income		2011	2012	2013	2014
Duquesne	Electric	29%	27%	27%	28%
GPU (Met Ed 2003)	Electric	33%	26%	15%	13%
PECO-Electric	Electric	38%	39%	38%	37%
Penelec (2003+)	Electric	25%	23%	14%	12%
Penn Power	Electric	29%	25%	15%	13%
PPL	Electric	16%	10%	12%	13%
West Penn Power (2011+)	Electric	13%	12%	12%	13%
Columbia	Natural Gas	24%	21%	21%	20%
Dominion (Peoples 2009+)	Natural Gas	20%	18%	23%	24%
Equitable	Natural Gas	25%	19%	19%	23%
NFG	Natural Gas	20%	18%	17%	16%
PECO-Gas	Natural Gas	35%	34%	35%	35%
PG Energy (through 2006)	Natural Gas	xxx	xxx	xxx	Xxx
PGW (2004+)	Natural Gas	49%	48%	37%	34%
UGI-Gas	Natural Gas	10%	7%	7%	9%
UGI--Penn Natural (2007+)	Natural Gas	12%	10%	9%	12%

CAP Administrative Costs as Percent of Total Program Costs, Pennsylvania Utilities

Company	Fuel	2011	2012	2013	2014
Duquesne	Electric	6%	7%	8%	8%
GPU (Met Ed 2003)	Electric	4%	5%	10%	9%
PECO-Electric	Electric	3%	3%	3%	3%
Penelec (2003+)	Electric	5%	6%	11%	10%
Penn Power	Electric	3%	5%	11%	11%
PPL	Electric	4%	5%	4%	3%
West Penn Power (2011+)	Electric	6%	8%	5%	5%
Columbia	Natural Gas	6%	15%	7%	6%
Dominion (Peoples 2009+)	Natural Gas	11%	15%	10%	9%
Equitable	Natural Gas	6%	9%	8%	5%
NFG	Natural Gas	6%	9%	13%	10%
PECO-Gas	Natural Gas	7%	9%	8%	9%
PGW (2004+)	Natural Gas	2%	1%	2%	2%
UGI-Gas	Natural Gas	6%	7%	6%	11%
UGI--Penn Natural (2007+)	Natural Gas	6%	6%	6%	11%

Percentage of Income Payment Plan Administrative Costs: Ohio						
	FY 10-11	FY 11-12	FY12-13	FY13-14	FY14-15	FY16 (budgeted)
Dollars	$429,988.08	$487,373.05	$395,099.25	$322,,600.46	$202,261.80	$446,196
Percent	2.86%	3.70%	2.79%	2.50%	1.77%	2.99%

Ratio: Confirmed Low-Income Gross Write-off Rate to Residential Gross Write-off Rates
(Pennsylvania Gas and Electric Utilities)

	2011	2012	2013	2014	Average
Duquesne	10.98	2.93	2.00	2.57	4.62
Met Ed	4.68	4.63	4.89	4.87	4.77
PECO-Electric	2.31	1.95	2.89	3.44	2.65
Penelec	3.72	3.86	4.05	4.09	3.93
Penn Power	4.63	4.59	5.15	4.93	4.83
PPL	3.77	4.22	4.00	3.88	3.97
West Penn Power	6.56	6.15	6.58	6.88	6.54
Columbia	2.69	3.89	3.85	3.73	3.54
Peoples	2.44	16.67	0.72	1.00	5.21
Equitable	5.03	5.11	5.26	5.55	5.24
NFG	5.39	5.27	5.68	5.05	5.35
PECO-Gas	11.06	15.43	23.20	17.00	16.67
PGW	1.99	1.98	2.38	2.61	2.24
UGI-Gas	5.41	5.78	5.27	4.27	5.18
UGI--Penn Natural	4.92	5.28	5.19	4.55	4.98

Ratio of Low-Income Bad Debt to Residential Bad Debt:	Average (all gas and electric)	5.31
	Average (all electric only)	4.47
	Average (all gas only)	6.05
	Average (Philadelphia only)	7.61

IWRAP Rider

Variable Distribution Service Charge rates for water service in shall include per CCF charge for recovery of net incremental real costs of Income-Based Water Rate Assistance Program (IWRAP), calculated in the manner set forth below. The IWRAP Rider rate for water service shall be increased or decreased annually, to reflect changes in the level of IWRAP costs in the manner described below:

COMPUTATION OF IWRAP Rider.

The IWRAP Rider per CCF ($0.0000) shall be computed to the nearest one-hundred cent (0.01¢) in accordance with the formula set forth below:

$$\text{IWRAPC} = \frac{[(C + AF) * (1 - BDO)] - E - I}{S}$$

The IWRAP Rider, so computed, shall be included in distribution rates charged to Customers. The amount of the IWRAP Rider, per CCF, will vary, if appropriate, based upon annual filings by the Department.

In computing the IWRAP Rider, per CCF, pursuant to the formula above, the following definitions shall apply:

Reconcilable IWRAP Arrearage Forgiveness Costs – The credits toward those pre-existing arrearages (IWRAP arrearage forgiveness) appearing on the bill of IWRAP customers in the month in which the IWRAP customer applies for IWRAP services net of a Low-Income Arrearage Embedded Lost Revenue Adjustment of 44.8%.

Reconcilable IWRAP Costs – The difference between discounts provided to IWRAP customers (IWRAP revenue shortfalls) and rates charged to residential customers net of a Low-Income Embedded Lost Revenue Adjustment of 12.3%.

IWRAPC – Income-based Water Rate Assistance Program Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each CCF of Variable Distribution Service Charge to recover Reconcilable IWRAP Costs.

AF – Cost in dollars of the Reconcilable Arrearage Forgiveness Costs for the projected period.

BDO – An offset to the recovery of the sum of Reconcilable IWRAP Costs plus Reconcilable IWRAP Arrearage Forgiveness Costs equal to 9.0%.

C - Cost in dollars of the Reconcilable IWRAP Costs for the projected period.

E - the net (overcollection) or undercollection of Reconcilable IWRAP Costs. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous IWRAP Rider.

I - Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

S - projected CCF of water service to be billed to all customers classes (exclusive of IWRAP customers) during the projected period when rates will be in effect.

The Department's annual IWRAP Rider filing and its annual reconciliation statement shall be submitted to the Board 120 days prior to new rates being effective January 1 of each year, or at such time as the Board may prescribe. The IWRAP Rider mechanism is subject to annual audit review in a manner deemed appropriate by the Board.

Illustrative Data Reporting Elements:

(1) number of residential customers who were required to pay a deposit to demonstrate creditworthiness to initiate gas or electric service and the average amount of the deposit;

(2) number of residential customers who used alternative methods to a deposit to demonstrate financial responsibility while initiating service;

(3) number of residential customers who were required to pay a deposit to initiate gas or electric service but were unable to do so;

(4) number of customers enrolled in each specific and distinct low-income payment plan;

(5) average payment amount for customers in each specific and distinct low-income payment plan;

(6) number of customers enrolled in every other type of payment plans offered by the utility to other (non-low-income) customers;

(7) the aggregate dollar amount that is being deferred in each specific and distinct type of low-income or other payment plan;

(8) the aggregate dollar amount that has been collected in each specific and distinct type of low-income and other payment plan;

(9) number of customers who defaulted on each specific and distinct type of payment plan;

(10) provide the dollar value and number of residential accounts (and low-income accounts) written off as gross uncollectibles, in that the accounts have been written off and sent to a collection agency;

(11) the dollar value and number of residential accounts (and low-income accounts) written off as net uncollectibles, in that the accounts have been written off after a collection agency has failed to collect payment;

(12) separately provide the total number of accounts in arrears between 30 – 60 days, 60 – 90 days, more than 90 days;

(13) separately provide the total dollar amount of the arrears that were owed between 30 – 60 days, 60 -90 days, more than 90 days;

(14) number of residential customers receiving a disconnection notice;

(15) number of low-income customers receiving a disconnection notice;

(16) number of residential customers disconnected for non-payment;

(17) number of low-income customers disconnected for nonpayment;

(18) number of customers enrolled in a low-income payment assistance program when they were disconnected for non-payment;

(19) number of residential customers who used special medical certification procedures to avoid disconnection;

(20) separately provide the number of residential disconnections, and low-income residential disconnections, where service was reconnected within ten business days, ten to thirty days, thirty to sixty days, sixty to ninety days, and greater than ninety days.

BEFORE THE

PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

RE. APPLICATION OF THE PHILADELPHIA WATER DEPARTMENT FOR INCREASED RATES AND RELATED CHARGES	)))))))	Fiscal Years 2017 - 2018

APPENDICES TO DIRECT TESTIMONY OF

ROGER D. COLTON

ON BEHALF OF THE

PUBLIC ADVOCATE OF THE CITY OF PHILADELPHIA

March 24, 2016

Appendix A

ROGER D. COLTON

BUSINESS ADDRESS: Fisher Sheehan & Colton
Public Finance and General Economics
34 Warwick Road, Belmont, MA 02478
617-484-0597 (voice) *** 617-484-0594 (fax)
roger@fsconline.com (e-mail)
http://www.fsconline.com (www address)

EDUCATION:

J.D. (Order of the Coif), University of Florida (1981)

M.A. (Economics), McGregor School, Antioch University (1993)

B.A. Iowa State University (1975) (journalism, political science, speech)

PROFESSIONAL EXPERIENCE:

Fisher, Sheehan and Colton, Public Finance and General Economics: 1985 - present.

As a co-founder of this economics consulting partnership, Colton provides services in a variety of areas, including: regulatory economics, poverty law and economics, public benefits, fair housing, community development, energy efficiency, utility law and economics (energy, telecommunications, water/sewer), government budgeting, and planning and zoning.

Colton has testified in state and federal courts in the United States and Canada, as well as before regulatory and legislative bodies in more than three dozen states. He is particularly noted for creative program design and implementation within tight budget constraints.

National Consumer Law Center (NCLC): 1986 - 1994

As a staff attorney with NCLC, Colton worked on low-income energy and utility issues. He pioneered cost-justifications for low-income affordable energy rates, as well as developing models to quantify the non-energy benefits (*e.g.*, reduced credit and collection costs, reduced working capital) of low-income energy efficiency. He designed and implemented low-income affordable rate and fuel assistance programs across the country. Colton was charged with developing new practical and theoretical underpinnings for solutions to low-income energy problems.

Community Action Research Group (CARG): 1981 - 1985

As staff attorney for this non-profit research and consulting organization, Colton worked primarily on energy and utility issues. He provided legal representation to low-income persons on public utility issues; provided legal and technical assistance to consumer and labor organizations; and provided legal and technical assistance to a variety of state and local governments nationwide on natural gas, electric, and telecommunications issues. He routinely appeared as an expert witness before regulatory agencies and legislative committees regarding energy and telecommunications issues.

PROFESSIONAL AFFILIATIONS:

Columnist:	Belmont Citizen-Herald
Coordinator:	BelmontBudget.org (Belmont's Community Budget Forum)
Coordinator:	Belmont Affordable Shelter Fund (BASF)
Chair:	Belmont Solar Initiative Oversight Committee
Co-Chair:	Belmont Energy Committee
Member:	Massachusetts Municipal Energy Group (Mass Municipal Association)
Past Chair:	Housing Work Group, Belmont (MA) Comprehensive Planning Process
Past Member:	Board of Directors, Belmont Housing Trust, Inc.
Past Chair:	Waverley Square Fire Station Re-use Study Committee (Belmont MA)
Past Member:	Belmont (MA) Energy and Facilities Work Group
Past Member:	Belmont (MA) Uplands Advisory Committee
Past Member:	Advisory Board: Fair Housing Center of Greater Boston.
Past Chair:	Fair Housing Committee, Town of Belmont (MA)
Past Member:	Aggregation Advisory Committee, New York State Energy Research and Development Authority.
Past Member:	Board of Directors, Vermont Energy Investment Corporation.
Past Member:	Board of Directors, National Fuel Funds Network
Past Member:	Board of Directors, Affordable Comfort, Inc. (ACI)
Past Member:	National Advisory Committee, U.S. Department of Health and Human Services, Administration for Children and Families, Performance Goals for Low-Income Home Energy Assistance.
Past Member:	Editorial Advisory Board, International Library, *Public Utility Law Anthology*.
Past Member:	ASHRAE Guidelines Committee, GPC-8, *Energy Cost Allocation of Comfort HVAC Systems for Multiple Occupancy Buildings*
Past Member:	National Advisory Committee, U.S. Department of Housing and Urban Development, Calculation of Utility Allowances for Public Housing.
Past Member:	National Advisory Board: Energy Financing Alternatives for Subsidized Housing, New York State Energy Research and Development Authority.

PROFESSIONAL ASSOCIATIONS:

National Society of Newspaper Columnists
National Association of Housing and Redevelopment Officials (NAHRO)

National Society of Newspaper Columnists (NSNC)
Association for Enterprise Opportunity (AEO)
Iowa State Bar Association
Energy Bar Association
Association for Institutional Thought (AFIT)
Association for Evolutionary Economics (AEE)
Society for the Study of Social Problems (SSSO)
International Society for Policy Studies
Association for Social Economics

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COLTON EXPERIENCE AS EXPERT WITNESS

1988 – PRESENT

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Energy Efficiency and Conservation Plan, Phase III, PECO Energy	Office of Consumer Advocate	M-2015-2515691	Multi-Family Energy Efficiency	Pennsylvania	16
I/M/O Energy Efficiency and Conservation Plan, Phase III, Duquesne Light Company	Office of Consumer Advocate	M-2015-2515375	Multi-Family Energy Efficiency	Pennsylvania	16
I/M/O Energy Efficiency and Conservation Plan, Phase III, FirstEnergy Companies (Metropolitan Edison, Penelec, Penn Power, West Penn Power)	Office of Consumer Advocate	M-2015-2514767; M-2015-2514768; M-2015-2514769; M-2015-2514772	Multi-Family Energy Efficiency	Pennsylvania	16
I/M/O Energy Efficiency and Conservation Plan, Phase III, PPL Electric Corporation	Office of Consumer Advocate	M-2015-251-2515642	Multi-Family Energy Efficiency	Pennsylvania	16
I/M/O BC Hydro	Public Interest Action Centre	N/A	Rate design / terms and conditions / energy efficiency	British Columbia	15 - 16
Augustin v. Philadelphia Gas Works	Augustin (Plaintiffs)	2:14—cv-04238	Constitutional notice issues	U.S. District Court (E.D. PA)	15
I/M/O PPL Utilities	Office of Consumer Advocate	R-2015-2469275	Rate design / customer service	Pennsylvania	15
I/M/O Columbia Gas Company	Office of Consumer Advocate	R-2015-2468056	Rate design / customer service	Pennsylvania	15
I/M/O PECO Energy Company	Office of Consumer Advocate	R-2015-2468981	Rate design / customer service	Pennsylvania	15
I/M/O Philadelphia Gas Works	Office of Consumer Advocate	P-2014-2459362	Demand Side Management	Pennsylvania	15
I/M/O SBG Management v. Philadelphia Gas Works	SBG Management	C-2012-2308454	Customer service	Pennsylvania	15

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Manitoba Hydro	Resource Action Centre		Low-income affordability	Manitoba	15
I/M/O FirstEnergy Companies (Met Ed, WPP, Penelec, Penn Power)	Office of Consumer Advocate	R-2014-2428742 (8743, 8744, 8745)	Rate design / customer service / storm communications	Pennsylvania	14
I/M/O Xcel Energy Company	Energy CENTS Coalition	E002/GR-13-868	Rate design / energy conservation	Minnesota	14
I/M/O Peoples Gas Light and Coke Company / North Shore Gas	Office of Attorney General	14-0224 / 14--0225	Rate design / customer service	Illinois	14
I/M/O Columbia Gas of Pennsylvania	Office of Consumer Advocate	R-2014-2406274	Rate design / customer service	Pennsylvania	14
I/M/O Duquesne Light Company Rates	Office of Consumer Advocate	R-2013-2372129	Rate design / customer service / storm communications	Pennsylvania	13
I/M/O Duquesne Light Company Universal Service	Office of Consumer Advocate	M-2013-2350946	Low-income program design	Pennsylvania	13
I/M/O Peoples-TWP	Office of Consumer Advocate	P-2013-2355886	Low-income program design / rate design	Pennsylvania	13
I/M/O PECO CAP Shopping Plan	Office of Consumer Advocate	P-2013-2283641	Retail shopping	Pennsylvania	13
I/M/O PECO Universal Service Programs	Office of Consumer Advocate	M-201202290911	Low-income program design	Pennsylvania	13
I/M/O Privacy of Consumer Information	Legal Services Advocacy Project	CI-12-1344	Privacy of SSNs & consumer information	Minnesota	13
I/M/O Atlantic City Electric Company	Division of Rate Counsel	BPU-12121071	Customer service / Storm communications	New Jersey	13
I/M/O Jersey Central Power and Light Company	Division of Rate counsel	BPU-12111052	Customer service / Storm communications	New Jersey	13
I/M/O Columbia Gas Company	Office of Consumer Advocate	R-2012-2321748	Universal service	Pennsylvania	13
I/M/O Public Service Company of Colorado Low-Income Program Design	Xcel Energy d/b/a PSCo	12A--EG	Low-income program design / cost recovery	Colorado	12
I/M/O Philadelphia Water Department.	Philadelphia Public Advocate	No. Docket No.	Customer service	Philadelphia	12
I/M/O PPL Electric Power Corporation	Office of Consumer Advocate	R-2012-2290597	Rate design / low-income programs	Pennsylvania	12

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Peoples Natural Gas Company	Office of Consumer Advocate	R-2012-2285985	Rate design / low-income programs	Pennsylvania	12
I/M/O Merger of Constellation/Exelon	Office of Peoples Counsel	CASE 9271	Customer Service	Maryland	11
I/M/O Duke Energy Carolinas	North Carolina Justice Center	E-7, SUB-989	Customer service/low-income rates	North Carolina	11
Re. Duke Energy/Progress Energy merger	NC Equal Justice foundation	E-2, SUB 998	Low-income merger impacts	North Carolina	11
Re. Atlantic City Electric Company	Division of Rate Counsel	ER1186469	Customer Service	New Jersey	11
Re. Camelot Utilities	Office of Attorney General	11-0549	Rate shock	Illinois	11
Re. UGI—Central Penn Gas	Office of Consumer Advocate	R-2010-2214415	Low-income program design/cost recovery	Pennsylvania	11
Re. National Fuel Gas	Office of Consumer Advocate	M-2010-2192210	Low-income program cost recovery	Pennsylvania	11
Re. Philadelphia Gas Works	Office of Consumer Advocate	P-2010-2178610	Program design	Pennsylvania	11
Re. PPL	Office of Consumer Advocate	M-2010-2179796	Low-income program cost recovery	Pennsylvania	11
Re. Columbia Gas Company	Office of Consumer Advocate	R-2010-2215623	Rate design/Low-income program cost recovery	Pennsylvania	11
Crowder et al. v. Village of Kauffman	Crowder (plaintiffs)	3:09-CV-02181-M	Section 8 utility allowances	Texas Fed Court	11
I/M/O Peoples Natural Gas Company.	Office of Consumer Advocate	T-2010-220172	Low-income program design/cost recovery	Pennsylvania	11
I/M/O Commonwealth Edison	Office of Attorney General	10-0467	Rate design/revenue requirement	Illinois	10
I/M/O National Grid d/b/a Energy North	NH Legal Assistance	DG-10-017	Rate design/revenue requirement	New Hampshire	10
I/M/O Duquesne Light Company	Office of Consumer Advocate	R-2010-2179522	Low-income program cost recovery	Pennsylvania	10
I/M/O Avista Natural Gas Corporation	The Opportunity Council	UE-100467	Low-income assistance/rate design	Washington	10
I/M/O Manitoba Hydro	Resource Conservation Manitoba (RCM)	CASE NO. 17/10	Low-income program design	Manitoba	10
I/M/O TW Phillips	Office of Consumer Advocate	R-2010-2167797	Low-income program cost recovery	Pennsylvania	10
I/M/O PECO Energy—Gas Division	Office of Consumer Advocate	R-2010-2161592	Low-income program cost recovery	Pennsylvania	10

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O PECO Energy—Electric Division	Office of Consumer Advocate	R-2010-2161575	Low-income program cost recovery	Pennsylvania	10
I/M/O PPL Energy	Office of Consumer Advocate	R-2010-2161694	Low-income program cost recovery	Pennsylvania	10
I/M/O Columbia Gas Company	Office of Consumer Advocate	R-2009-2149262	Low-income program design/cost recovery	Pennsylvania	10
I/M/O Atlantic City Electric Company	Office of Rate Council	R09080664	Customer service	New Jersey	10
I/M/O Philadelphia Gas Works	Office of Consumer Advocate	R-2009-2139884	Low-income program cost recovery	Pennsylvania	10
I/M/O Philadelphia Gas Works	Office of Consumer Advocates	R-2009-2097639	Low-income program design	Pennsylvania	10
I/M/O Xcel Energy Company	Xcel Energy Company (PSCo)	085-146G	Low-income program design	Colorado	09
I/M/O Atmos Energy Company	Atmos Energy Company	09AL-507G	Low-income program funding	Colorado	09
I/M/O New Hampshire CORE Energy Efficiency Programs	New Hampshire Legal Assistance	D-09-170	Low-income efficiency funding	New Hampshire	09
I/M/O Public Service Company of New Mexico (electric)	Community Action of New Mexico	08-00273-UT	Rate Design	New Mexico	09
I/M/O UGI Pennsylvania Natural Gas Company (PNG)	Office of Consumer Advocate	R-2008-2079675	Low-income program	Pennsylvania	09
I/M/O UGI Central Penn Gas Company (CPG)	Office of Consumer Advocate	R-2008-2079660	Low-income program	Pennsylvania	09
I/M/O PECO Electric (provider of last resort)	Office of Consumer Advocate	R-2008-2028394	Low-income program	Pennsylvania	08
I/M/O Equitable Gas Company	Office of Consumer Advocate	R-2008-2029325	Low-income program	Pennsylvania	08
I/M/O Columbia Gas Company	Office of Ohio Consumers' Counsel	08-072-GA-AIR	Rate design	Ohio	08
I/M/O Dominion East Ohio Gas Company	Office of Ohio Consumers' Counsel	07-829-GA-AIR	Rate design	Ohio	08
I/M/O Vectren Energy Delivery Company	Office of Ohio Consumers' Counsel	07-1080-GA-AIR	Rate design	Ohio	08
I/M/O Public Service Company of North Carolina	NC Department of Justice	G-5, SUB 495	Rate design	North Carolina	08
I/M/O Piedmont Natural Gas Company	NC Department of Justice	G-9, SUB 550	Rate design	North Carolina	08
I/M/O National Grid	New Hampshire Legal Assistance	DG-08-009	Low-income rate assistance	New Hampshire	08
I/M/O EmPower Maryland	Office of Peoples Counsel	PC-12	Low-income energy efficiency	Maryland	08

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Duke Energy Carolinas Save-a-Watt Program	NC Equal Justice Foundation	E-7, SUB 831	Low-income energy efficiency	North Carolina	08
I/M/O Zia Natural Gas Company	Community Action New Mexico	08-00036-UT	Low-income/low-use rate design	New Mexico	08
I/M/O Universal Service Fund Support for the Affordability of Local Rural Telecomm Service	Office of Consumer Advocate	I-0004010	Telecomm service affordability	Pennsylvania	08
I/M/O Philadelphia Water Department	Public Advocate	No Docket No.	Credit and Collections	Philadelphia	08
I/M/O Portland General Electric Company	Community Action--Oregon	UE-197	General rate case	Oregon	08
I/M/O Philadelphia Electric Company (electric)	Office of Consumer Advocate	M-00061945	Low-income program	Pennsylvania	08
I/M/O Philadelphia Electric Company (gas)	Office of Consumer Advocate	R-2008-2028394	Low-income program	Pennsylvania	08
I/M/O Columbia Gas Company	Office of Consumer Advocate	R-2008-2011621	Low-income program	Pennsylvania	08
I/M/O Public Service Company of New Mexico	Community Action New Mexico	08-00092-UT	Fuel adjustment clause	New Mexico	08
I/M/O Petition of Direct Energy for Low-Income Aggregation	Office of Peoples Counsel	CASE 9117	Low-income electricity aggregation	Maryland	07
I/M/O Office of Consumer Advocate et al. v. Verizon and Verizon North	Office of Consumer Advocate	C-20077197	Lifeline telecommunications rates	Pennsylvania	07
I/M/O Pennsylvania Power Company	Office of Consumer Advocate	P-00072437	Low-income program	Pennsylvania	07
I/M/O National Fuel Gas Distribution Corporation	Office of Consumer Advocate	M-00072019	Low-income program	Pennsylvania	07
I/M/O Public Service of New Mexico--Electric	Community Action New Mexico	07-00077-UT	Low-income programs	New Mexico	07
I/M/O Citizens Gas/NIPSCO/Vectren for Universal Service Program	Citizens Gas & Coke Utility/Northern Indiana Public Service/Vectren Energy	CASE 43077	Low-income program design	Indiana	07
I/M/O PPL Electric	Office of Consumer Advocate	R-00072155	Low-income program	Pennsylvania	07
I/M/O Section 15 Challenge to NSPI Rates	Energy Affordability Coalition	P-886	Discrimination in utility regulation	Nova Scotia	07
I/M/O Philadelphia Gas Works	Office of Consumer Advocate	R-00049157	Low-income and residential collections	Pennsylvania	07
I/M/O Equitable Gas Company	Office of Consumer Advocate	M-00061959	Low-income program	Pennsylvania	07

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Public Service Company of New Mexico	Community Action of New Mexico	Case No. 06-000210-UT	Late charges / winter moratorium / decoupling	New Mexico	06
I/M?O Verizon Massachusetts	ABCD	Case NO. DTE 06-26	Late charges	Massachusetts	06
I/M/O Section 11 Proceeding, Energy Restructuring	Office of Peoples Counsel	PC9074	Low-income needs and responses	Maryland	06
I/M/O Citizens Gas/NIPSCO/Vectren for Univ. Svc. Program	Citizens Gas & Coke Utility/Northern Indiana Public Service/Vectren Energy	Case No. 43077	Low-income program design	Indiana	06
I/M/O Public Service Co. of North Carolina	North Carolina Attorney General/Dept. of Justice	G-5, Sub 481	Low-income energy usage	North Carolina	06
I/M/O Electric Assistance Program	New Hampshire Legal Assistance	DE 06-079	Electric low-income program design	New Hampshire	06
I/M/O Verizon Petition for Alternative Regulation	New Hampshire Legal Assistance	DM-06-072	Basic local telephone service	New Hampshire	06
I/M/O Pennsylvania Electric Co/Metropolitan Edison Co.	Office of Consumer Advocate	N/A	Universal service cost recovery	Pennsylvania	06
I/M/O Duquesne Light Company	Office of Consumer Advocates	R-00061346	Universal service cost recovery	Pennsylvania	06
I/M/O Natural Gas DSM Planning	Low-Income Energy Network	EB-2006-0021	Low-income gas DSM program.	Ontario	06
I/M/O Union Gas Co.	Action Centre for Tenants Ontario (ACTO)	EB-2005-0520	Low-income program design	Ontario	06
I/M/O Public Service of New Mexico merchant plant	Community Action New Mexico	05-00275-UT	Low-income energy usage	New Mexico	06
I/M/O Customer Assistance Program design and cost recovery	Office of Consumer Advocate	M-00051923	Low-income program design	Pennsylvania	06
I/M/O NIPSCO Proposal to Extend Winter Warmth Program	Northern Indiana Public Service Company	Case 42927	Low-income energy program evaluation	Indiana	05
I/M/O Piedmont Natural Gas	North Carolina Attorney General/Dept. of Justice	G-9, Sub 499	Low-income energy usage	North Carolina	05
I/M/O PSEG merger with Exelon Corp.	Division of Ratepayer Advocate	EM05020106	Low-income issues	New Jersey	05
Re. Philadelphia Water Department	Public Advocate	No docket number	Water collection factors	Philadelphia	05
I/M/O statewide natural gas universal service program	New Hampshire Legal Assistance	N/A	Universal service	New Hampshire	05

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Sub-metering requirements for residential rental properties	Tenants Advocacy Centre of Ontario	EB-2005-0252	Sub-metering consumer protections	Ontario	05
I/M/O National Fuel Gas Distribution Corp.	Office of Consumer Advocate	R-00049656	Universal service	Pennsylvania	05
I/M/O Nova Scotia Power, Inc.	Dalhousie Legal Aid Service	NSUARB-P-881	Universal service	Nova Scotia	04
I/M/O Lifeline Telephone Service	National Ass'n State Consumer Advocates (NASUCA)	WC 03-109	Lifeline rate eligibility	FCC	04
Mackay v. Verizon North	Office of Consumer Advocate	C20042544	Lifeline rates—vertical services	Pennsylvania	04
I/M/O PECO Energy	Office of Consumer Advocate	N/A	Low-income rates	Pennsylvania	04
I/M/O Philadelphia Gas Works	Office of Consumer Advocate	P00042090	Credit and collections	Pennsylvania	04
I/M/O Citizens Gas & Coke/Vectren	Citizens Action Coalition of Indiana	Case 42590	Universal service	Indiana	04
I/M/O PPL Electric Corporation	Office of Consumer Advocate	R00049255	Universal service	Pennsylvania	04
I/M/O Consumers New Jersey Water Company	Division of Ratepayer Advocate	N/A	Low-income water rate	New Jersey	04
I/M/O Washington Gas Light Company	Office of Peoples Counsel	Case 8982	Low-income gas rate	Maryland	04
I/M/O National Fuel Gas	Office of Consumer Advocate	R-00038168	Low-income program design	Pennsylvania	03
I/M/O Washington Gas Light Company	Office of Peoples Counsel	Case 8959	Low-income gas rate	Maryland	03
Golden v. City of Columbus	Helen Golden	C2-01-710	ECOA disparate impacts	Ohio	02
Huegel v. City of Easton	Phyllis Huegel	00-CV-5077	Credit and collection	Pennsylvania	02
I/M/O Universal Service Fund	Public Utility Commission staff	N/A	Universal service funding	New Hampshire	02
I/M/O Philadelphia Gas Works	Office of Consumer Advocate	M-00021612	Universal service	Pennsylvania	02
I/M/O Washington Gas Light Company	Office of Peoples Counsel	Case 8920	Rate design	Maryland	02
I/M/O Consumers Illinois Water Company	Illinois Citizens Utility Board	02-155	Credit and collection	Illinois	02
I/M/O Public Service Electric & Gas Rates	Division of Ratepayer Advocate	GR01050328	Universal service	New Jersey	01

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Pennsylvania-American Water Company	Office of Consumer Advocate	R-00016339	Low-income rates and water conservation	Pennsylvania	01
I/M/O Louisville Gas & Electric Prepayment Meters	Kentucky Community Action Association	200-548	Low-income energy	Kentucky	01
I/M/O NICOR Budget Billing Plan Interest Charge	Cook County State's Attorney	01-0175	Rate Design	Illinois	01
I/M/O Rules Re. Payment Plans for High Natural Gas Prices	Cook County State's Attorney	01-0789	Budget Billing Plans	Illinois	01
I/M/O Philadelphia Water Department	Office of Public Advocate	No docket number	Credit and collections	Philadelphia	01
I/M/O Missouri Gas Energy	Office of Peoples Counsel	GR-2001-292	Low-income rate relief	Missouri	01
I/M/O Bell Atlantic--New Jersey Alternative Regulation	Division of Ratepayer Advocate	T001020095	Telecommunications universal service	New Jersey	01
I/M/O Entergy Merger	Low-Income Intervenors	2000-UA925	Consumer protections	Mississippi	01
I/M/O T.W. Phillips Gas and Oil Co.	Office of Consumer Advocate	R00994790	Ratemaking of universal service costs.	Pennsylvania	00
I/M/O Peoples Natural Gas Company	Office of Consumer Advocate	R-00994782	Ratemaking of universal service costs.	Pennsylvania	00
I/M/O UGI Gas Company	Office of Consumer Advocate	R-00994786	Ratemaking of universal service costs.	Pennsylvania	00
I/M/O PFG Gas Company	Office of Consumer Advocate	R00994788	Ratemaking of universal service costs.	Pennsylvania	00
Armstrong v. Gallia Metropolitan Housing Authority	Equal Justice Foundation	2:98-CV-373	Public housing utility allowances	Ohio	00
I/M/O Bell Atlantic--New Jersey Alternative Regulation	Division of Ratepayer Advocate	T099120934	Telecommunications universal service	New Jersey	00
I/M/O Universal Service Fund for Gas and Electric Utilities	Division of Ratepayer Advocate	EX00200091	Design and funding of low-income programs	New Jersey	00
I/M/O Consolidated Edison Merger with Northeast Utilities	Save Our Homes Organization	DE 00-009	Merger impacts on low-income	New Hampshire	00
I/M/O UtiliCorp Merger with St. Joseph Light & Power	Missouri Dept. of Natural Resources	EM2000-292	Merger impacts on low-income	Missouri	00
I/M/O UtiliCorp Merger with Empire District Electric	Missouri Dept. of Natural Resources	EM2000-369	Merger impacts on low-income	Missouri	00
I/M/O PacifiCorp	The Opportunity Council	UE-991832	Low-income energy affordability	Washington	00

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
I/M/O Public Service Co. of Colorado	Colorado Energy Assistance Foundation	99S-609G	Natural gas rate design	Colorado	00
I/M/O Avista Energy Corp.	Spokane Neighborhood Action Program	UE9911606	Low-income energy affordability	Washington	00
I/M/O TW Phillips Energy Co.	Office of Consumer Advocate	R-00994790	Universal service	Pennsylvania	00
I/M/O PECO Energy Company	Office of Consumer Advocate	R-00994787	Universal service	Pennsylvania	00
I/M/O National Fuel Gas Distribution Corp.	Office of Consumer Advocate	R-00994785	Universal service	Pennsylvania	00
I/M/O PFG Gas Company/Northern Penn Gas	Office of Consumer Advocate	R-00005277	Universal service	Pennsylvania	00
I/M/O UGI Energy Company	Office of Consumer Advocate	R-00994786	Universal service	Pennsylvania	00
Re. PSCO/NSP Merger	Colorado Energy Assistance Foundation	99A-377EG	Merger impacts on low-income	Colorado	99 - 00
I/M/O Peoples Gas Company	Office of Consumer Advocate	R-00994782	Universal service	Pennsylvania	99
I/M/O Columbia Gas Company	Office of Consumer Advocate	R-00994781	Universal service	Pennsylvania	99
I/M/O PG Energy Company	Office of Consumer Advocate	R-00994783	Universal service	Pennsylvania	99
I/M/O Equitable Gas Company	Office of Consumer Advocate	R-00994784	Universal service	Pennsylvania	99
Allerruzzo v. Klarchek	Barlow Allerruzzo	N/A	Mobile home fees and sales	Illinois	99
I/M/O Restructuring New Jersey's Natural Gas Industry	Division of Ratepayer Advocate	GO99030123	Universal service	New Jersey	99
I/M/O Bell Atlantic Local Competition	Public Utility Law Project	P-00991648	Lifeline telecommunications rates	Pennsylvania	99
I/M/O Merger Application for SBC and Ameritech Ohio	Edgemont Neighborhood Association	N/A	Merger impacts on low-income consumers	Ohio	98 - 99
Davis v. American General Finance	Thomas Davis	N/A	Damages in "loan flipping" case	Ohio	98 - 99
Griffin v. Associates Financial Service Corp.	Earlie Griffin	N/A	Damages in "loan flipping" case	Ohio	98 - 99
I/M/O Baltimore Gas and Electric Restructuring Plan	Maryland Office of Peoples	Case No. 8794	Consumer protection/basic generation service	Maryland	98 - 99

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
	Counsel				
I/M/O Delmarva Power and Light Restructuring Plan	Maryland Office of Peoples Counsel	Case No. 8795	Consumer protection/basic generation service	Maryland	98 - 99
I/M/O Potomac Electric Power Co. Restructuring Plan	Maryland Office of Peoples Counsel	Case No. 8796	Consumer protection/basic generation service	Maryland	98 - 99
I/M/O Potomac Edison Restructuring Plan	Maryland Office of Peoples Counsel	Case No. 8797	Consumer protection/basic generation service	Maryland	98 - 99
VMHOA v. LaPierre	Vermont Mobile Home Owners Association	N/A	Mobile home tying	Vermont	98
Re. Restructuring Plan of Virginia Electric Power	VMH Energy Services, Inc.	PUE960296	Consumer protection/basic generation service	Virginia	98
Mackey v. Spring Lake Mobile Home Estates	Timothy Mackey	N/A	Mobile home fees	State ct: Illinois	98
Re. Restructuring Plan of Atlantic City Electric	New Jersey Division of Ratepayer Advocate	E097070457	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Jersey Central Power & Light	New Jersey Division of Ratepayer Advocate	E097070466	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Public Service Electric & Gas	New Jersey Division of Ratepayer Advocate	E097070463	Low-income issues	New Jersey	97-98
Re. Restructuring Plan of Rockland Electric	New Jersey Division of Ratepayer Advocate	E09707466	Low-income issues	New Jersey	97-98
Appleby v. Metropolitan Dade County Housing Agency	Legal Services of Greater Miami	N/A	HUD utility allowances	Fed. court: So. Florida	97 - 98
Re. Restructuring Plan of PECO Energy Company	Energy Coordinating Agency of Philadelphia	R-00973953	Universal service	Pennsylvania	97
Re. IES Industries Merger	Iowa Community Action Association	SPU-96-6	Low-income issues	Iowa	97
Re. New Hampshire Electric Restructuring	NH Comm. Action Ass'n	N/A	Wires charge	New Hampshire	97

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
Re. Merger of Atlantic City Electric and Connectiv	Division of Ratepayer Advocate	EM97020103	Low-income	New Jersey	97
Re. Connecticut Power and Light	City of Hartford	92-11-11	Low-income	Connecticut	97
Re. Comprehensive Review of RI Telecomm Industry	Consumer Intervenors	1997	Consumer protections	Rhode Island	97
Re. Natural Gas Competition in Wisconsin	Wisconsin Community Action Association	N/A	Universal service	Wisconsin	96
Re. Baltimore Gas and Electric Merger	Maryland Office of Peoples Counsel	CASE NO. 8725	Low-income issues	Maryland	96
Re. Northern States Power Merger	Energy Cents Coalition	E-002/PA-95-500	Low-income issues	Minnesota	96
Re. Public Service Co. of Colorado Merger	Colorado Energy Assistance Foundation	N/A	Low-income issues	Colorado	96
Re. Massachusetts Restructuring Regulations	Fisher, Sheehan & Colton	DPU-96-100	Low-income issues/energy efficiency	Massachusetts	96
I/M/O PGW FY1996 Tariff Revisions	Philadelphia Public Advocate	No Docket No.	Credit and collection / customer service	Philadelphia	96
Re. FERC Merger Guidelines	National Coalition of Low-Income Groups	RM-96-6-000	Low-income interests in mergers	Washington D.C.	96
Re. Joseph Keliikuli III	Joseph Keliikuli III	N/A	Damages from lack of homestead	Honolulu	96
Re. Theresa Mahaulu	Theresa Mahaulu	N/A	Damages from lack of homestead	Honolulu	95
Re. Joseph Ching, Sr.	Re. Joseph Ching, Sr.	N/A	Damages from lack of homestead	Honolulu	95
Joseph Keaulana, Jr.	Joseph Keaulana, Jr.	N/A	Damages from lack of homestead	Honolulu	95
Re. Utility Allowances for Section 8 Housing	National Coalition of Low-Income Groups	N/A	Fair Market Rent Setting	Washington D.C.	95
Re. PGW Customer Service Tariff Revisions	Philadelphia Public Advocate	No Docket No.	Credit and collection	Philadelphia	95
Re. Customer Responsibility Program	Philadelphia Public Advocate	No Docket No.	Low-income rates	Philadelphia	95

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
Re. Houston Lighting and Power Co.	Gulf Coast Legal Services	12065	Low-Income Rates	Texas	95
I/M/O Petition to Stay PGW's Suspension of CRP customers who did Not Assign LIHEAP Grant to PGW	Philadelphia Public Advocate	No Docket No.	Low-Income rates	Philadelphia	95
Re. PGW Tariff Changes, Programs and Information Systems	Philadelphia Public Advocate	No Docket No.	Credit and collection	Philadelphia	95
Re. Request for Modification of Winter Moratorium	Philadelphia Public Advocate	No Docket No.	Credit and collection	Philadelphia	95
Re. Dept of Hawaii Homelands Trust Homestead Production	Native Hawaiian Legal Corporation	N/A	Prudence of trust management	Honolulu	94
Re. SNET Request for Modified Shutoff Procedures	Office of Consumer Counsel	94-06-73	Credit and collection	Connecticut	94
Re. Central Light and Power Co.	United Farm Workers	128280	Low-income rates/DSM	Texas	94
Blackwell v. Philadelphia Electric Co.	Gloria Blackwell	N/A	Role of shutoff regulations	Penn. courts	94
U.S. West Request for Waiver of Rules	Wash. Util. & Transp. Comm'n Staff	UT-930482	Telecommunications regulation	Washington	94
Re. U.S. West Request for Full Toll Denial	Colorado Office of Consumer Counsel	93A-6113	Telecommunications regulation	Colorado	94
Washington Gas Light Company	Community Family Life Services	Case 934	Low-income rates & energy efficiency	Washington D.C.	94
Clark v. Peterborough Electric Utility	Peterborough Community Legal Centre	6900/91	Discrimination of tenant deposits	Ontario, Canada	94
Dorsey v. Housing Auth. of Baltimore	Baltimore Legal Aide	N/A	Public housing utility allowances	Federal district court	93
Penn Bell Telephone Co.	Penn. Utility Law Project	P00930715	Low-income phone rates	Pennsylvania	93
Philadelphia Gas Works	Philadelphia Public Advocate	No Docket No.	Low-income rates	Philadelphia	93
Central Maine Power Co.	Maine Assn Ind. Neighborhoods	Docket No. 91-151-C	Low-income rates	Maine	92
New England Telephone Company	Mass Attorney General	92-100	Low-income phone rates	Massachusetts	92
Philadelphia Gas Works	Philadelphia Public Advocate	No Docket No.	Low-income DSM	Philadelphia	92

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
Philadelphia Water Dept.	Philadelphia Public Advocate	No Docket No.	Low-income rates	Philadelphia	92
Public Service Co. of Colorado	Land and Water Fund	91A-783EG	Low-income DSM	Colorado	92
Sierra Pacific Power Co.	Washoe Legal Services	N/A	Low-income DSM	Nevada	92
Consumers Power Co.	Michigan Legal Services	No Docket No.	Low-income rates	Michigan	92
Columbia Gas	Office of Consumer Advocate (OCA)	R9013873	Energy Assurance Program	Pennsylvania	91
Mass. Elec. Co.	Mass Elec Co.	N/A	Percentage of Income Plan	Massachusetts	91
AT&T	TURN	90-07-5015	Inter-LATA competition	California	91
Generic Investigation into Uncollectibles	Office of Consumer Advocate	I-900002	Controlling uncollectibles	Pennsylvania	91
Union Heat Light & Power	Kentucky Legal Services (KLS)	90-041	Energy Assurance Program	Kentucky	90
Philadelphia Water	Philadelphia Public Advocate (PPA)	No Docket No.	Controlling accounts receivable	Philadelphia	90
Philadelphia Gas Works	PPA	No Docket No.	Controlling accounts receivable	Philadelphia	90
Mississippi Power Co.	Southeast Mississippi Legal Services Corp.	90-UN-0287	Formula ratemaking	Mississippi	90
West Kentucky Gas	KLS	90-013	Energy Assurance Program	Kentucky	90
Philadelphia Electric Co.	PPA	N/A	Low-income rate program	Philadelphia	90
Montana Power Co.	Montana Ass'n of Human Res. Council Directors	N/A	Low-income rate proposals	Montana	90
Columbia Gas Co.	Office of Consumer Advocate	R-891468	Energy Assurance Program	Pennsylvania	90
Philadelphia Gas Works	PPA	No Docket No.	Energy Assurance Program	Philadelphia	89
Southwestern Bell Telephone Co.	SEMLSC	NF-89749	Formula ratemaking	Mississippi	90
Generic Investigation into Low-income Programs	Vermont State Department of	Case No. 5308	Low-income rate proposals	Vermont	89

CASE NAME	CLIENT NAME	Docket No. (if available)	TOPIC	JURIS.	YEAR
	Public Service				
Generic Investigation into Dmnd Side Management Measures	Vermont DPS	N/A	Low-income conservation programs	Vermont	89
National Fuel Gas	Office of Consumer Advocate	N/A	Low-income fuel funds	Pennsylvania	89
Montana Power Co.	Human Resource Develop. Council District XI	N/A	Low-income conservation	Montana	88
Washington Water Power Co.	Idaho Legal Service Corp.	N/A	Rate base, rate design, cost-allocations	Idaho	88

Appendix B

City of Philadelphia

(Bill No. 140607-AA)

AN ORDINANCE

Amending Title 19 of The Philadelphia Code (Finance, Taxes, and Collections), Chapter 1600 (Water and Sewer Rents), by providing for installment payment agreements, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Chapter 19-1600 of The Philadelphia Code is hereby amended to read as follows:

CHAPTER 1600. WATER AND SEWER RENTS.

* * *

§19-1605. Limitation on Action to Enforce Collection*; Income-Based Water Rate Assistance Program*.

* * *

(1) The Department may waive any claim for unpaid water, sewer and stormwater charges (also referred to in this Chapter as "water or sewer rent") after the expiration of 15 years following the year in which such charges become due.

(2) Definitions. For purposes of this Section 19-1605, each of the following terms has the meaning specified or referred to in this section:

(a) <u>Customer</u> means a natural person who (i) is receiving or (ii) is in the process of requesting or simultaneously requests to receive or restore service from the Water Department at such person's primary residence in Philadelphia. A person shall cease to qualify as a customer under the second category if his or her application for service is ultimately denied.

(b) Income shall have the same definition as for Section 19-1305.

(b.1) FPL means the Federal Poverty Level, as determined annually by the United States Census Bureau, or, at the discretion of the Revenue Department, roughly equivalent levels of income measured by Area Median Income, as determined annually by

the United States Department of Housing and Urban Development. Any limitations based on FPL may be translated into their rough equivalent in Area Median Income.

(c) IWRAP means the Income-Based Water Rate Assistance Program described in this section.

(d) Low-income shall be defined as income equal to or less than one hundred fifty percent (150%) of FPL.

(e) Monthly household income means the monthly income received by the customer and all adults residing in the customer's household.

(f) Special Hardship may include, but is not limited to, the following conditions: (i) the addition of a dependent; (ii) a seriously ill household member; or (iii) circumstances that threaten the household's access to the necessities of life if payment of a delinquent bill is required.

(3) The IWRAP program is authorized under the following terms and conditions:

(a) Monthly IWRAP bills shall be affordable for low-income households, based on a percentage of the household's income and a schedule of different percentage rates for (i) households with income up to fifty percent (50%) of FPL, (ii) households with income from fifty percent (50%) to (100%) of FPL, and (iii) households with income from one hundred percent (100%) to one hundred fifty percent (150%) of FPL, and shall be charged in lieu of the Department's service, usage, and stormwater charges. That goal shall be achieved through a discount on generally-applicable residential rates or other bill calculation mechanism based upon each Customer's actual income and, if practicable, historical usage, in a manner consistent with applicable federal law. The percentage of income limitations to be imposed at each level by the first sentence shall be determined by the Water, Sewer and Storm Water Rate Board, which also shall have discretion to establish more, but not fewer, Low-Income tiers. Bills issued pursuant to this IWRAP program shall be deemed to comply with Philadelphia Code Section 13-101(4)(d). The Department shall have discretion to offer more favorable terms than the standard rates upon an individualized finding of Special Hardship. Historical usage shall not include significant usage attributable to leaks or activities not customary to a residential setting.

(b) Individual Financial Assessment. Customers may request an individual financial assessment comparing household income and expenses in order to demonstrate Special Hardship.

(c) More Affordable Alternative. Prior to enrolling a customer in IWRAP and upon each recertification of eligibility, the Department shall determine whether, on the basis of such customer's monthly bills, the customer would receive more affordable

bills under another available payment agreement or rate discount. In such event, the Department shall provide the customer with such more affordable payment agreement and rate discount, if applicable, in lieu of IWRAP.

(d) Timely payment of his or her monthly IWRAP bill shall satisfy all of a customer's current water liabilities, so that there is no addition to his or her arrears. Timely payment shall be payment postmarked or received within one month of that payment's due date.

(e) Any amount paid for a monthly IWRAP bill in excess of the customer's current water liabilities shall reduce the balance of his or her arrears.

(f) In the event an IWRAP customer's service is terminated for non-payment of IWRAP bills, such customer shall be entitled to restoration of service (i) upon payment of such unpaid IWRAP bills and other charges assessed during the period such customer's service was off, (ii) upon such customer's entry into a payment agreement with the Department regarding such unpaid IWRAP bills or other charges, as applicable, or (iii) upon a finding of Special Hardship by the Department. Upon restoration of service pursuant to this subsection (f), a customer shall automatically be entitled to continue in IWRAP, or to apply for IWRAP, as appropriate.

(g) Eligibility for the IWRAP program shall be understood in all cases to require showing of financial or Special Hardship. Customers demonstrating monthly household income that is Low-Income shall have satisfied this eligibility requirement.

(h) Total bill. Low-income customers who are enrolled in IWRAP shall be required to make no additional payment in respect to any pre-IWRAP arrears to maintain service.

(h.1) Minimum bill amounts consistent with the goal of providing affordability may be established for cases where a bill calculated under rates set pursuant to subsection (3)(a) would result in a nominal amount.

(h.2) Earned forgiveness. Earned forgiveness of arrearages shall be available under such terms and conditions as are adopted by regulation. Customers with household income from one hundred fifty percent (150%) to two hundred fifty percent (250%) of FPL, shall be offered payment plans that result in a total bill – including arrearages – that is affordable.

(i) Eligibility and Enrollment in IWRAP.

(.1) A Customer shall be enrolled in IWRAP upon approval of a completed application on or with which the applicant shall be required to provide proof

that he or she (i) is a resident at the property in question; and (ii) qualifies for IWRAP because of financial hardship or Special Hardship. The Department shall design an appropriate application and shall set appropriate standards for what constitutes proof of those criteria. Requirements for proof of criteria other than ownership should be consistent with those under Philadelphia Code Section 19-1305.

(.2) The Department shall accept determinations of income and/or residency made within the prior twelve months pursuant to §19-1305.

(.3) The Department may deny a customer's eligibility for IWRAP or a payment agreement for good cause, provided that such denial shall constitute an adverse decision subject to the provisions of subsection (3)(g) of this Section. A customer who is otherwise eligible for an IWRAP agreement under this Section shall not be denied an IWRAP agreement based on the customer's nonpayment of prior bills due to the Department or default or failure to comply with a non-IWRAP payment agreement.

(j) IWRAP Enrollment Confirmation. Upon a customer's entry into an IWRAP agreement, the Department shall provide a written statement setting forth the terms and conditions of the customer's participation in IWRAP.

(k) Decisions in writing. Any decision or determination of the Department relating to (i) initial or continued eligibility for IWRAP, (ii) a Department payment agreement, (iii) the amount of IWRAP or other arrears for which the customer is responsible, (iv) the completeness of a customer's application, and the adequacy or completeness of any documentation submitted in connection with an application, for an IWRAP or a Department payment agreement, or (v) the customer's performance of his or her obligations under an IWRAP or a Department payment agreement, shall be provided to the customer in writing, and shall include a specific reason for the decision or determination, and a statement of the customer's right to an administrative hearing to dispute such decision.

(l) The Tax Review Board is authorized to review any adverse final decision or determination of the Department relating to initial or continued eligibility for an IWRAP agreement or to the Customer's performance of his or her obligations under an IWRAP agreement with the same effect as a petition for review pursuant to Chapter 19-1700 of this Title.

(m) The Department and the Water Department shall promulgate standards governing stay, postponement, and holds of pending enforcement actions or service terminations to allow customers time to apply for and enter into IWRAP or other payment agreements, and/or to seek legal representation or assistance from community based organizations. The Department and the Water Department shall also promulgate standards regarding circumstances under which pending enforcement actions shall be discontinued after a customer enters into IWRAP.

(n) Warning of Risk of Water Foreclosure Action. No less than ninety days before filing any water foreclosure action, the Department shall send the customer, and shall deliver to each dwelling unit at the service address, a Warning of Risk of Water Foreclosure Action containing the following information:

(.1) a brief description of any possible legal action and its consequences, including a clear and conspicuous statement, where appropriate, that the customer will become in danger of losing his or her home or property if he or she does not act; a brief description of IWRAP and the other available assistance programs available for residential customers; the steps the customer must take to enter into such programs, and the deadline for doing so; and a brief description of any charges, fees, penalties, or interest that may be imposed;

(.2) the total amount required to pay off the arrears in full, the date by which it must be paid, the addresses where payments can be made, and accepted forms of payment;

(.3) a statement explaining the types of other City-related debt that may be capable of being liened against a property including, without limitation, property tax, nuisance and demolition fees and fines, and a brief explanation of how the customer may request confirmation as to the existence and amounts of any such debt;

(.4) lists of the free housing counseling agencies and the legal services agencies that offer relevant services and may be available to assist the customer, including addresses and phone numbers.

(o) IWRAP Recertification, Recalculation, and Repayment Agreements. Upon written request of the Department and no more frequently than once every year, a customer must re-certify to the Department his or her income and eligibility. No person shall intentionally make any false statement when applying to enter into an IWRAP agreement. If it is determined that a customer entered into an IWRAP agreement on the basis of an intentionally false statement, the agreement shall be null and void.

(p) In the event of a change in household income or household size, prospective IWRAP bills will be calculated according to subsection (3)(a) above and such recalculation shall be done promptly at the request of the customer. A customer also may request a determination or redetermination of Special Hardship at any time he or she experiences a change in circumstances. In the event of a change in household income that results in a determination that the customer is no longer eligible to participate in IWRAP, such customer shall receive the benefit of any forgiveness earned during the period of the IWRAP agreement.

(q) Conservation Measures. Each participating IWRAP customer shall agree to accept and reasonably maintain any free conservation measures offered to the customer by the Water Department.

(4) Arrears Determination.

(a) Upon the customer's enrollment in an IWRAP agreement, the Department shall determine and notify the Customer in writing of the amount of such customer's arrears.

(b) The Department's determination of arrears shall not impair a customer's ability to request review of, or to challenge in any informal hearing, appeal, or other administrative or legal process, the validity or amount of any such arrears.

(c) A customer qualifying for an IWRAP agreement shall receive IWRAP bills pursuant to subsection (3)(a) notwithstanding the customer's request for review of, or challenge to, the Department's arrears calculation. In the event of any adjustment to the arrears, the amount of forgiveness earned by such customer shall be recalculated as if such adjusted arrears were determined as of such customer's IWRAP enrollment.

(5) Information for Residential Customers.

(a) Both the Department and the Water Department shall provide information about the IWRAP program and about organizations that can assist in applying for IWRAP to any individual who contacts those departments under circumstances that suggest the individual may qualify for and may benefit from the program.

(b) Information Available Online. The Department shall clearly and conspicuously post information regarding IWRAP on its website.

(c) Language Access/Non-English Speakers. The Department shall take reasonable steps to ensure meaningful access to IWRAP and other payment agreements for Limited English Proficient (LEP) persons. Such steps shall include providing copies of all vital documents in English and Spanish, both on-site and on-line translations of all vital documents, including notices and agreements, as well as providing translated "taglines" on all English language notices in Spanish and other languages advising LEP persons that telephone interpreter services are available at the Department.

(6) Rules and Regulations. The Department shall promulgate such rules, regulations, written policy, forms, and other documentation as are deemed necessary to effectuate the purpose of this Section, including but not limited to a schedule of documentation that shall be accepted as proof of ownership consistent with subsection 2(f).

(7) Reporting.

(a) By March 31 of each year, the Department shall submit a written report to the Mayor, with a copy to the President and Chief Clerk of Council, regarding activities undertaken pursuant to this Section during the previous calendar year.

(b) Each such report shall include the following information for the twelve-month period covered:

(.1) how many applicants were enrolled in IWRAP and a breakdown of such enrollments by income level, and the gross amount of arrears calculated;

(.2) how many applicants were not enrolled in IWRAP and a breakdown of the reasons for the same (e.g., lack of residency, failure of customer to follow up, and so on);

(.3) the total number of non-IWRAP payment agreements and a breakdown of such payment agreements by type, term, and amount covered, which amount shall be further broken down into principal, interest, penalties, and other fees or costs; and

(.4) the total number of IWRAP customers who defaulted during the applicable period and the reason(s) (e.g., non-payment, failure to recertify eligibility) for the default.

(8) Access to Records. Any customer or his or her designated representative (who need not be an attorney) seeking an agreement under this chapter, may request in writing or may visit the Department in person during regular working hours, to review and receive copies of any available records relevant to the water, sewer and storm water service at such individual's primary residence. As used in this section, the term "records" refers to all physical and electronic records in the Department's possession.

(9) Implementation. The IWRAP program shall go into effect as soon as practicable after the first decision by the Water, Sewer and Storm Water Board on new rates and charges, but in any event the later of July 1, 2017 or 15 months following such decision by the Board.

* * *

SECTION 2. This Ordinance shall be effective immediately.

Explanation:

Italics indicate new matter added.

CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on November 19, 2015. The Bill was Signed by the Mayor on December 1, 2015.

Michael A. Decker

Michael A. Decker
Chief Clerk of the City Council

Appendix C

PA Statement 3

BEFORE THE

PHILADELPHIA WATER COMMISSIONER

IN THE MATTER OF THE PHILADELPHIA WATER DEPARTMENT'S PROPOSED INCREASE IN WATER, WASTEWATER AND STORMWATER RATES	)	FY 2013 – 2016

DIRECT TESTIMONY OF

ROGER D. COLTON

ON BEHALF OF THE PUBLIC ADVOCATE

July 20, 2012

~~**Q. WHAT DO YOU CONCLUDE?**~~

~~A. The WRAP program delivers important affordability benefits to Philadelphia Water Department customers. Aspects of the WRAP program, however, are fundamentally flawed. The application process, the Annual Review process, and the Informal Hearing process each need to be modified. The application and Annual Review processes are onerous in nature, administratively complex, and a major contributor to unnecessary and unreasonable confusion on the part of customers and workload on the part of staff. These processes can and should be simplified in the ways I recommend above. The Informal Hearing process does not comport with basic elements of fair procedure; it, too, should be modified.~~

Part 3. The PWD Payment Plan Process is Fundamentally Broken.

Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I consider the extent to which PWD is delivering reasonably adequate service with respect to its offer of deferred payment agreements through which customers can retire arrears. I conclude that the process through which PWD offers payment plans is fundamentally broken.

A. Overview of Payment Plan Performance.

Q. WHAT PERFORMANCE STANDARD DO YOU USE TO ASSESS THE REASONABLENESS OF THE DEPARTMENT'S DEFERRED PAYMENT AGREEMENT PROCESSES?

A. The outcome to be promoted by entering into a deferred payment agreement (DPA) is the retirement of arrears along with the payment of current bills. If payment plans are *not* allowing customers to successfully complete them, and thus retire their arrears, they are not working. Should this routinely occur, the payment plan process should be restructured.

Q. DO PWD PAYMENT PLANS SUCCEED IN ALLOWING CUSTOMERS TO RETIRE THEIR ARREARS?

A. No. The Department's residential customers entering into DPAs have defaulted on their plans in a very high proportion of cases over the past three fiscal years. Limiting the analysis to non-low-income payment plans, the Department reports that:

- In Fiscal Year 2010, 73% of "first" payment plans (13,483 of 18,361) and 76% of "second" payment plans (11,159 of 14,759) defaulted;
- In Fiscal Year 2011, 73% of "first" payment plans (13,548 of 18,685) and 76% of "second" payment plans (13,457 of 17,629) defaulted; and
- In Fiscal Year 2012, 73% of "first" payment plans (16,256 of 22,274) and 107% of "second" payment plans (12,461 of 11,675) defaulted.[17]

[17] Presumably, more than 100% could default because some of the defaulting plans were, in fact, second payment plans that had been entered into in the previous fiscal year.

(PA-RDC-36). Overall, in Fiscal Year 2012, an astonishing 85% of customers entering into payment plans with PWD defaulted before successfully completing their DPAs.

B. Customers with Income Above 150% of Poverty.

Q. PLEASE DESCRIBE THE FIRST TASK YOU UNDERTOOK IN YOUR REVIEW OF WHETHER THE PWD PROCESS FOR OFFERING PAYMENT PLANS IS WORKING.

A. The first task I undertook was to determine whether PWD staff operate in basic compliance with PWD regulations regarding the offer of deferred payment agreements. PWD procedures and staff operations are in non-compliance with PWD regulations in several regards.

Q. WHAT IS THE FIRST AREA OF NON-COMPLIANCE?

A. PWD does not even attempt to comply with regulations governing the downpayments that are allowed for payment agreements. For payment plans offered to customers with income greater than 150% of the Federal Poverty Level (Regulation 100.9(a)), the regulations provide that the "initial payment" may be "25% of the outstanding delinquency, including restoration charges, if any, or 15% of the customer's household income, *whichever is less*." Clearly, under this regulation, the Department is to calculate two alternative downpayments for a customer in arrears: (1) a downpayment based on 25% of the outstanding bill; and (2) a downpayment based on 15% of the customer's household income. The Department is then to offer the downpayment that is the lesser of these two alternatives.

PWD, however, does not comply with this regulation. The PWD "payment plan" procedures manual (PA-RDC-4) counsels that downpayments for deferred payment plans are to be equal to 25% of the outstanding balance. No income is taken into account. No alternative downpayment is calculated. According to the Payment Plan Manual, the "default parameter" is a 25% down payment. PWD certainly does not comply with the regulation by offering the lesser of the two alternative payment plan amounts. A downpayment equal to 15% of income by Poverty Level and household size (from one to three persons) would be equal to:

15% of Monthly Income by Household Size and 2012 Poverty Level

Poverty Level	1-PERSON	2-PERSON	3-PERSON
100%	$140 /a/	$189	$239
150%	$209	$284	$358
185%	$258	$350	$441
200%	$279	$378	$477
250%	$349	$473	$597

NOTE:
/a/ 100% of Federal Poverty Level for a 1-person household for 2012 is $11,170. The monthly income would thus be $931 ($11,170 / 12 = $931). 15% of that monthly income would be $140 ($931 x 0.15 = $139.63). Similar calculations have been made for each cell.

Q. ARE THERE CUSTOMERS TO WHOM THE PERCENTAGE OF INCOME DOWNPAYMENT WOULD BE EVEN MORE BENEFICIAL THAN YOU DESCRIBE ABOVE?

A. Yes. To most customers, the percentage of income downpayment would be even more beneficial. The data above examines households in different ranges of Poverty Level at the *maximum* income within that income range. The "100% of Poverty" figure, for

example, is not based on households at or below 100% of Poverty, but rather of households *at* 100% of Poverty. As is shown below, the *average* income within these Poverty ranges is much lower than the maximum income. For example, using two- and three-person households, one can compare the average 2011 incomes by Poverty Level range to the maximum income in each range:[18]

	2-person Households		3-person Households	
Poverty Level Range	Maximum Income in Range	Average Income in Range	Maximum Income in Range	Average Income in Range
At or below 100%	$14,710	$11,866	$18,530	$17,879
100 – 150%	$22,065	$18,793	$27,795	$28,239
150 – 200%	$29,420	$25.866	$37,060	$35,403
200 – 250%	$36,775	$32,084	$46,325	$39,057

Q. WHAT DO YOU CONCLUDE?

A. As can be seen, required downpayments equal to 15% of income are likely to be less than required downpayments equal to 25% of the outstanding delinquency, including restoration charges (if any). A one-person household with a delinquency of more than $1,400 ($349 x 4 = $1,397), a two-person household with a delinquency of more than $1,900 ($473 x 4 = $1,897), or a three-person household with a delinquency of more than $2,400 ($597 x 4 = $2,387) would benefit from compliance with the regulation if their income was as high as 250% of Poverty Level. In each instance, the percentage of income-based downpayment would be less than the percentage of bill downpayment.

[18] Data is available only for Pennsylvania as a whole, not for Philadelphia. Nonetheless, the principle would apply to the City of Philadelphia as well.

Customers with income lower than 250% of Poverty would benefit at even lower delinquency levels.

Q. WHY IS THE DOWNPAYMENT AMOUNT IMPORTANT IN ASSESSING THE REASONABLENESS OF PAYMENT AGREEMENTS?

A. The lack of compliance with the regulation is important in that PWD's Payment Plan Manual (PA-RDC-4) emphasizes that "any payment plan account failing to pay their Down Payment **IN FULL (NO TOLERANCE)**" (emphasis in original) will be held to have breached their DPA agreement.

Q. IS THERE A SECOND WAY IN WHICH PWD FAILS TO COMPLY WITH PAYMENT PLAN REGULATIONS FOR PAYMENT PLANS?

A. Yes. The Department offers much more onerous payment plans in the event that water service has been disconnected prior to the customer seeking a DPA. In a "water off" situation, where the customer has not previously entered into a DPA, PWD requires a 50% downpayment PLUS payment of the restoration fee. (Payment Plan Manual, at 6, PA-RDC-4). I have attached the Payment Plan Manual page as Appendix B. Regulation 100.9(a), however, makes no distinction between customers who are "on" the system and customers who are "off" the system.[19] Indeed, the fact that the Regulation sets the first downpayment alternative as "25% of the outstanding delinquency, *including restoration charges, if any* . . ." would seem to indicate that the payment agreement regulation

[19] Strangely, in response to a discovery request, the PWD stated that "WRB is not familiar with the terminology 'off' or 'on' the system. . ." (PA-RDC-124), even though the terms "water on" and "water off" appear in the Department's own Payment Plan Manual (page 6) (PA-RDC-4).

applies equally to those customers both "on" and "off" the system. A customer that is not "off" the system, of course, would have no "restoration charge" to include in the outstanding delinquency. Indeed, the treatment accorded customers pursuant to Regulation 100.9(a) is consistent with the treatment accorded customers pursuant to Regulation 100.9(b)(4), which provides that "the outstanding delinquency shall include the restoration fee and meter installation charges, if applicable."

In addition to inappropriately requiring the payment of the restoration fee in addition to the downpayment, in direct contravention of the Regulation, the Department's required 50% downpayment, even if there has been "no previous payment plan," contravenes the Regulation's limitation of a downpayment to 25% of the "outstanding delinquency, including restoration charges, if any," or 15% of income, whichever is less.

Q. IS THERE A THIRD WAY IN WHICH PWD VIOLATES THE REGULATIONS REGARDING THE OFFER OF PAYMENT PLANS TO CUSTOMERS WITH INCOME ABOVE 150% OF FEDERAL POVERTY LEVEL?

A. Yes. Under Regulation 100.9(a)(2), customers with income exceeding 150% of Poverty Level are entitled to deferred payment agreements with terms of up to 18 months in length. Contrary to this Regulation, PWD establishes a "default" payment agreement of only six (6) months. (Payment Plan Manual, at 3, PA-RDC-4). Indeed, the script that PWD customer service representatives (CSR) are given involves first offering a payment plan of three months; second offering a payment plan of six months; and only if the customer says "no" to both of those proposals, finally asking the customer what payment

amount is affordable. Even then, if the customer states an amount that would require a DPA term of more than 12 months, the CSR is required to tell the customer that entering into a DPA of such a term requires supervisory or managerial approval. (Payment Plan Manual, at 10, PA-RDC-4).

Clearly, requiring a customer repeatedly to decline payment plan terms offered by a CSR, and to insist on supervisory approval for terms that are within the bounds of payment plans as provided by the Regulation is not within the contemplation of the Regulation. When the Regulations contemplated the need for supervisory approval, they provided for such approval. Regulation 100.9(b)(8), for example, states that if a payment plan for customers with income less than 150% of Poverty Level exceeds a customer's ability to pay, and a "disposable income" plan is needed, "written approval of a WRB supervisor must be obtained." Requiring customers to continue to decline payment plans proffered by PWD and to insist on obtaining Supervisory approval for a plan that falls within the payment plan terms provided by regulation is inappropriate.

Given that the PWD has at its disposal the customer's documentation of household income in negotiating a payment plan (Regulation 100.9(a)(4)), in other words, the CSR is instructed not to take that income into account in offering payment plan terms. Rather than complying with the Regulation of offering a "standard" DPA of up to 18 months, the CSR seeks to enforce a "default" payment plan of 6-months irrespective of the customer's ability-to-pay.

Q. CAN YOU SUMMARIZE YOUR CONCLUSION REGARDING THE TERM OF PAYMENT PLANS OFFERED BY PWD?

A. The process requiring a customer to escalate DPA negotiations to a supervisory appeal documents that the basic DPA process is not designed to take a customer's financial circumstances into account. At no point in the script relating to a possible deferred payment agreement is the customer informed of the fact that PWD is required to offer a monthly arrearage payment in an amount that is within the customer's ability to pay up to a maximum of 18 months. At no point in the script used to set the terms of a "default" deferred payment agreement does PWD consider either the income or the resources of the customer available to pay the customer's bill. Certainly, at no point in the script is a customer informed of the 10/5 or the D/I deferred payment plan options.

Q. IS REQUIRING A CUSTOMER TO REQUEST SUPERVISORY APPROVAL TO OVER-RIDE THE PWD'S 6-MONTH "DEFAULT" DPA IN NON-COMPLIANCE WITH THE DEPARTMENT'S DPA REGULATIONS IN ANY OTHER WAY?

A. Yes. The fact that a customer might eventually obtain a DPA of longer than six months by appealing a CSR denial of the longer plan to a supervisor assumes that the customer has both the knowledge of his or her right to escalate the DPA negotiation to a supervisor and the wherewithal to insist on escalating the payment plan negotiation to the supervisory level. At no point in the script relating to the length of time for DPAs does the CSR advise a customer of his or her right to gain a longer DPA with supervisory approval. Obviously, a "right" that the customer is uninformed about is no "right" at all.

Even this observation, however, misses the larger point. The DPA regulations in Regulation 100.9 provide a customer with the right to have his or her DPA take account of the customer's financial circumstances and to have a DPA stretch out to up to 18 months. The Regulation does not impose an obligation on the customer to engage in an appeal process to a supervisory or managerial staff person to obtain a standard-length DPA. The regulation does not force a customer to escalate the DPA negotiation to a supervisory appeal to have the customer's financial circumstances taken into account. The regulation imposes an obligation for PWD to make a good faith effort to provide the customer with an opportunity to enter into a fair and reasonable deferred payment agreement, which takes into consideration the customer's financial circumstances with a DPA term of up to 18 months. The PWD's DPA process does not meet this standard, and providing a supervisory appeals process when a CSR will not take the customer's financial circumstances into account does not remedy the shortcoming of the process.

Finally, in failing to comply with the Department's standards of reasonableness for DPAs, the Department's payment agreement process simply doesn't work as well as it could or should. The Department's hardline approach to setting the terms of DPAs results in customers "agreeing" to DPAs that they cannot hope to successfully complete. The fact that 85% of the DPAs to which customers "agreed" ended in default is evidence unto itself that the payment plan process is fundamentally broken.

C. Customers with Income at or Below 150% of Poverty.

Q. HAVE YOU HAD OCCASION TO EXAMINE THE OFFER OF PAYMENT PLANS TO CUSTOMERS WITH INCOME LESS THAN 150% OF FEDERAL POVERTY LEVEL?

A. Yes. Deferred payment plans for customers with income at or below 150% of the Poverty Level are governed by Regulation 100.9(b).[20] PWD is in substantial non-compliance with several aspects of this Regulation regarding DPAs for households with income at or below 150% of Poverty.

Q. WHAT IS YOUR FIRST AREA OF CONCERN?

A. As with the implementation of DPAs for higher income customers, PWD makes no pretense of complying with regulatory requirements regarding downpayments. The PWD regulations provide that a downpayment is to be 10% of the outstanding delinquency or 15% of the gross monthly income, whichever is less. PWD neither calculates alternative downpayments nor offers customers the alternative downpayment which is the lower of the two calculations. Moreover, PWD charges customers any restoration fee and meter installation charge in addition to the calculated downpayment. Both of these actions are in clear non-compliance with the plain language of the Regulation.

Q. DO YOU HAVE A SECOND AREA OF CONCERN?

[20] In addition, of course, if someone has income not only below 150% of Poverty, but below 100% of the Poverty Level, they fall within the purview of Regulation 100.9(c).

A. Yes. Pursuant to Regulation 100.9(b)(5) governing DPAs for customers with income at or below 150% of the Federal Poverty Level, the "subsequent charges" to be charged to delinquent ratepayers are to be set equal to "5% on the arrearage balance."[21] By internal policy (Customer Service 5.12, WRB-SI-12), however, PWD imposes a minimum arrearage payment of $20 per month. According to the PWD's internal "Low-Income Payment Agreement Policy," "payments on past due charges must be at least $20.00 a month in addition to current monthly charges."[22] I have attached the PWD's internal Policy as Appendix C.

Imposing a minimum payment of $20 a month has no regulatory basis. In addition, imposing a minimum payment of $20 a month renders irrelevant the entire process of a customer documenting expenses and income. No reason exists for PWD to construct the barrier of a complete documentation of expenses and income so long as that documentation will be subsequently ignored in establishing the appropriate arrearage payment.

Q. WHAT TYPE OF ARREARAGE DOES A MINIMUM PAYMENT POLICY IMPLY?

[21] Current charges and penalties on the outstanding delinquency, subject to subsequent waiver of the penalties, are also due for each bill.

[22] There is an internal inconsistency in Department policy statements. Despite its statement in Policy 5.12 ("Low Income Payment Agreement Policy") (WRB-SI-12), PWD's Payment Plan Manual states: "Payment Plan monthly payments will start at $20.00 for regular payment plans, not for 10/5 and DI's. Payment Plan monthly payments will start at $10.00 for low-income payment plans with the exception of WRBCC agreements, which do not have a minimum." The precise dollar amount of a minimum payment, however, is irrelevant. The PWD Regulation does not provide any authority for imposing a minimum payment.

A. Paying 5% of the delinquent bill as the arrearage payment for customers with incomes of at or below 150% of Poverty Level implies that customers have the right, under Regulation 100.9(b) to spread their arrearage payments over 20 months (20 months x 5% per month = 100% of arrearage). Imposing a minimum payment of $20 a month, however, means that for any customer with an arrearage of less than $400 ($20/month x 20 months = $400) does not receive the protections provided by Regulation 100.9(b). The Department could not provide average residential bills when asked. (PA-RDC-40). However, a "typical" residential bill (combined water/sewer) for a residential customer using 600 cubic feet of water per month was $57.43 for a residential customer and $38.96 for a residential customer on the senior citizen discount. What this means, therefore, is that for a customer to receive the protections provided by Regulation 100.9(b) (limiting their arrearage payment to 5% of the outstanding delinquency), the customer must be seven months behind ($400 / $57.43 = 6.97 months behind) if not on the senior citizen discount; the customer must be more than ten months in arrears ($400 / $38.96 = 10.27 months) if on the senior citizen discount.

Q. WHAT DO YOU RECOMMEND?

A. PWD should be directed to enforce Regulation 100.9(b) as written for customers with income at or below 150% of the Federal Poverty Level. The regulations do not permit the imposition of a "minimum payment" of $20 per month when that minimum payment exceeds 5% of the outstanding delinquency. A minimum payment for a D/I plan is even less supportable in law or policy.

Q. DO YOU HAVE A THIRD CONCERN WITH RESPECT TO THE OFFER OF PAYMENT PLANS TO CUSTOMERS WITH INCOME AT OR BELOW 150% OF FEDERAL POVERTY LEVEL?

A. Yes. PWD should be directed to enforce Regulation 100.9(f). This Regulation provides that "PWD *will* also consider evidence from other low income programs in determining ability to pay." Note that this language is set forth in mandatory terms. The Regulation does not say that PWD "may" consider evidence, but rather than it "will" consider evidence from other low income programs.

PWD ignores this Regulation in its process of documenting income. Households should be able to document their income eligibility for a DPA pursuant to Regulation 100.9(b) by demonstrating their participation in any one of a number of low-income public assistance programs with income eligibility that matches the PWD DPA regulation. Numerous programs exist participation in which would, ipso facto, demonstrate that the household has income at or below PWD's income eligibility requirements. To participate in the Telephone Lifeline program, LIHEAP, Medicaid, WIC, Food Stamps, TANF, Supplemental Security Income (SSI), National School Breakfast/School Lunch, Head Start, and other low-income programs all would, by definition, document that a household has income at or below 150% of the Federal Poverty Level.

To require a household to document their monthly income, when that household has already documented their income to social service professionals sufficient to qualify them for the receipt of public assistance, not only creates an unnecessary and unreasonable

barrier to entering into a DPA, but is a waste of time and resources both by the household and by PWD staff. Moreover, from an enforcement perspective, to ignore the evidence of participation in a low-income assistance program with corresponding income eligibility guidelines would be in contravention of Regulation 100.9(f).

~~Part 4. The Treatment of Tenants is Fundamentally Broken.~~

~~**Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.**~~

~~A. In this section of my testimony, I consider the manner in which PWD provides customer service to customers, users, and applicants that do not own their property in fee simple. I examine the following aspects of the treatment of non-owners: (1) the application for service by a non-owner, including the treatment of arrearages at the premises of non-owners, when those arrearages were incurred prior to the time the non-owner applies for service; and (2) the treatment of arrearages incurred by non-owner customers.~~

~~**Q. WHY IS A CONSIDERATION OF THE TREATMENT OF TENANTS AN IMPORTANT CUSTOMER SERVICE ISSUE IN THIS RATE CASE?**~~

~~A. Correctly structuring the delivery of water service to residents of Philadelphia who do not own their residences is particularly important in today's world. The rental population is a significant portion of the City's total population. Of the 575,413 occupied housing units in Philadelphia in 2010,[23] 264,129 (46%) were occupied by renters.~~

[23] Table DP04, 2010 American Community Survey, 1-year data.