

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

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Fiscal Years 2019-2021
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**RESPONSE OF PUBLIC ADVOCATE TO
PHILADELPHIA WATER DEPARTMENT'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
(SET I)**

PWD-I-1. Please explain in detail how the Average TAP Benefit amount is to be determined for each rate period, and the sources of the information that you propose should be used for determining the Average TAP Benefit.

Response:

The "Average TAP Benefit," the term used in this question, is not an input into the TAP Rider expected to be proposed by the Public Advocate in this proceeding, nor is it an input in the draft TAP Rider previously provided to the Department on February 2, 2018. The February 2, 2018 draft TAP Rider as provided to the Department by the Public Advocate states the calculation of the TAP benefits, defined in the draft rider as Reconcilable TAP Costs, to be as follows:

The sum of the monthly difference between the sum of the current water charges, sewer charges, stormwater charges and customer charges that would have been charged to TAP participants had they been billed at standard residential rates and the bills that are charged to TAP customers given the TAP discount (sometimes referred to as the TAP revenue shortfalls) for all TAP participants, which difference is calculated net of a Low-Income Embedded Lost Revenue Adjustment of 12.3% for the Rate Period.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Examiner. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

RESPONSE PROVIDED BY: Roger D. Colton

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--	------------------------

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PWD-I-2. Please explain in detail how the number of TAP participants will be determined for each Rate Period.

Response:

The “number of TAP participants,” the term used in this question, is not an input into the TAP Rider expected to be proposed by the Public Advocate in this proceeding, nor is it an input in the draft TAP Rider previously provided to the Department on February 2, 2018. The February 2, 2018 TAP Rider as provided to the Department by the Public Advocate states the calculation of the TAP benefits, defined in the draft rider as Reconcilable TAP Costs, to be as follows:

The sum of the monthly difference between the sum of the current water charges, sewer charges, stormwater charges and customer charges that would have been charged to TAP participants had they been billed at standard residential rates and the bills that are charged to TAP customers given the TAP discount (sometimes referred to as the TAP revenue shortfalls) for all TAP participants, which difference is calculated net of a Low-Income Embedded Lost Revenue Adjustment of 12.3% for the Rate Period.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Examiner. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1, a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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--	------------------------

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(SET I)**

PWD-I-3. Please explain the calculation of the TAP Offset percentage and the use of the Low-Income Multiplier in this context.

Response:

The "TAP Offset Percentage," the term used in this question, is used to calculate the percentage of billed revenue that is not actually collected by PWD even in the absence of TAP. The TAP Offset Percentage is calculated by subtracting the expected lack of collections (expressed in terms of a percentage of billed revenue) for low-income customers. The expected lack of collections for low-income customers is obtained by multiplying the expected lack of collections for residential customers as a whole times a ratio in which the ratio's numerator is the expected extent of the failure to collect for low-income customers and the ratio's denominator is the expected extent of the failure to collect for residential customers as a whole. That ratio is what the question refers to as the "Low-Income Multiplier."

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--	------------------------

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(SET I)**

PWD-I-4. Please provide the following with respect to the use of the Low-Income Multiplier in determining the TAP Offset percentage:

- (a) the rationale for applying the Low-Income Multiplier;
- (b) the specific calculations used to derive the Low-Income Multiplier; and
- (c) the PWD specific data sources used to determine the Low-Income Multiplier.

Response:

- a. The rationale for applying the Low-Income Multiplier, as that term is used in this question, is that the extent to which the Department will fail to collect 100% of a low-income bill exceeds the extent to which the Department will fail to collect 100% of a residential bill in general.
- b. The specific calculation used to derive the Low-Income Multiplier was provided in the spreadsheet labelled "TAP Rider Offsets.xlsx" provided by the Public Advocate to the Philadelphia Water Department on or about January 25, 2018, at the request of the Department as part of ongoing negotiations concerning potential settlement. See PWD I-4, Attachment 1.
- c. The "specific data sources" used to determine the Low-Income Multiplier were provided in the "TAP Rider Offsets.xlsx" spreadsheet provided by the Public Advocate to the Department on or about January 25, 2018, at the request of the Department.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Officer. At the agreement of the parties, all prior draft iterations of the TAP Rider were, including supporting documentation, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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--	------------------------

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(SET I)**

PWD-I-5. Please explain in detail how the Average Arrearage Forgiveness Benefit (A/F Benefit) amount is determined for each Rate Period and the sources of information that the Advocate proposes should be used in determining the A/F Benefit.

Response:

The "Average Arrearage Forgiveness Benefit amount," as that term is used in the question, is not used as an input into the TAP Rider expected to be proposed by the Public Advocate in this proceeding, nor is it an input in the draft TAP Rider previously provided to the Department.

The most recent draft TAP Rider as provided to the Department by the Public Advocate on February 2, 2018 defines the TAP arrearage forgiveness credits, defined in the draft rider as Reconcilable TAP Arrearage Forgiveness Costs, as follows:

The credits appearing on TAP participant bills toward pre-existing arrearages (TAP arrearage forgiveness). Pre-existing arrears are those arrears appearing on the bill of a TAP participant in the month in which the TAP participant applies for TAP services net of a Low-Income Arrearage Embedded Lost Revenue Adjustment of 68.77%.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Officer. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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--	------------------------

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(SET I)**

PWD-I-6. Please describe in detail the following on the Arrearage Forgiveness Offset percentage calculation shown in the RDC TAP Rider Offsets file:

- (a) the rationale for deeming all of the "Not Collected" amount as Arrearage;
- (b) the rationale for applying a Low-Income Multiplier;
- (c) the specific calculations used to derive the Low-Income Multiplier; and
- (d) the specific PWD data sources used to determine the Low-Income Multiplier.

Response:

- a. For the purposes for which the "Arrearage Forgiveness Offset" is used, the amount "not collected" associated with active accounts, i.e., those accounts which might apply for and be admitted into TAP, the amount not collected will be an arrearage. The amount "not collected" for inactive accounts would not be subject to a TAP applicant and/or a TAP enrollee. To the extent that inactive accounts are enrolled in TAP, any prior unpaid bill would be "not collected" under the phraseology of this question.
- b. See, response to PWD-1-4(a).
- c. See, response to PWD-1-10.
- d. See, response to PWD-1-4(c).

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--	------------------------

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PWD-I-7. Please explain how the Estimated TAP Usage volume is determined for each Rate Period.

Response:

“Estimated TAP Usage volume,” as that term is used in this question, is not used as an input “for each Rate Period” as stated in the question. In further response, “Rate Period” is a defined term in the draft TAP Rider previously provided to the Department.

The most recent draft TAP Rider as provided to the Department by the Public Advocate on February 2, 2018 states the calculation of the TAP benefits, defined in the draft rider as Reconcilable TAP Costs, to be as follows:

The sum of the monthly difference between the sum of the current water charges, sewer charges, stormwater charges and customer charges that would have been charged to TAP participants had they been billed at standard residential rates and the bills that are charged to TAP customers given the TAP discount (sometimes referred to as the TAP revenue shortfalls) for all TAP participants, which difference is calculated net of a Low-Income Embedded Lost Revenue Adjustment of 12.3% for the Rate Period.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Examiner. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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--	------------------------

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(SET I)**

PWD-I-8. Explain how the Actual TAP Usage volume is to be determined for each rate period.

Response:

“Actual TAP Usage volume,” as that term is used in the question, will be determined on a month-to-month basis based on PWD billing records.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Officer. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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(SET I)**

PWD-I-9. Please explain the basis and the data sources used to determine the Interest Rate.

Response:

The Public Advocate has not yet determined the basis for, or data sources, to be used to determine the Interest Rate to be applied to over- and under-collections of TAP costs on an annual basis.

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Examiner. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

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--	------------------------

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(SET I)**

PWD-I-10. With respect to the spread sheet entitled "RDC Tap Rate Rider Offsets," please provide the source material or direct reference (PUC docket number) for "PUC BCS Penn avg elec. and gas" used in connection with the Low-Income Multiplier.

Response:

In the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the TAP Rider which the Public Advocate will propose in this proceeding, including the TAP Rate Rider Offsets, will be filed with its Direct Testimony pursuant to the procedural schedule for this proceeding ordered by the Hearing Officer. All prior draft iterations of the TAP Rider were, at the agreement of the parties, provided to the Department in draft form and are subject to change. See PWD I-1, Attachment 1 a copy of email correspondence between the Public Advocate and PWD, which acknowledges that previous proposals of the rider were provided in draft form and are subject to change.

Copies of the Pennsylvania Public Utility Commission's Universal Service Programs & Collections Performance reports are available online at: http://www.puc.state.pa.us/filing_resources/universal_service_reports.aspx. Appended as PWD-1-10, Attachment 1, is a calculation of the 2.4 multiplier included in the Public Advocate's draft TAP Rider provided for purposes of negotiation. Note that the average low-income bad debt multiplier for Philadelphia utilities (PECO—electric, PGW) was 2.44, while the Public Advocate recommended rounding to the nearest one-tenth (2.4) rather than to the nearest one-hundredth. While the average arrearage multiplier was somewhat higher (2.59), the Public Advocate chose to use the lowest number, both to make the offset somewhat lower and to allow for the use of a single number.

Due to the current availability of more recent information, and in the event ongoing settlement discussions concerning an appropriate TAP Rider are unsuccessful, the data and results that will be used in the Public Advocate's Direct Testimony in this proceeding is likely to differ from that used in this draft previously provided for purposes of negotiation.

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