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PHILADELPHIA WATER, SEWER & STORM WATER RATE BOARD

TECHNICAL HEARINGS

Thursday, May 10, 2018

Scheduled for 10:00 a.m.

LOCATION: Gas Commission Meeting Room, Rm. 018-031
One Parkway Building
1515 Arch Street
Philadelphia, Pennsylvania 19102

REPORTED BY: Krista L. Schultz

HELD BEFORE:

Nancy Brockway, Hearing Officer
Sonny Popowsky, Chairman

ALSO PRESENT:

Andre Dasent, Esquire
Susan Crosby, Esquire
Robert Ballenger, Esquire
Joline Price, Esquire
Roger Colton
Prabha Kumar
Brian Merritt
David Jagt
Adeolu A. Bakare
Dan Delaney

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 P R O C E E D I N G S
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3 MS. BROCKWAY: Good morning. My name is
4 Nancy Brockway. I'm the hearing officer
5 appointed by the Philadelphia Water, Sewer and
6 Wastewater Rate Board to conduct hearings in
7 this rate case. With me at the bench is the
8 Chair of the Water Board, Sonny Popowsky.

9 And I'll start by taking appearances.

10 MR. DASENT: Andre Dasent for Philadelphia
11 Water Department; and with me, Susan Crosby from
12 the Water Revenue Bureau.

13 MR. BALLENGER: Robert Ballenger for the
14 Public Advocate.

15 MS. PRICE: Joline Price for the Public
16 Advocate.

17 MR. BAKARE: Good morning, Hearing
18 Officer, this is Ade Bakare for the Philadelphia
19 Large Users Group.

20 MS. BROCKWAY: Mr. Delaney.

21 MR. DELANEY: (Inaudible) PECO Energy
22 Company.

23 MS. BROCKWAY: Say again.

24 MR. DELANEY: Dan Delaney, the PECO Energy

1 Company.

2 MS. BROCKWAY: Anyone else?

3 All right. Thank you.

4 We've had a small off-the-record
5 discussion about housekeeping issues. I want to
6 make a couple of announcements.

7 First, I've seen the motion in limine by
8 the Department to exclude certain portions of
9 Mr. Colton's testimony, and rather than take
10 that up now and have that delay the hearings and
11 possibly the ability to meet the ordinance
12 deadline, I am ruling that we will allow Mr.
13 Colton to testify and we will take up the
14 question of whether it should be stricken or how
15 it should be dealt with in briefs. So, we don't
16 need any responsive papers now, but it will be
17 briefed.

18 Let's see. Let's talk about scheduling.
19 My understanding of the informal discussions and
20 communications from me and between the parties
21 up till now is that today and tomorrow are set
22 aside for topics that Mr. Colton is testifying
23 on, and so the witnesses from the Department who
24 testify about those topics are here to answer

1 those questions. After that, it becomes hazier
2 in my mind. My understanding is that Monday and
3 Tuesday we are going to try to get to revenue
4 requirements, cost of -- revenue requirements,
5 financial stability and those dollar-and-cent
6 topics?

7 MR. DASENT: That's correct. That's
8 correct. And it would help, I do have sort of a
9 technical hearing calendar, which gives you sort
10 of a rough idea of the way we see it, and Rob
11 can calibrate it to his needs, basically.

12 MS. BROCKWAY: Have you shown it -- let's
13 go off the record.

14 (Whereupon, a discussion was held off the
15 record.)

16 MS. BROCKWAY: I've been handed a draft
17 calendar of the technical hearings by topic from
18 counsel for the Department. I understand that
19 this is generally acceptable to the Public
20 Advocate?

21 MR. BALLENGER: Yes, although we've not
22 prepared our cross, and so it's possible that
23 the order of these items would shift, but the
24 topics are, generally speaking, the topics that

1 we would cover on those days as Mr. Dasent has
2 put on the schedule.

3 MS. BROCKWAY: Are there any other parties
4 here who have comments or changes they would
5 like to propose?

6 MR. BAKARE: Madam Hearing Officer, Ade
7 Bakare again, the Philadelphia Large Users
8 Group. Our witness, Richard Baudino, is not
9 available on the 17th. He's there for
10 cost-of-service testimony. He's available on
11 the 16th up until about 2:30 p.m. I believe
12 that I'm going to have discussions with
13 Mr. Dasent and Mr. Ballenger about the necessity
14 for him to appear on the 16th at all. I just
15 wanted to put that out that he's not able to
16 appear on the 17th.

17 MS. BROCKWAY: Thank you. Anyone else?

18 I should note that as I've been advising
19 parties to the technical process all along, the
20 people who have kindly volunteered to coordinate
21 this schedule for me are counsel for the
22 Department and counsel for the Public Advocate,
23 and I have advised all parties that up until now
24 if they had a request to make about the schedule

1 they should talk to those people. Has there
2 been any other requests made?

3 MR. DASENT: I have requested that Penn
4 Environment and the Land Bank be available on
5 the 17th, if needed. They were originally
6 scheduled on the 18th. And since we may not get
7 to the 18th, they indicated their flexibility to
8 appear on the earlier date. That's the only
9 other sort of last-minute change or recent
10 change.

11 MS. BROCKWAY: With regards to starting
12 time and contents, as is the rule in the rules
13 of the Board, people must follow the proceedings
14 and be on notice of what goes on from day to day
15 at the hearings. So, if this has changed, if
16 the schedule has changed or if some other
17 decision is made at the hearings, technical
18 participants are responsible for keeping up with
19 that.

20 In light of that, my understanding is that
21 you have second-day transcripts?

22 MR. DASENT: Next day, yes.

23 MS. BROCKWAY: Next day. So, it should be
24 no problem.

1 All right. Anything else before we start
2 the marking?

3 Okay. Mr. Dasent.

4 MR. DASENT: Thank you, Madam Hearing
5 Officer. We'd like to mark for identification
6 today the statements of the witnesses for the
7 subject areas that we will be addressing, and
8 we'll start with Statement 1 of Debra McCarty,
9 and there's no errata sheet for that. She does
10 address in part customer assistance and customer
11 service issues, and so we'd like to mark that
12 for identification.

13 PWD Statement 5 of Joanne Dahme; PWD
14 Statement 7 for Michelle Bethel and RaVonne
15 Muhammed; PWD Statement 8, Raftelis Financial
16 Consultants; and Black & Veatch statement, it's
17 PWD Statement 9A and 9B. Those are from our
18 direct case.

19 We'd also like to mark for identification
20 for our rebuttal statements PWD Rebuttal
21 Statement 4 for WRB, PWD and Raftelis witnesses;
22 and PWD Rebuttal Statement 5, Black & Veatch, it
23 deals with TAP cost, TAP recovery and the TAP
24 rider.

1 MS. BROCKWAY: Any objections?

2 MR. BALLENGER: No objection, Madam

3 Hearing Officer.

4 MR. DASENT: Now, as to those statements,

5 we have two errata sheets, one is for -- which

6 we have previously circulated, consistent with

7 your order, your Honor, and that has to do with

8 PWD Statement 8 for Raftelis Financial

9 Consultants and PWD Statement 9A for Black &

10 Veatch Consultants.

11 We'd like to hand those up, and perhaps we

12 can mark those as PWD Exhibit 1 with the errata

13 sheets -- it won't be 1. I have to look at the

14 filing. It would be the next sequential number,

15 unless you have a different nomenclature or

16 numbering system.

17 MS. BROCKWAY: I would prefer to say that

18 the Raftelis is 8 Errata.

19 MR. DASENT: Okay.

20 MS. BROCKWAY: And the Black & Veatch is

21 9A Errata.

22 MR. DASENT: Thank you. That will be

23 clearer. If I can hand those up, I'll make sure

24 those are included for the record for the

1 transcript.

2 If, your Honor please, we'd like to
3 stipulate to the authentication of each
4 testimony, and I believe the parties will allow
5 us to do that, without going through each
6 separately, and that stipulation would include
7 the errata sheets presented, and that the
8 statements are true and correct to the best of
9 the knowledge and information of the witnesses,
10 and with that we would profer them for
11 cross-examination.

12 MS. BROCKWAY: How about also including
13 belief?

14 MR. DASENT: Information and belief.
15 Thank you. If that's agreeable. Thank you.

16 MR. BALLENGER: That's fine. We're
17 prepared to cross on what's been submitted, so
18 we will proceed as Mr. Dasent has suggested.

19 MS. BROCKWAY: All right. Is there
20 anything else we need to do before we start with
21 the witnesses?

22 MR. BALLENGER: Well, likewise, we'd like
23 to just authenticate Mr. Colton's direct
24 testimony on the record here today. It was

1 submitted on April 20th to all of the parties
2 and to the Hearing Examiner, and it is marked as
3 PA Statement 3 in the top right corner and
4 titled the Direct Testimony of Roger D. Colton
5 on Behalf of the Public Advocate. And would
6 also like to, you know, stipulate as to its
7 authenticity and that it is true and correct
8 based on Mr. Colton's knowledge, information and
9 belief as of the time of his drafting, and that
10 Mr. Colton currently has no errata to offer to
11 that testimony. We'd ask for the same
12 stipulation.

13 MR. DASENT: That is agreeable.

14 MS. BROCKWAY: So, with respect to these
15 witness statements that have been previously
16 marked as Witness Statements, let's keep to that
17 marking and use the sequential numbering for
18 documents that come in during the hearings that
19 don't yet have a number.

20 All right. I think we're ready. We
21 don't --

22 MR. DASENT: One final thought, your
23 Honor, if I could. At the end we usually move
24 for the admission of all exhibits and

1 statements. I assume that that -- that
2 particular -- we can certainly make that motion
3 at the end, but I thought, from talking with the
4 parties and your Honor, that you would accept
5 the statements that have been submitted subject
6 to objection within -- in the record. So, if
7 there is no objection, their inclusion in the
8 record is to be assumed.

9 MR. BALLENGER: If I could respond. Madam
10 Hearing Officer, I believe in the last case we
11 treated everything that had been submitted and
12 posted on the Rate Board's website as having
13 been included in the record. And I think at
14 this point in time, since it has been made
15 publicly available, we should continue with that
16 pattern.

17 And I suppose to the -- if there are
18 objections as to hearing exhibits, we can take
19 those as we go through the hearing process
20 today. If there is an objection, that you rule
21 that -- not that any exhibit should be excluded,
22 but we would proceed accordingly.

23 MR. DASENT: With one caveat, that we have
24 submitted some objections that you have ruled on

1 and, obviously, we would want those objections
2 observed, to be consistent with your ruling. As
3 any objection subsequent to now might be raised,
4 any inclusion in the record will be subject to
5 your ruling.

6 MS. BROCKWAY: Can you remind me of
7 anything I've yet excluded?

8 MR. DASENT: Well, for example, with some
9 of the discovery responses, they've been
10 narrowed.

11 MS. BROCKWAY: Yes.

12 MR. DASENT: Things like that. Those
13 rulings would be -- would have an impact on
14 what's in the record.

15 MS. BROCKWAY: The documents -- the
16 record, including responses to discovery which
17 have been posted, reflect all the decisions that
18 I have made with regard to what's in and what's
19 out on discovery.

20 MR. DASENT: That's correct.

21 MS. BROCKWAY: So, I don't see a need to
22 make a special point of it.

23 And, also, Mr. Ballenger's correct that in
24 this type of proceeding we don't swear

1 witnesses. The Board is obliged to look at
2 everything that comes before it, so I think the
3 motion in limine raises a different question,
4 which is whether the Board can even opine or
5 rule on any of those topics which would make
6 that testimony more or less necessary.

7 But as far as anything that is part of the
8 Board's mission, or mandate, I think one could
9 object if something is vicious, immoral, so
10 forth; but, otherwise, it's pretty wide open
11 what information can and does come into the
12 record.

13 MR. DASENT: I just wanted it subject to
14 your ruling, because the motion in limine is
15 still hanging out there. It hasn't been
16 decided.

17 And so your rulings are important in
18 defining the record, but I didn't want to make a
19 subsequent motion, if I didn't have to, to move
20 in statements and exhibits that are already
21 marked for filing.

22 MS. BROCKWAY: I would actually say why
23 don't we just put in all of the statements that
24 have already been filed, all of the witnesses,

1 and get done with it that way. Any objection?

2 MR. DASENT: None.

3 MR. BALLENGER: None.

4 MS. BROCKWAY: All right. So, so ruled.

5 We need to get up a list of these exhibits for

6 the reporter, and I would ask the Department's

7 kindness to put that together.

8 MR. DASENT: Will do.

9 MS. BROCKWAY: What we could do is I could
10 ask Mr. Ballenger to give his list separately.

11 MR. DASENT: Or he can review mine, and
12 collectively we'll have one list.

13 MR. BALLENGER: We'll work something out,
14 for sure.

15 MS. BROCKWAY: Okay. Thank you.

16 All right. I think we're ready to go,
17 then.

18 MR. DASENT: Yes, we are.

19 MS. BROCKWAY: We are not swearing people
20 in, but I would invite you to introduce your
21 witnesses, Mr. Dasent.

22 MR. DASENT: Yes. Appearing this morning
23 is our first panel, they're witnesses from Black
24 & Veatch Consulting, Prabha Kumar, David Jagt

1 and Brian Merritt.

2 MS. BROCKWAY: And you'll get the spelling
3 of those to the court reporter?

4 MR. DASENT: Yes.

5 MS. BROCKWAY: Actually, let's go off the
6 record.

7 (Whereupon, a discussion was held off the
8 record.)

9 MS. BROCKWAY: So, we do have names and
10 spellings. And, actually, for my benefit,
11 because I'm not familiar with the names, is that
12 Ms. Kumar at the end there?

13 MS. KUMAR: Yes, Prabha Kumar.

14 MS. BROCKWAY: Prabha Kumar.

15 MR. MERRITT: Brian Merritt.

16 MS. BROCKWAY: Brian Merritt. And?

17 MR. JAGT: Dave Jagt.

18 MS. BROCKWAY: Dave Jagt. Okay.

19 MR. DASENT: Our witnesses are proffered
20 for cross-examination.

21 MS. BROCKWAY: Thank you.

22 MR. BALLENGER: Thank you. Good morning.

23 For the most part, my cross-examination is
24 organized sort of tracking the rebuttal

1 statement. As a threshold matter, I'd like to
2 ask for one witness to respond. So, if I, say,
3 have a question about a particular aspect of the
4 rebuttal statement, I'd like to ask that only
5 one witness provide a response at a time,
6 because I don't think it's particularly helpful
7 to have a lot of back and forth between the
8 witnesses.

9 MS. BROCKWAY: Actually, I was going to
10 talk about that issue. We do have panels, but I
11 think it's helpful, for clarity, for there to be
12 just one answer at a time. And it strikes me
13 that if -- that the cross-examiner can designate
14 a witness, and if that witness is not in
15 possession of all the relevant evidence that the
16 witness panel wants to offer, then we can have
17 redirect on that point.

18 MR. DASENT: That's certainly one
19 approach, Your Honor. I was going to suggest
20 that our panel has a lead in Prabha Kumar, and
21 she would sort of, I hope, field the answer, but
22 also make sure, based upon the expertise of the
23 participants on the panel, that you get a full
24 explanation, which means that Brian may also

1 have to participate in certain answers, or Dave,
2 Dave Jagt. So, I'm just suggesting that it
3 would be organized by directing it to Prabha and
4 then we can take the next step if there needs to
5 be amplification from somebody with more
6 detailed subject matter expertise.

7 MS. BROCKWAY: I think the question we're
8 getting at now is whether or not
9 cross-examination can proceed smoothly with one
10 witness and cleanup of that kind can be done on
11 redirect, or whether or not the panel, all three
12 people, have a shot at it even if Ms. Kumar
13 takes the first try.

14 MR. DASENT: But in most instances, for
15 example, with the TAP rider, Ms. Kumar will
16 answer the question, and if there needs to be
17 more detailed followup, Brian Merritt is here,
18 also, to supplement her response. But Prabha
19 can carry mightily the burden of that subject.

20 MS. BROCKWAY: Which of those is -- well,
21 let me put it this way: Mr. Dasent has made a
22 proposal which is different than your proposal.
23 Is it acceptable?

24 MR. BALLENGER: I think for purposes of

1 getting through the day, we will accept that we
2 will direct the questions in the first instance
3 to Ms. Kumar, and if Ms. Kumar feels as though
4 she needs supplemental response, I'd like her to
5 state that before someone else jumps in.

6 MS. BROCKWAY: Yes. The jumping in is the
7 problem, among other things. So, perhaps,
8 Mr. Merritt, and, Mr. Jagt, you could indicate
9 to Ms. Kumar or Mr. Dasent that you have
10 something in addition, and if you nod back, to
11 go ahead, but don't please just burst out with
12 the answer.

13 All right.

14 MR. BALLENGER: All right. With that, I'm
15 going to start.

16 CROSS-EXAMINATION

17 BY MR. BALLENGER:

18 Q. I'd like to start on page 6 of the Rebuttal
19 Statement No. 5, and this concerns Q and A 7. And
20 we'll spend quite a bit of time on this Q and A today.

21 So, just reading what you've provided
22 here, it appears that you're critical of Mr. Colton
23 for coming up with an uncollectible rate based on
24 known low-income uncollectibles for PECO and PGW,

1 which are the two other utilities serving PWD
2 customers; is that correct?

3 A. Correct.

4 Q. But you acknowledge that the Water Department
5 does not have any data whatsoever regarding its own
6 low-income uncollectible rate, right?

7 A. Correct.

8 Q. Are you familiar with any low-income
9 uncollectible rate studies for municipal water
10 utilities that may be comparable to the Water
11 Department?

12 A. Not at this time.

13 Q. So, you couldn't point us to a study for
14 Pittsburgh or Buffalo or Baltimore or Cleveland or
15 Columbus that would tell us what a low-income
16 uncollectible rate should be for a municipal water
17 utility?

18 A. Not at this time.

19 Q. Are you aware of any studies or reports that
20 examine the impact on collections when water bills, as
21 a percentage of income, increase and represent higher
22 percentages of income?

23 A. Could you repeat the question, please?

24 Q. Yes. Are you aware of any studies or reports

1 that examine the impact on collections when water
2 bills represent higher percentages of household
3 income?

4 A. Not a specific study that I can refer to
5 right now.

6 Q. Okay. Would you agree that it's likely that an
7 increase in water bills that represent higher
8 percentages of customer incomes would likely
9 negatively affect collections?

10 A. Could you repeat the question again,
11 please?

12 Q. Sure. Would you agree that as water bills
13 increase as a percentage of household income, that
14 collection problems are likely to result?

15 A. I cannot conjecture on that, because there
16 are customers -- even with that situation, there are
17 customers who pay their bills. So, I wouldn't want to
18 conjecture on that just based on that statement.

19 Q. Would you agree that a household who's asked to
20 pay a higher percentage of income than another
21 household is likely to have more difficulty paying
22 that bill?

23 A. Again, I would not conjecture on just
24 absolutely on that premise, because it really depends

1 on how they manage their financials.

2 Q. If -- if other costs within the household, for
3 example, housing and shelter costs, were to also
4 increase, would you agree that a customer would have
5 less available to pay their water bills? Assuming
6 their income is constant.

7 A. That would not only apply to water bills.
8 They would have less income to pay for other bills as
9 well. So, I wouldn't exclude water bills.

10 Q. Okay. But you would agree that if their general
11 housing costs increase and their income was constant,
12 they would have less available to pay for a variety of
13 expenses, including water bills?

14 A. Correct, if income remains the same and
15 some other costs go up more than some other costs,
16 then you would have less money.

17 Q. Do you agree that the policy basis of the Tiered
18 Assistance Program, TAP, is to provide low-income
19 customers with water bills that are an affordable
20 percentage of household income?

21 A. Again, I'm -- I can't opine on that policy
22 issue.

23 Q. Okay. You're familiar with the decisions in --
24 generally with the Pennsylvania Public Utility

1 Commission, are you not?

2 A. Could you please explain what you mean,
3 general positions?

4 Q. Well, in your direct testimony you reference
5 certain filings from the PUC that were used in
6 developing the TAP rider; isn't that correct?

7 A. Yes.

8 Q. Okay. So, you're familiar with, in general, the
9 existence of the PUC and that there is information
10 available from the PUC that you have looked at for
11 purposes of preparing the TAP rider?

12 A. Right.

13 Q. Okay.

14 A. We (inaudible) --

15 COURT REPORTER: I'm sorry?

16 MS. KUMAR: We have looked at peer utility
17 information when preparing our TAP rider
18 framework.

19 MR. BALLENGER: Okay. I'd like to go
20 ahead and distribute some exhibits at this time.
21 I'm going to ask Ms. Price to help me out, since
22 she's at the end of the table.

23 While Ms. Price is distributing them:
24 There should be three exhibits in the folder,

1 and I'd just like to start with and submit for
2 the record what is captioned as Hearing Exhibit
3 1 on Behalf of the Public Advocate, and you'll
4 see the 1 is written in. It is dated May blank,
5 2018, but we would ask that it be dated May
6 10th, 2018, for purposes of the record.

7 MS. BROCKWAY: Yes, all of these will be
8 dated May 10th, for purposes of the record.

9 BY MR. BALLENGER:

10 Q. And if you look at each page of the exhibit,
11 starting with the second page, it's numbered at the
12 bottom, so it says page 2 of 10, page 3 of 10, so on
13 and so forth, and it is double-sided after the cover
14 page.

15 So, page 2 identifies this exhibit as
16 containing the information regarding a report on 2016
17 Universal Service Programs and Collections
18 Performance. I want to make sure that the witness is
19 able to see -- do you see that on page 2?

20 A. Correct, I do see that.

21 Q. And starting on page 4 is a page that states
22 it's a report on 2015 Universal Service Programs and
23 Collections Performance. I want to make sure the
24 witness is following along as we page through this.

1 Is that correct?

2 A. Correct.

3 Q. Okay. And, again, turning the page you see page
4 6 of 10, it's described as a report on 2014 Universal
5 Service Programs and Collections Performance; is that
6 right as well?

7 A. Correct.

8 Q. Okay. And, finally, page 8 of 10 begins an
9 excerpt from a report captioned 2013 Report on
10 Universal Service Programs and Collections
11 Performance; is that correct as well?

12 A. Correct.

13 Q. Okay. And so if you'll just turn to page 3 of
14 10, what we have is an excerpt from the 2016 Report on
15 Universal Service Programs and Collections
16 Performance. Do you see that?

17 A. Yes.

18 Q. Okay. So, the data represented in these tables
19 represent the gross write-off ratio for residential
20 and confirmed low-income customers of various
21 PUC-regulated utilities. Do you see the information
22 shown on there?

23 A. Yes.

24 Q. So, looking at the table at the bottom, I would

1 just like to draw your attention to two rows in this
2 table, and the rows are captioned by company, Peoples
3 and Peoples-Equitable. And on those two rows, I'd
4 just like to make sure that we're looking at the same
5 thing, do you see that the all residential write-offs
6 is listed as 4.4% for Peoples and then the confirmed
7 low-income write-offs is also listed as 4.4% Peoples?

8 A. Yes.

9 Q. Okay. In the next row down, Peoples-Equitable
10 lists all residential gross write-offs ratio as 2.2%,
11 and confirmed low-income write-off ratio is also
12 listed as 2.2% --

13 A. Correct.

14 Q. -- do you see that?

15 Now, with respect to each other utility on
16 this page, starting in the top table and then looking
17 at the bottom table, do you observe that in each case
18 these utilities report that their confirmed low-income
19 gross write-offs ratio is higher than their gross
20 write-offs ratio for all residential customers?

21 A. Yes.

22 Q. And would you agree with me, also, that the
23 write-offs of confirmed low-income customers would
24 represent a subset of the write-offs of all

1 residential customers?

2 A. I would believe so.

3 Q. So, you can take it subject to check, if you'd
4 like to examine the report at some point, but subject
5 to check, I think, the low-income customers are a
6 subset of residential customers for most utility
7 reporting. Wouldn't you agree?

8 A. Yes, subject to check.

9 Q. So, just as a matter of arithmetic, then,
10 wouldn't the write-offs of all residential customers,
11 excluding the confirmed low-income customers, actually
12 be a lower rate if you were to take out the higher
13 write-off ratio for low-income customers? It would
14 impact, in other words, the gross residential
15 write-off rating.

16 A. Subject to check and if they are a subset
17 of the all residential, then mathematically that is
18 possible.

19 Q. Okay. And just --

20 MS. BROCKWAY: How can it be anything but
21 accurate? You say it's possible mathematically.
22 What are other mathematical ways that it could
23 be thought of?

24 MS. KUMAR: Under the consideration that

1 low-income is truly a subset of the residential,
2 all residential.

3 MS. BROCKWAY: Well, you say possible,
4 that was what confused me, because I thought
5 that you were stating it was a mathematical
6 conclusion, and I'm trying to figure out what
7 other kind of mathematical conclusion it could
8 be other than that if, indeed, the premise is
9 correct, which I grant, all residential would
10 have a lower uncollectible rate. You say it's
11 possible. What else could be possible?

12 MS. KUMAR: If the mathematical
13 calculations are correct, then it is correct.
14 But if the mathematical calculations are
15 incorrect, then it is possible that the answers
16 may not actually be accurate.

17 MS. BROCKWAY: Okay. Thank you very much.
18 Thank you, Mr. Ballenger.

19 MR. BALLENGER: I was going to kind of ask
20 the same thing, so thank you, Madam Hearing
21 Officer.

22 BY MR. BALLENGER:

23 Q. If you'll just turn to page 5 of 10, which is
24 the same section in the same report prepared for the

1 2015 Universal Service Programs and Collections
2 Performance. I'd just like to confirm that the
3 pattern we discussed on the 2016 write-off data
4 repeats itself here.

5 In other words, with the exception of the
6 Peoples and Peoples-Equitable, all of the utilities
7 report on this page that their confirmed low-income
8 gross write-offs are a higher ratio than the
9 write-offs for all residential customers. Do you --
10 can you confirm that, from looking at this page?

11 A. That is correct.

12 Q. And I'd like to now turn to page 7 of 10. And
13 just to, again, review the same type of information
14 from a different year, this is the 2014 Universal
15 Service report. Again, with the -- in this case, with
16 the exception just of Peoples and not of
17 Peoples-Equitable, can you confirm that on this page
18 the confirmed low-income gross write-offs ratio for
19 all of these utilities is higher than the gross
20 write-off ratio for all residential customers as a
21 group?

22 A. Yes, except for Peoples.

23 Q. Yes, except for Peoples. But in this case
24 Peoples-Equitable, unlike preceding pages, has a

1 higher confirmed low-income gross write-off ratio,
2 correct?

3 A. Correct.

4 Q. We're almost done with this exhibit.

5 I'd like you to turn to pages 9 and 10 in
6 this exhibit. Here you see the same data presented in
7 a slightly different fashion for the 2013 report on
8 Universal Service Programs. And here we're going to
9 have to compare one page to the next to reach,
10 hopefully, the same conclusion.

11 As you look at these numbers, do you also
12 observe that the confirmed low-income write-off ratio
13 for all of the utilities reported here is higher than
14 the gross write-off ratio for residential customers,
15 with the exception, I believe, of Peoples again?

16 A. Yes, with the exception of Peoples and
17 Peoples-Equitable, the numbers are -- the low-income
18 numbers are higher than the all residential electric
19 customers, even though that -- we do want to state on
20 the record that on page 9 it does not say "all
21 residential," it says "residential."

22 Q. Okay. Fair enough.

23 And just to double check; for
24 Peoples-Equitable, do you see the gross write-off

1 ratio for residential natural gas customers is 1.9%
2 and the low-income natural gas customer write-off rate
3 on page 10 is actually 10%; is that correct?

4 A. Correct.

5 Q. So, in that case the low-income is higher than
6 the residential write-off ratio, if you accept it?

7 A. Again, subject to check, with the
8 statement that on page 9 it does not say "all
9 residential," it just says "residential electric
10 customers."

11 Q. Fair enough.

12 So, now I'd like to turn to what I've
13 marked as Hearing Exhibit 2 on Behalf of the Public
14 Advocate. It's included in the packet that was
15 distributed a few moments ago.

16 Do you have that exhibit in front of you?

17 A. Yes.

18 Q. Okay. Again, you'll note that it is not marked
19 May 10th, but it is entered into the record, so should
20 be marked as May 10th, 2018.

21 The first two pages are taken out of the
22 2016 Pennsylvania PUC Report on Universal Service
23 Programs and Collections Performance. Do you see
24 that?

1 A. Yes.

2 Q. I'd like to direct your attention to page 3, and
3 in the middle of this page there is a table that's
4 titled Residential Total Number Accounts Over \$10,000
5 - Natural Gas Customers. Do you see that table?

6 A. Yes.

7 Q. Okay. In the middle of that table you'll see
8 that there is a row that's designated for PGW. Do you
9 see that as well?

10 A. Yes.

11 Q. Okay. And do you agree that this table reports
12 that in 2015 PGW had 345 accounts with arrearages in
13 excess of \$10,000?

14 A. I can't say that, because the word
15 "arrearage" is not on the table anywhere.

16 Q. Do you see that it shows that there are 345
17 accounts over \$10,000 in 2015 for PGW?

18 A. Yes.

19 Q. Okay. And in 2016, do you see that it reports
20 299 accounts over \$10,000 in 2016?

21 A. Yes.

22 Q. Okay. And you would agree that this is for the
23 entirety of PGW service territory?

24 A. I would not know that.

1 Q. Would you agree that the caption to the table
2 says Residential Total Number of Accounts Over \$10,000
3 - Natural Gas Customers?

4 A. Yes.

5 Q. Okay. So, would you agree that if this report
6 is correct, that this represents the total number of
7 residential accounts over 10,000?

8 A. I -- it says residential total number of
9 accounts over 10,000, but I still don't know from this
10 that it covers the entire service area.

11 Q. Do you have any reason to believe that it's
12 incorrect?

13 A. I do not know.

14 MS. BROCKWAY: You do not -- you do not,
15 comma, no; or you do not know?

16 MS. KUMAR: I do not know whether this
17 covers the entire service territory that
18 Mr. Ballenger was asking about.

19 BY MR. BALLENGER:

20 Q. I'd like to turn to page 4 of 4, which is the
21 next page of this exhibit. Are you there? Do you
22 have that in front of you?

23 A. Yes.

24 Q. Okay. This is a schedule taken from the Water

1 Department's response to a Public Advocate Data
2 Request, which was number -- Set III, No. 2. Do you
3 accept that, for purposes of this discussion?

4 A. Would you please repeat?

5 Q. Yes. This is a schedule taken from PWD's
6 response to Public Advocate Data Request Set III, No.
7 2. Do you accept that for purposes of this
8 discussion?

9 A. Subject to check, I will accept that.

10 Q. Subject to check. Thank you.

11 Do you have any reason to believe that
12 this is not the information that was provided?

13 A. I have not directly seen this against
14 that, so I can't opine on that.

15 Q. Okay. So, the data here shows that from within
16 the TAP applicants who were approved between July 1st,
17 2017 and February 24th, 2018, it shows the account
18 balance at the time of approval in the table at the
19 top. Do you see that?

20 A. Yes, it shows TAP approvals from July 1st,
21 2017 through February 24, 2018.

22 Q. Okay. And in the top table right above the
23 totals, you'll see there are two rows that are
24 designated; more than \$10,000 but less or equal to

1 \$20,000, and then the next row down is listed as more
2 than \$20,000. Do you see that?

3 A. Yes.

4 Q. Okay. And I don't have a calculator to share
5 other than my phone, but if you have a calculator or
6 if you would accept, subject to check, that the sum of
7 the numbers of accounts reported in those bottom two
8 rows is 525?

9 A. Are you referring to the first column?

10 Q. I'm referring to all -- the first column is the
11 column that lists more than \$10,000 or more than
12 \$20,000, and the second column lists 80 and then 28,
13 the third column is 234 and 53, the fourth column is
14 103 and 24, and the fifth column is 1 and 2; and the
15 sum of all of those numbers in columns two through
16 five is 525?

17 A. Subject to check.

18 Q. Okay. So, subject to check, that would mean
19 that there were 525 accounts with arrearages in excess
20 of \$10,000 that were approved for TAP during the time
21 period shown in this table. Do you agree?

22 A. Subject to check, I agree.

23 Q. And do you also see on the bottom row of that
24 table, underneath the line -- well, it's actually just

1 the bottom row of that table, the total number of
2 accounts that were TAP approved is 6,764. Do you
3 agree with that?

4 A. Could you repeat the question, please?

5 Q. Yes. Do you believe this table shows that the
6 total number of accounts approved for TAP during the
7 time period listed was 6,764?

8 A. Correct.

9 Q. Okay. Do you have Mr. Colton's testimony?

10 A. Yes.

11 Q. Okay. I'd like to ask you to turn to Schedule
12 RDC 2 in Mr. Colton's testimony, which is toward the
13 end there.

14 MS. BROCKWAY: Could you give us about how
15 far from the back, let's say, is that?

16 MR. BALLENGER: Page number 112.

17 MR. DASENT: Also, eight pages from the
18 back.

19 BY MR. BALLENGER:

20 Q. Can you let me know when you're there, please.

21 A. Yes, I am.

22 Q. Okay. Just wanted to ask you to confirm for me
23 that the numbers that Mr. Colton has included here in
24 Schedule RDC 2 for the rows more than 10,000 but less

1 than and equal to 20,000, and more than 20,000 are
2 identical to the numbers provided in Exhibit 2 that we
3 just discussed.

4 A. I will confirm the numbers are identical.
5 But, again, on the record, the titles of the tables
6 are different.

7 Q. Okay. Fair enough.

8 MS. BROCKWAY: Sorry, what page number was
9 that?

10 MR. BALLENGER: I'm sorry, that's page
11 number 112 of Public Advocate Statement 3.

12 MS. BROCKWAY: And so what follows, the
13 next page is the beginning of the appendixes?

14 MR. BALLENGER: This is in schedule --
15 listed as Schedule RDC 2. Colton schedules
16 begin on page 109.

17 MS. BROCKWAY: Yes. And after this
18 particular schedule comes Appendix A, Colton
19 vitae?

20 MR. BALLENGER: No, Madam Hearing Officer,
21 after this comes Schedule RDC 3.

22 MS. BROCKWAY: Okay. And after that comes
23 4.

24 MR. BALLENGER: And then after that is

1 Appendix A.

2 MS. BROCKWAY: The reason I got confused
3 is because someone helpfully told me it was so
4 many pages from the back, and I started at the
5 very back. Thank you. Sorry.

6 BY MR. BALLENGER:

7 Q. Okay. Going back to your rebuttal statement and
8 your criticism of Mr. Colton's methodology, can you
9 tell me how many low-income customers the Water
10 Department has?

11 A. I would not know that.

12 Q. Okay. On page 7 of your rebuttal, lines 3 to 4,
13 you state, PWD and Water Revenue -- I'm sorry, "PWD
14 and WRB specifically targeted the most vulnerable
15 low-income customers during the launch of the TAP
16 program."

17 Would you explain to me how you identified
18 the most vulnerable low-income customers?

19 A. That is something that I understand,
20 discussing with PWD and WRB, that that's what they
21 targeted. How exactly they identified the vulnerable
22 low-income customers, I can't opine on that.

23 Q. So, you can't tell me what criteria were used to
24 determine which customers were most vulnerable?

1 A. Yes, I wouldn't be able to explain that.
2 It would be (inaudible.)

3 COURT REPORTER: It would be?

4 MS. KUMAR: I wouldn't be able to explain
5 that, exactly what criteria they used to
6 identify the most vulnerable customers. That
7 would have to be directed to PWD and WRB.

8 MR. DASENT: There are persons in the room
9 to answer that question, it's not just
10 Ms. Kumar.

11 BY MR. BALLENGER:

12 Q. Okay. So, what was your factual basis for
13 concluding that PWD and WRB specifically targeted the
14 most vulnerable low-income customers?

15 A. Discussions with WRB, where they did
16 indicate that that's what they indeed did.

17 Q. So, I should read this statement to include a
18 phrase at the beginning that "Based on my discussions
19 with PWD and WRB, I have been informed that they
20 specifically targeted the most vulnerable low-income
21 customers"; is that correct?

22 A. That is correct.

23 Q. Based on those discussions, which of the
24 witnesses who are here today would be able to answer

1 my questions about the criteria used to target the
2 most vulnerable customers, Ms. Kumar?

3 A. Susan Crosby.

4 Q. Well, Ms. Crosby --

5 MR. DASENT: Michelle Bethel and RaVonne
6 Muhammed.

7 MR. BALLENGER: Okay. Okay. Thank you.

8 MR. DASENT: Also, Susan.

9 MR. BALLENGER: Susan's an attorney.

10 MR. DASENT: Joanne Dahme also would be
11 prepared to respond to that.

12 MR. BALLENGER: Well, I'll ask for one
13 witness to respond later.

14 BY MR. BALLENGER:

15 Q. So, I have some more questions about this --
16 this statement, and perhaps I'm going to run through
17 these with you, Ms. Kumar, and if the answer is that
18 Ms. Bethel or Ms. Muhammed needs to answer, please
19 tell me.

20 A. Sure.

21 Q. Do you know how many low-income customers PWD
22 contacted through its June 2017 mailing?

23 A. No, I wouldn't know that data.

24 Q. Do you know how many low-income customers PWD

1 contacted through its November 2017 mailing?

2 A. No, I wouldn't know that specific data.

3 Q. Okay. Okay. So, I have to ask: On lines 6
4 through 9 of your rebuttal statement on page 7 you
5 state -- actually, let's just start with line 5.

6 Lines 5 through 9 you state,
7 "Consequently, most of the initial enrollees have
8 arrearage in the high average arrearage per account."

9 What information did you utilize to reach
10 that conclusion?

11 A. The targeted vulnerable population are the
12 population that have high level of arrearage, and
13 that's the population that was targeted as part of the
14 initial launch, then they would have, on an average,
15 an arrearage per account.

16 Q. Okay. So, I'm a little bit confused, because I
17 asked you what criteria were used to identify the most
18 vulnerable low-income customers, and you said you
19 didn't know. So, you're now saying that most
20 vulnerable low-income customers consisted of those
21 customers with the highest arrearage?

22 MR. DASENT: Objection. Argumentative.

23 MS. BROCKWAY: I don't think we need to
24 worry too much about that type of thing. If it

1 gets out of control, I'll tamp it down.

2 BY MR. BALLENGER:

3 Q. So, Ms. Kumar, is it your testimony that PWD and
4 WRB specifically targeted the most -- the customers
5 with the highest arrearage for their initial outreach?

6 A. That's how I interpreted the vulnerable
7 population to be. A vulnerable population as the
8 population that has high arrearage and high
9 outstanding balance, because they would need the most
10 help.

11 Q. You then go on, in lines 6 through 9 on page 7,
12 to say, "This current set of TAP enrollees is a very
13 small subset of Philadelphia's overall low-income
14 customer accounts and hence is not fully
15 representative of the entire low-income customer
16 base"; isn't that correct?

17 A. Yes, that's what I've stated there.

18 Q. That's what you stated.

19 And from that statement you then conclude
20 that Mr. Colton falsely attributes information from an
21 unrepresentative set of enrollees to Philadelphia's
22 entire low-income customer base, is that your
23 testimony?

24 A. Correct.

1 Q. So, we'll come back to that language.

2 I'd like to ask you to take a look at
3 another exhibit that was distributed to you, and I'd
4 like to mark this one for the record, it's captioned
5 Hearing Exhibit 3 on Behalf of the Public Advocate.
6 It consists of 35 pages, not including the cover
7 sheet. I'd like to direct your attention to page 18
8 of 35. Are you there?

9 A. Yes.

10 Q. Yes. Okay.

11 And do you agree that this shows that
12 between July 1st and November 1st fewer than half of
13 the TAP applications received came from the mass
14 mailing?

15 A. I can't opine on that. I don't see any
16 dates on that page, on page 18, the dates that you're
17 referencing, Mr. Ballenger.

18 Q. Okay. At the very top of the table that's
19 included it says, Cumulative TAP Totals, and it lists
20 12 o'clock a.m. July 1 through 6 o'clock p.m.
21 November 1. Do you see that?

22 A. Yes.

23 Q. Okay. Do you see approximately five lines down
24 there's a heading that says Applications Submitted?

1 A. Yes.

2 Q. And under that heading, the first row is titled
3 Totals Submitted, and can you tell me how many
4 applications are reported as having been submitted on
5 that line?

6 A. According to this document, 10,198.

7 Q. And in the next line it states, Subtotal
8 Submitted from Mass Mailing. Can you tell me how many
9 this table reports on that line?

10 A. 4,862.

11 Q. And would you accept, for purposes of math, that
12 4,862 is less than 50% of the 10,198?

13 A. Subject to check, yes.

14 Q. Is there something that you need to check for
15 that equation? Just curious.

16 A. No.

17 Q. Okay. So, it is less than half?

18 A. Yes.

19 Q. Okay. Thank you.

20 In your testimony, when you talk about the
21 most vulnerable low-income customers -- I think we've
22 established that you mean those customers with the
23 highest arrearage -- is it your belief that if two
24 applications were submitted on the same date the one

1 with the highest arrearage would have been enrolled
2 first?

3 A. Could you repeat the question, please?

4 Q. Is it your belief that if two applications were
5 submitted on the same date, the one with the highest
6 arrears would have been enrolled first?

7 A. I can't opine on that, because there are
8 lots of other policies that go into enrollment.

9 Q. To your knowledge, did the Water Department
10 prioritize approving TAP enrollees based on the amount
11 of their arrearage?

12 A. Again, I can't opine on that.

13 Q. So, turning back to your rebuttal, on page 7,
14 you assert that Mr. Colton makes a, and this is in
15 quotes, critical false assertion, on line 1 of page 7.

16 Further down the page you state,
17 "Mr. Colton falsely attributes the information from
18 this unrepresentative set of initial TAP enrollees to
19 Philadelphia's entire low-income customer base in his
20 testimony."

21 I'm at lines 10 through 12. Do you see
22 that?

23 A. Yes.

24 Q. Can you please direct me to where in

1 Mr. Colton's testimony he identifies Philadelphia's
2 entire low-income customer base?

3 A. I need a few minutes to get to that page,
4 please.

5 Q. Okay.

6 (Pause.)

7 A. Could you repeat the question?

8 Q. Yes. Could you please direct me to where
9 in Mr. Colton's testimony he identifies Philadelphia's
10 entire low-income customer base?

11 A. On page 63, that's my interpretation by
12 looking at the table, that the table is -- the table
13 title says, Percent Low-Income Accounts in Arrears,
14 and he chose PECO, PGW and, more specifically, PWD in
15 the last line, and it talks about accounts in arrears,
16 95% to 98%, and then average arrears per account
17 greater than \$3,500, and the title says "Low-Income
18 Accounts in Arrears." So, based on that, my
19 interpretation is that that represents the entire
20 low-income population of Philadelphia.

21 Q. Can I direct you to footnote 36 on that same
22 page, what you see is entered right after the letter D
23 in PWD in that same table you were referring to, and
24 can you confirm for me that the text of footnote 36

1 states, "Low-income customers newly enrolled in TAP,
2 July 2017 through February 2018"?

3 A. Yes.

4 Q. Okay. And so from that information, you
5 conclude that Mr. Colton has somehow based his
6 calculations on Philadelphia's entire low-income
7 population?

8 MR. DASENT: That's asked and answered.

9 MR. BALLENGER: I'd like to hear an
10 answer. I'm not sure it was answered. I
11 believe that Ms. Kumar was referring to the
12 title of the table, not the text of the
13 footnote.

14 MS. KUMAR: Based on the table, what is
15 presented, PWD is presented along with PGW and
16 along with PECO in one table as comparable three
17 utilities, I concluded that that table
18 represents, in the manner it is presented, that
19 it reflects it is attributed to all low-income
20 population of Philadelphia.

21 BY MR. BALLENGER:

22 Q. Without regard to the footnote?

23 A. Correct.

24 Q. Okay. But the footnote, does that modify your

1 opinion?

2 A. The footnote says that the dollars and
3 percentage reflects the low-income -- the TAP
4 low-income population, but it's presented as a
5 comparison along with PECO and PGW, and PECO and PGW
6 does not have a footnote that says that those
7 percentages represent only customers enrolled in any
8 kind of a specific program. So, because of all three
9 being together, I'm interpreting that this is
10 attributed to all low-income population of
11 Philadelphia.

12 Q. Okay. Can you indicate where in Mr. Colton --
13 in Mr. Colton's testimony he attributes the arrearages
14 of TAP participants to the entire low-income customer
15 base?

16 A. Again, as I said, I'm interpreting from
17 this table that it is attributing. I'm not saying
18 that it's explicitly stated.

19 Q. Okay. So, back to your rebuttal, on page 7 you
20 indicate that "Mr. Colton's 13.1% uncollectible rate
21 is" -- and this is the word you use -- "arbitrary," on
22 line 14. Do you see that?

23 A. Yes.

24 Q. Further down in that paragraph you appear to

1 raise an inference about the rate at which low-income
2 customers renege on their bills. Do you also see that
3 at lines 22 to 25?

4 A. Could you repeat the question, please?

5 Q. Sure. You -- on lines 22 to 25 you state
6 that -- based on the cumulative collection factor of
7 97.3, you state, and I quote, A collection factor of
8 this magnitude also provides clear logical evidence
9 that not all low-income customers renege in the
10 payment of their utility bills.

11 Do you see that?

12 A. Correct.

13 Q. That's correct. Okay.

14 And I want to make sure I understand what
15 this portion of your rebuttal is addressing. Is there
16 somewhere in Mr. Colton's testimony where Mr. Colton
17 asserts that all or even most low-income customers
18 renege in payment of their utility bills?

19 A. I -- no.

20 Q. Okay. So, I'm a little bit concerned that the
21 statement's not rebutting anything, so it's not proper
22 rebuttal. Do you agree that you're not actually
23 rebutting anything Mr. Colton has said regarding the
24 use of the 13% -- the 13.1% uncollectible rate?

1 A. Again, this is in line with the table that
2 we saw on page 63 of Mr. Colton's testimony where it's
3 presented as -- that I interpreted that as an overall
4 low-income population, and so I'm essentially stating
5 an opinion that the high collection rate that we have
6 from data indicates that -- again, a statement of
7 opinion -- that not all low-income customers are
8 renegeing on their payment, which means there are a lot
9 of low-income customers who do pay their utilities.

10 Q. Do you see how someone reading your rebuttal
11 could make an inference that you were responding to
12 something Mr. Colton said about the incidence of
13 renegeing on customer bills?

14 A. I'm, again, stating -- I'm presenting that
15 statement in context of the uncollectible rate. I'm
16 not presenting it out of -- out of context. I'm
17 presenting it in context of the uncollectible rate of
18 13.1%, and this is why we disagree.

19 Q. You don't mean to -- to convey your belief that
20 Mr. Colton has taken a position on the rate at which
21 low-income customers renege on their bills in that
22 statement?

23 A. I'm not -- I'm not making that explicit --
24 I'm not making the statement as -- as a response to

1 the way you have presented the statement that
2 Mr. Colton is saying that all low-income customers are
3 renegeing. I'm saying that I presented that statement
4 in the context of the 13.1% that has been presented as
5 the uncollectible rate that should be used, and we are
6 saying we disagree. It's in that context that
7 statement is presented, not out of context.

8 Q. Okay. So, let's move on to page 7 -- we're
9 still on page 7. I'm sorry. In your testimony you
10 state that there's a cumulative system-wide collection
11 of 97.3%; is that right?

12 A. Correct.

13 Q. Okay. You would agree with me mathematically
14 that that means that not all customers pay 100% of
15 their bills?

16 A. Correct.

17 Q. Okay. And you would agree with me that if some
18 customers pay 100% of their bills, that means some
19 other customers must pay less than 97.3% of their
20 bills?

21 A. Again, the 97.3% that we have presented is
22 based on data of the billings and the amount collected
23 on those billings. That's really what the 97.3% is.

24 Q. But mathematically, if some customers pay 100%

1 of their bills, to arrive at an average of 97.3 other
2 customers must pay less than 97.3% of their bills,
3 correct?

4 A. Correct. If you're strictly talking about
5 an average of customers paying 100% of the bills and
6 some customers not paying the bills, yes. To get at
7 an average, somebody would have had to pay less than
8 97.3%.

9 Q. And you recommend using the collection rate of
10 97.3% in determining the lost revenue from TAP
11 discounts; is that right?

12 A. Correct.

13 Q. Okay. And so we are now officially turning the
14 page to page 8.

15 MS. BROCKWAY: Before you get there, a
16 question: When we're talking about the
17 cumulative system-wide collection rate, are we
18 talking about residential customers?

19 MS. KUMAR: It's all customers of the
20 Philadelphia Water Department.

21 MS. BROCKWAY: Okay. Thank you.

22 BY MR. BALLENGER:

23 Q. So, on page 8, in Q and A 8, where you discuss
24 the use of the 97.3% collection rate, is it fair to

1 say that your position is that there's no difference
2 in the collection rate between low-income customers
3 and PWD customers as a whole?

4 A. Again, the statement here is that the
5 97.3% is a cumulative collection rate for the system,
6 and we've already stated in the rebuttal that PWD does
7 not have data on PWD's specific low-income collection
8 rate.

9 Q. But you assume there's no difference for
10 purposes of applying the system-wide average?

11 A. No, that's not what we are saying. We're
12 again saying that PWD does not have specifically a
13 low-income collection rate, and what PWD has is a
14 cumulative collection rate. So, without data, I can't
15 simply opine on what the low-income collection rate
16 is. But what I can opine on, based on data, is what
17 the cumulative collection rate for the Water
18 Department is.

19 Q. The cumulative 97.3% collection rate, that
20 represents collections on unpaid bills that may be
21 several years old, right?

22 A. I would not characterize it as several
23 years old. That was based on a specific period of
24 time --

1 Q. Okay.

2 A. -- that is used in the analysis.

3 Q. So, there's a collection rate for current year
4 and then there's a collection rate for bills that are
5 12 to 24 months old, and then there's a collection
6 rate for bills that are 24 months and older; is that
7 right?

8 A. Correct, there are three sets of periods;
9 the billing year, the billing year plus one, and the
10 billing year 24 months and above.

11 Q. Right. And just so I understand -- I'd like to
12 talk a little bit more about the proposed rider later,
13 but as I understand it, the -- the modified rider
14 proposal from Black & Veatch is intended to recover
15 the costs of TAP in the most recent calculation
16 period, which is a one-month period; is that correct?
17 I'm sorry, one-year period; is that correct?

18 A. Correct.

19 Q. Okay. So, I'd like to turn back to Exhibit 3,
20 that's the larger exhibit, and I'd like to direct you
21 to page 32 of 35, and we'll talk about the two pages
22 that follow, pages 33 and 34 of 35. Are you there?

23 MR. DASENT: And 32 is a cover page, it
24 looks like.

1 MR. BALLENGER: That's correct.

2 MR. DASENT: Okay.

3 BY MR. BALLENGER:

4 Q. And then page 33 and 34 present what is titled
5 Accounts Receivable Aging By Postal Zone. Do you see
6 that?

7 A. Yes.

8 Q. So, do you see that that's as of October 2017?

9 A. Yes.

10 Q. And as we look down the columns here, what we
11 see are a variety of different figures showing the age
12 of receivables in various -- various categories for
13 different postal zones. Do you agree?

14 A. Yes, I see the different postal zones and
15 there are columns with the data.

16 Q. Okay. And on the very bottom of page 34 there's
17 a line that states -- it's titled Total. Do you see
18 that as well?

19 A. Yes.

20 Q. Okay. And so do you agree that the total amount
21 reported as accounts receivable as of October 2017 is
22 \$383,317,726.77?

23 A. Would you please point me to which column
24 you're talking about?

1 Q. It is the far right column, Total, and the
2 bottom right-hand box in the row Total, and it lists
3 the number \$383,317,726.77.

4 A. Yes.

5 Q. Okay. And right next to that figure, for the
6 column titled 2 Yrs+, do you see that the total amount
7 reported there is \$184,056,134.08?

8 A. Yes.

9 MS. BROCKWAY: Where is that again?

10 MR. BALLENGER: It's in the column
11 immediately to the left of the Total column.

12 MS. BROCKWAY: Oh, Yrs+.

13 MR. BALLENGER: Yes, Yrs+.

14 MS. BROCKWAY: Over two years.

15 MR. BALLENGER: 2 Yrs+.

16 BY MR. BALLENGER:

17 Q. So, would you accept, subject to mathematical
18 calculation, that this shows that 48% of the accounts
19 receivable is two years older -- two years or older?

20 A. Could you please repeat the question?

21 Q. Does this show that 48% of the total accounts
22 receivable as of October 2017 is two years old or
23 older?

24 A. Yes, I agree, 48% of the dollars stated

1 there is two years plus.

2 Q. And in the rows above the total, where we have
3 the same -- we have information based on each postal
4 zone, and if we look at the two right-hand columns,
5 the columns listed -- noted as 2 Yrs+ and Total, would
6 you agree that some of the postal zones have a much
7 lower percentage of arrears that are two years old and
8 older than others?

9 MR. DASENT: The document speaks for
10 itself. I'm not quite sure of this
11 cross-examination.

12 BY MR. BALLENGER:

13 Q. So, if we just look at, for example, Zone 11 on
14 page 33, what I see here is that in Zone 11, I'd like
15 to make sure that you see the same thing I do, I see
16 \$694,000 in arrears that's two years old or older, but
17 I see the total arrears in Zone 11 is 3 -- almost \$4
18 million, 3 million 952. Do you see that there as
19 well?

20 A. Yes.

21 Q. Okay. And would you agree that that represents
22 -- that that indicates that 17.6% of the arrears in
23 Zone 11 are two years old and older?

24 A. Subject to check on the math.

1 Q. Okay. And just for illustration purposes, let's
2 look at Zone 32 on page 34. In this postal zone, if I
3 look at the same information, I see that there's
4 \$24,496,000 in arrears that are two years old and
5 older and in the right-hand column I see that there's
6 a total of 38,989,000 in arrears. Do you see those
7 numbers as well?

8 A. Yes.

9 Q. And would you accept, subject to check, that
10 that indicates that in Zone 32 62.8% of the arrears
11 are two years old and older?

12 A. Subject to check, yes.

13 Q. Okay. And so --

14 MS. BROCKWAY: Before you go further,
15 Mr. Ballenger, I thought -- I'm sorry, I thought
16 you were going to make us go through more of
17 those.

18 MR. BALLENGER: No, I wanted to just do
19 two of those. I have several other
20 illustrations, but I think two is sufficient.

21 MS. BROCKWAY: Are you on -- still on this
22 exhibit?

23 MR. BALLENGER: For a moment longer, yes.

24 MS. BROCKWAY: Okay. When you're done, I

1 have a question about the exhibit.

2 MR. BALLENGER: Okay.

3 BY MR. BALLENGER:

4 Q. And, just -- just as a matter of math, it would
5 be incorrect to assume, then, that the average that we
6 talked about before of 48% of the arrears being two
7 years old or older, that that's consistent in each
8 postal zone in Philadelphia; isn't that right?

9 A. Could you please repeat?

10 Q. Sure. Based on your review of this, you would
11 not conclude that each postal zone in Philadelphia has
12 48% of its arrears as two years old and older; isn't
13 that correct?

14 A. Based on what we have seen at this moment
15 that's been viewed, I would conclude that not all
16 postal zones have the same total 48%, yes.

17 Q. Nor does any postal zone necessarily have the
18 same percent that's reflected in the average?

19 A. Subject to check, that's what I would say.

20 Q. So, some have a higher average and some have a
21 lower average, correct?

22 A. Yes, subject to check, yes.

23 MS. BROCKWAY: What's the difference
24 between 48% and the average?

1 MR. BALLENGER: There's -- 48% is the
2 average. I'm sorry if I misspoke in the
3 question.

4 BY MR. BALLENGER:

5 Q. Okay. I'd like to turn --

6 MS. BROCKWAY: Before you move off --

7 MR. BALLENGER: We are --

8 MS. BROCKWAY: -- let me just ask this
9 question: Again, are these residential accounts
10 or all accounts, or how can we characterize
11 this?

12 MS. KUMAR: I would not be able to opine
13 on that, because the title just says "Accounts."
14 So, I would not know if that's just residential
15 or all accounts in the Water Department.

16 MS. BROCKWAY: Will there be somebody who
17 could answer that for us?

18 BY MR. BALLENGER:

19 Q. If I may, I believe at the bottom of the table
20 on page 34 it lists the total number of accounts as
21 687,128, which I believe would lead to, Ms. Kumar, the
22 conclusion that this is all accounts. Would you
23 agree?

24 A. Subject to check, I would believe so.

1 MS. BROCKWAY: Thank you.

2 BY MR. BALLENGER:

3 Q. Okay. I'd like to go back to page 8 of your
4 rebuttal, and on page 8 you comment on Mr. Colton's
5 use of a -- you describe it as a 94.84% collection
6 rate on line 13. Do you see that?

7 A. Yes.

8 Q. Okay. And can you please direct me to where in
9 Mr. Colton's testimony he uses the 94.84% in
10 calculating his estimate of imbedded lost revenues?

11 A. On page 60 of Mr. Colton's testimony, in
12 line 18, 19 and 20, there's a statement about the most
13 recent fiscal year for which it has complete data,
14 2014, the total percent collected reached 94.84%.

15 Q. Okay. And do you see on the top of page 61 of
16 Mr. Colton's testimony the statement, lines 1 and 2,
17 quote, Using the 5.16% figure, however, is not
18 correct --

19 A. Yes.

20 Q. -- do you see that statement? Okay.

21 So, based on Mr. Colton's testimony, do
22 you believe that he used 94.84% as the collection rate
23 for purposes of his model?

24 A. That's not what we said in the rebuttal in

1 question 8. Question 8 of the rebuttal, specifically,
2 that he's using 98.84% as an example of collectability
3 rate, and we are stating that when we do
4 collectability rate for the Water Department, we do
5 not use just one fiscal year as a basis for
6 determining the collectability rate. We use
7 multiple-year billings and associated collections to
8 determine our collectability rate.

9 Q. And I guess -- would you agree that Mr. Colton
10 doesn't say that 94.84% is the collectability rate for
11 purposes of the model?

12 A. There is no reference to the model here.
13 This is really rebutting the statement that the total
14 percent collected reached 94.84%. We are making the
15 statement that we in the Water Department, when we
16 talk about collection, we always -- we do not refer to
17 just really one year, we refer to multiple years.

18 Q. Okay. So, wouldn't you recognize that you're
19 rebutting a number that Mr. Colton didn't use in his
20 calculations?

21 A. We are not saying Mr. Colton used the
22 94.84% in his calculations. We are just making a
23 specific statement that when we talk about collection
24 rate, we do not just use one year and talk about

1 collection rate, we always use multiple-year billings
2 and associated collections.

3 MR. BALLENGER: Can I just have one moment
4 to consult with my expert, please.

5 (Pause.)

6 MS. BROCKWAY: How much more do you think
7 you have?

8 MR. BALLENGER: Of these witnesses?

9 MS. BROCKWAY: I'm just thinking of --
10 it's almost 11:30 and how do we want to arrange
11 a break. Let's go off the record.

12 MR. BALLENGER: Sure.

13 (Whereupon, a discussion was held off the
14 record.)

15 BY MR. BALLENGER:

16 Q. Let's -- I'd like to turn to page 4 of
17 Exhibit 3, and this was -- actually, I'm sorry, before
18 we go on, I'd like to -- I nearly forgot, I'd like to
19 hand out another exhibit, and I'd just like to mark
20 this for the record as, I believe we're up to Hearing
21 Exhibit 4 at this point. So, this is a -- so, this is
22 designated -- it's actually designated Hearing Exhibit
23 blank, so I would please ask everyone to write a 4 in.
24 This is now Hearing Exhibit 4 on Behalf of the Public

1 Advocate.

2 We won't spend much time on this, but this
3 is November -- if you look at page 3 of 4 of this
4 exhibit, this is captioned Accounts Receivable Aging,
5 as of November 2011. Do you see that?

6 A. Yes.

7 Q. Okay. And I just want to direct your attention
8 to the bottom row, that says Total on it. Do you see
9 that row?

10 A. Yes.

11 Q. Okay. In the far right two columns there's a
12 column that's designated 2 Yrs+, presumably for two
13 years and beyond, and a column that's designated
14 Total. Do you see that as well?

15 A. Yes.

16 Q. Okay. Do you agree that the total amount
17 reported as being accounts receivable that are two
18 years old and older is listed as \$102,981,825.99?

19 A. Yes.

20 Q. And do you agree that the total accounts
21 receivable is designated as \$235,121,529.84?

22 A. Correct.

23 Q. Would you also agree, subject to check, that
24 this indicates that 43.8% of the accounts receivable

1 in November 2011 were two years and older?

2 A. Yes, subject to check.

3 Q. Thank you.

4 MS. BROCKWAY: Are you going to move off
5 that one?

6 MR. BALLENGER: I'm moving off that one.

7 MS. BROCKWAY: I just wanted to ask: By
8 Installation Type, is it possible to tell from
9 the list of installation types on the left-hand
10 margin which are residential, so as to break out
11 the residential as opposed to nonresidential, or
12 is it still going to be apples and oranges?

13 MS. KUMAR: From this document, we see the
14 installation type, but not specifically
15 residential as a category.

16 MS. BROCKWAY: Thank you.

17 BY MR. BALLENGER:

18 Q. All right. So, now, I'd like to return to
19 Exhibit 3 and let's start at page 4, and as we turn
20 the page to page 5 this is captioned
21 All-Water-Sewer/Stormwater Payment Pattern Report,
22 correct?

23 A. Yes.

24 Q. And this was dated as of November 1st, 2017; is

1 that correct?

2 A. Yes.

3 Q. And I just wanted to check one thing with you.

4 As I look down this report, it appears to me that the

5 payment percentages vary both between the type of

6 charges and the type of customer, or the

7 classification of customer. Do you agree with that?

8 A. Are you specifically referring to the

9 subtotal?

10 Q. I'm referring to the total payment percentage in

11 the far right-hand column, and that reports the

12 percentages under the headings for Water Charges and

13 then subheadings for each type of customer;

14 residential, residential vacant, senior citizens, and

15 so on. And would you agree that all of the

16 percentages reflected there are different under the

17 heading Water Charges?

18 A. Correct.

19 Q. Okay. And would you agree that the same is true

20 under the heading of Sewer Charges, that all of the

21 percentages of payments shown here vary between the

22 customer classifications?

23 A. Correct.

24 Q. And if we go down the -- would you agree that

1 that's true for all of the various Stormwater Charges,
2 Stormwater Only Charges, then again in a Total table
3 at the very bottom?

4 A. Again, from the charge types indicated,
5 yes.

6 Q. Would you also agree that the payment patterns
7 are different? For example, if we look at residential
8 payment patterns for water, the percentages are
9 different than the residential percentages for sewer
10 as well?

11 A. In just looking at one line, for example,
12 the residential under Water Charges and the
13 residential under Sewer Charges, just that one line,
14 yes, the percentages are slightly different.

15 Q. And the same goes for stormwater, the
16 residential percentage is different for stormwater
17 than it is for both water and for sewer?

18 A. Correct, it's slightly different, again,
19 looking just at the residential line.

20 Q. And do you agree that the same is true for each
21 of the other types of customer that's listed in this
22 table?

23 A. Yes, the percentages indicated and
24 presented on page 5 are different for the different

1 types of charges and the different charge types.

2 Q. So, regardless of which customer type you look
3 at, you would see that there would be a different
4 payment percentage for water charges, for sewer
5 charges and for stormwater charges, correct?

6 A. Could you repeat the question?

7 Q. Sure. So, regardless of which customer type you
8 look at, the percentages are different for water
9 charges, sewer charges and stormwater charges, whether
10 it's residential, residential vacant, senior citizens,
11 so on and so forth?

12 A. Again, the percentages are different --
13 percentages are different for the charge type. I
14 mean, there's no word on customer types. I'm going to
15 state the fact that the percentages are different for
16 the charge types indicated there.

17 Q. Okay. And when I see, under -- when I see the
18 -- that some of these are identified as residential,
19 residential vacant, senior citizens, I'm referring --
20 I'm using the term "customer type" as a general term
21 for that. Is there another word I should use to
22 identify them?

23 A. I'm stating what is there in the document,
24 that it is charge type.

1 Q. Okay. Okay. So, for each of the charge types,
2 for each of the various subclassifications, the
3 percentages vary; is that correct?

4 A. Correct, from what I see in the document.

5 Q. Thank you.

6 Just one clarification before we move on.

7 This is designated as including data as of

8 November 1st, 2017, but on the -- on page 5 of 35, am

9 I correct that this table indicates payment patterns

10 for bills analyzed from November 1st, 2016 to

11 October 31st, 2017?

12 A. Correct.

13 Q. Okay. So, this represents one year's worth of
14 data, correct?

15 A. Correct.

16 Q. Okay. I want to move on to Q and A 9 on the
17 bottom of page 8 of your rebuttal statement. In lines

18 23 through 25 you state, "PWD disagrees with the

19 inclusion of any reconcilable arrearage forgiveness in

20 the determination of the reconcilable TAP surcharge

21 rate at the current time, especially when the TAP is

22 still in its infancy and still evolving."

23 Do you see that?

24 A. Yes.

1 Q. And in that statement you've chosen to underline
2 the words "at the current time"; is that correct?

3 A. Correct.

4 Q. You go on to say, on the bottom of page 8 and
5 top of page 9, that PWD would be willing to consider
6 an inclusion of some form of arrearage forgiveness in
7 the future, and just wanted to talk about that
8 statement. Is that statement correct, first of all?

9 A. Correct.

10 Q. Just to be clear, you are aware, are you not,
11 that there is some form of arrearage forgiveness
12 currently in effect with the TAP?

13 A. I do not know the details, but I know that
14 there is some form of arrearage forgiveness.

15 Q. Okay. And are you also aware that some form of
16 arrearage forgiveness is mandated under the ordinance
17 they established for the Tiered Assistance Program?

18 A. Again, I can't opine on that. I don't
19 have that information in front of me.

20 Q. Okay. Am I correct that if the arrearage
21 forgiveness that's currently in effect is excluded
22 from the TAP rider, that somehow that arrearage
23 forgiveness would be reflected in a future rate case?

24 A. Again, what we are saying here is at the

1 current time in the proposed framework, we are not
2 agreeing -- we are not agreeing to an inclusion of
3 arrearage forgiveness. For the future rate case, that
4 has to be determined in the future. We can't opine on
5 that now.

6 Q. Okay. But with the forgiveness of arrears
7 during the period for which you propose higher rates
8 in this case, if that were to occur, would that affect
9 any of the assumptions in your rate model?

10 A. At the current time, again, without the
11 details of the -- how exactly arrearage forgiveness
12 will work, it does not affect it.

13 Q. So, just to be clear, if the Department were to
14 forgive all penalty charges on TAP arrears after
15 24 months, would that affect your collection rate?

16 A. Again, the arrears forgiveness is
17 something that's different from the -- how we do the
18 collection rate for the calculation of our revenue
19 projections.

20 Q. So, the amount of TAP arrears was not taken into
21 account in calculating the collection rate?

22 A. Again, when we talk about the collection
23 rate for the revenue projection that we have used in
24 our model, it is based on all customers of the Water

1 Department, based on the billings for a particular
2 period of time and how much of that billings is
3 collected over a period of time, and that's how we did
4 that.

5 Q. Would you agree the TAP arrears constitutes part
6 of the debt owed to the Department currently that were
7 factored into a collection rate?

8 A. Yes, it would be part of the overall.

9 Q. And if those arrears were eliminated, wouldn't
10 that also affect the collection rate?

11 A. Again, we do the collection rate based on
12 the amount that is actually collected. So, it is not
13 based on any kind of like payout report. It is based
14 on money that is billed, money that is collected, and
15 based on the actual data is how we determine our
16 collection rate.

17 Q. But if an amount that has been billed is
18 currently included in your collection rate, and in the
19 future the amount that has been billed is eliminated
20 from your calculation of your collection rate,
21 wouldn't that affect your collection rate?

22 A. Again, it's a conjecture. So, really you
23 need to redo it based on actual data. So, if the data
24 already reflects it, yes. So, it is based on actual

1 data, historical data.

2 Q. So, if the data reflected that some of the bills
3 that were issued had been forgiven, that would affect
4 your collection rate?

5 A. Again, we would need to know the details
6 of the data, so I can't conjecture here as to what it
7 would be. That is why we clearly said here this is
8 not for consideration at this time.

9 MS. BROCKWAY: This is going to be an
10 issue that I want to get clear on, because I
11 read all the testimonies on this topic and can
12 tell you that I'm confused. So, if we can't get
13 all of the different parts laid out here, let's
14 make sure that some witness at some point has an
15 accurate picture of how these things are
16 calculated presently.

17 BY MR. BALLENGER:

18 Q. Okay. I just want to -- in your rebuttal
19 statement you have proposed a fairly significant
20 change to the TAP rider from what you originally
21 filed; is that correct?

22 A. Is there a specific question you're
23 referring to in the rebuttal statement?

24 Q. I'm referring to the TAP rider, the difference

1 -- let's back up.

2 Is the TAP rider you proposed in your
3 rebuttal different than the TAP rider you proposed in
4 your direct?

5 A. That is correct.

6 Q. That's correct.

7 Is one of the differences that in your
8 original proposal your TAP rider only adjusted for in
9 a true-up amount; is that correct?

10 A. In the original proposal the
11 reconciliation was for cost only.

12 Q. I'm not sure what you mean. My understanding of
13 your original TAP rider was that it functioned as a
14 true-up to reconcile any over or underrecovery from
15 what was included in the base rates; is that correct?

16 A. Yes, over and underrecovery of the cost.

17 Q. Okay. And by "cost" you mean the amount of the
18 TAP discounts?

19 A. Let me rephrase this. So, in the original
20 proposal, what was being trued up was the difference
21 between what was anticipated to be lost in terms of
22 revenues and what would actually happen in experience.
23 It was only adjusting for that. And the difference
24 between what was the anticipated LICAP, the budget,

1 the Low-Income Conversion Assistance Program, LICAP,
2 and the actual LICAP expenditures that the Department
3 would incur.

4 Q. Okay.

5 A. Was adjusting for those two costs.

6 Q. Okay. So, just for purposes of the discussion,
7 I just want to focus on TAP and not LICAP, although I
8 recognize you've made some changes in your rebuttal
9 that are relevant to LICAP, too.

10 So, in looking at your rate model, my
11 understanding was that it included the anticipated TAP
12 discounts as a reduction to other income; is that
13 correct?

14 A. Correct, other revenue, correct.

15 Q. I'm sorry, other revenue --

16 A. Correct.

17 Q. -- that's shown in the model.

18 And so to recover that other revenue, your
19 proposal was to accomplish that through base rates, in
20 the first instance; isn't that correct?

21 A. Correct, through the water, sewer and
22 stormwater rate.

23 Q. And then the TAP rider would look back on what
24 actually was received and compensate for any under or

1 overrecovery from base rates; is that correct?

2 A. The TAP as originally proposed --

3 Q. As originally proposed, yes.

4 A. -- would adjust for looking back

5 historically for the previous year, look at what was

6 the anticipated loss that we began with that we

7 imbedded in the base rates and what actual discounts

8 were provided to the TAP program based on the number

9 of enrollees and the discount that was actually

10 provided. It was adjusting for that variance.

11 Q. Understood. Okay.

12 In your rebuttal, am I correct that you

13 are now proposing to recover the TAP discounts solely

14 through the rider and not through the base rates?

15 A. That is correct.

16 Q. Okay. And am I also correct that in fiscal 2019

17 you anticipated that the TAP discounts would be \$9.8

18 million in your model?

19 A. That is correct.

20 Q. Okay. And under your original filing with your

21 Statement 9A that supported your model, you requested,

22 I believe it's \$9.2 million in additional base rates?

23 A. Subject to check. I don't have that in

24 front of me.

1 Q. Okay. Let me -- I have that.

2 (Pause.)

3 Yeah, on page 22 of Statement 9A, starting
4 at line 21, it states, "The revenue requirements
5 analysis indicates the need for the following overall
6 increase in water and wastewater revenues:"

7 Line 24 states, "Fiscal 2019: An increase
8 of \$9,204,000" --

9 A. Correct.

10 Q. -- correct?

11 And is it your anticipation that your TAP
12 rider would recover \$9.8 million in fiscal '19 -- that
13 your TAP rider as put forth in your rebuttal
14 testimony, as modified, is it your anticipation that
15 that modified TAP rider would recover \$9.8 million?

16 A. The TAP -- this is a framework that's
17 presented, the TAP rider would recover the actual --
18 the amount that is presented in the statement,
19 whichever -- if we check whichever statement is the
20 correct statement, that's the amount we would recover.
21 If it is the 9.2, it would be the 9.2. I have to
22 check on that.

23 Q. I'm not -- I'm not saying that the 9.2 is a
24 different number than -- the 9.8 was the calculated

1 forecast of the discounts for fiscal '19.

2 A. Right.

3 Q. So, that's one data point.

4 And then separately the additional revenue
5 requested for fiscal '19 was 9.2 million. That was
6 your base rate increase for fiscal '19.

7 A. Yes, that's the -- that's the overall
8 increase for fiscal '19 based on the proposed revenue
9 adjustment.

10 Q. So, am I correct that by essentially trying --
11 essentially proposing to recover \$9.8 million in
12 discounts through the rider, that that modifies your
13 base rate increase in this case?

14 A. Again, the approach is now -- the modeling
15 would be different, because now a component of the
16 cost that flows through is pulled out and it's now
17 going to be recovered separately. So, we would be
18 re-running the model with that alternative framework.

19 Q. That's where I was getting to. Okay. So, we
20 have not seen, as of this time, a re-run model for
21 purposes of presenting to the Board what you're asking
22 for in rates and charges in fiscal '19 or '20, '21; is
23 that correct?

24 A. The -- what we presented as the overall

1 revenue increase, again, is for the overall cash flow,
2 so that would still be the overall cash flow, but a
3 component of that is going to be recovered
4 differently, but the overall cash flow that we've
5 presented, which is what this is presenting, would
6 still be applicable.

7 Q. Okay. So, in other words, in fiscal '19 you
8 would be asking the Board to approve the rider, but no
9 other increase in base rates, because your rider would
10 compensate more than for the 9.2 million that you have
11 in your rate column; am I right about that?

12 A. Again, we are comparing a revenue
13 adjustment and a loss. So, I think that we're
14 comparing a bit of an apples and oranges here. This
15 9.2 million is estimated loss for that particular
16 component which we are recovering through a separate
17 rider; and this overall revenue adjustment for the
18 water, sewer and stormwater all put together is based
19 on the financial plan that we have submitted in our
20 filing. So, this estimate of the revenue adjustment
21 would still hold good, it is just a component of it is
22 going to be recovered differently.

23 Q. Okay. I thought I heard you say, though, that
24 you hadn't produced -- taken into account the -- your

1 modified TAP rider in running the rate model.

2 A. Because the rates -- the rate schedules we
3 presented in the model had an imbedded TAP in the rate
4 schedules in the fixed charge and the variable charge
5 for water, sewer and stormwater. Now, those rate
6 schedules will change, because we're taking now a
7 component of it and recovering through a rider. So,
8 all those rate schedules will change and that has to
9 be -- that has not been presented yet.

10 Q. They will change if approved?

11 A. They will change if this particular
12 concept is approved.

13 Q. Okay. My understanding -- perhaps this
14 question's for Mr. Merritt, but I'm not sure. So, my
15 understanding, from our discussions, was that
16 Mr. Merritt was primarily involved in crafting the TAP
17 rider; is that correct?

18 A. Could you repeat the question?

19 Q. My understanding, from our discussions in the
20 past, is that Mr. Merritt was primarily the one who
21 crafted the TAP rider?

22 MR. DASENT: He had an integral role in
23 creating the TAP rider, that's correct.

24 MS. KUMAR: It was Black & Veatch that

1 created the TAP rider framework.

2 BY MR. BALLENGER:

3 Q. Okay. Has Black & Veatch developed similar
4 types of low-income riders for municipal water
5 utilities in the past?

6 A. I'm not aware. Subject to check, I can
7 get back to you on that.

8 MR. BALLENGER: Okay. If I could ask for
9 a transcript request, just, say, in the past
10 three years please provide copies of any
11 low-income rate riders developed by Black &
12 Veatch for municipal water utilities.

13 MS. BROCKWAY: Let's go off the record.

14 (Whereupon, a discussion was held off the
15 record.)

16 MS. BROCKWAY: So, this will be marked as
17 Transcript Request 1.

18 BY MR. BALLENGER:

19 Q. Okay. Turning to page 11 of your rebuttal, you
20 talk about the lack of a need for a formal hearing
21 process to address any complaints that arise regarding
22 the TAP rider adjustment. Do you see that? It's Q
23 and A 13.

24 A. Would you repeat the question, please?

1 Q. Yes. In Q and A 13 it appears that it's your
2 testimony that there's no need for a formal hearing
3 process to address any complaints that may arise
4 regarding the TAP rider adjustment; is that correct?

5 A. Correct.

6 Q. Okay. And can you explain, absent a formal
7 hearing process, how any individual or group could
8 raise any objections to the annual TAP filing? In the
9 absence of a formal hearing.

10 A. The process is that -- the process
11 envisioned is that at the end of every year the
12 reconciliation calculations will be done and
13 everything will be presented to the Rate Board for
14 their review, and then the Rate Board will opine on
15 the validity of the information presented to the Rate
16 Board.

17 Q. And so under that process, no individual or
18 group would be able to challenge the proposed
19 adjustment; is that correct?

20 MR. DASENT: The Rate Board hasn't
21 established that process yet. So, when that
22 process exists and it's an open meeting, the
23 public can participate.

24 MR. BALLENGER: I appreciate the input

1 from Mr. Dasent, but that's -- I was directing
2 my question to the witness.

3 MS. KUMAR: Can you repeat the question?

4 BY MR. BALLENGER:

5 Q. So, you've testified there's no need for a
6 formal hearing process. So, how, in your opinion --
7 your opinion -- could an individual or group protest
8 or raise any objection regarding a TAP rider
9 adjustment?

10 A. That is still -- that is to be defined.
11 Conjecture. Not giving any specific opinion on that.

12 Q. Do you object to a process that would include
13 individuals or groups who have complaints or concerns
14 about a TAP rider adjustment?

15 A. Could you repeat that, please?

16 Q. Do you object to participation by members of the
17 public in raising concerns about a TAP rider
18 adjustment in the future?

19 A. It's a policy decision that will be taken
20 by the Departments.

21 Q. So, I guess in the absence of a policy decision,
22 what is the basis for your objection to participation
23 in a formal hearing process?

24 A. Again, this was presented in the context

1 that there's a timeline by which the reconciliation
2 needs to happen, and our presentation here is that to
3 meet the timeline, which is very, very tight, as we
4 have seen in the -- in the reconciliation, we are
5 recommending that the timeline needs to be met and
6 that's critical for the revenue projection for the
7 utility. That's the specific context in which we have
8 opined that a formal hearing process could impact that
9 very short timeline the Department has to do the
10 reconciliation and get the Rate Board approval for the
11 reconcilable rate.

12 Q. To your knowledge, is there currently any manner
13 or methodology through which the Rate Board could
14 approve an increase in rates without having a public
15 process?

16 A. Again, we're not opining on how the Rate
17 Board could approve that form of public process here.
18 We are saying that the Rate Board would do the -- this
19 was, again, in the context of -- you said complaint is
20 what we are talking about. It's not just the approval
21 process itself.

22 Q. So, I couldn't -- that's interesting, because I
23 read your testimony, lines 18 through 20, as stating
24 both that there should not be a formal hearing process

1 and there should not be Public Advocate participation;
2 is that correct?

3 A. We clearly state in line 18 PWD disagrees
4 that any complaint to the Rate Board should require a
5 formal hearing process and Public Advocate
6 participation. It's not the approval itself of the
7 reconcilable rate rider that the Department will be
8 filing with the Rate Board. It is the complaint to
9 the Rate Board.

10 Q. It is the complaint. So, you don't disagree
11 that there should be, then, a formal hearing process
12 and Public Advocate participation, it should just not
13 be any complaint?

14 A. Again, we specifically -- this particular
15 question, we are specifically answering the issue that
16 while the rate rider is --

17 Q. Understood.

18 A. -- available for public review, we are
19 specifically answering the question the complaint to
20 the Rate Board is where we are saying it should not
21 require a formal public hearing process. We haven't
22 even opined on anything else.

23 Q. And I just want to circle up on TAP costs here.
24 Am I correct that in fiscal 2018, based on the

1 projections I've seen, that PWD in the last rate
2 proceeding overestimated the actual TAP costs by more
3 than \$8 million?

4 A. Could you please refer to which question
5 in the rebuttal that you're pointing out to?

6 Q. I'm not pointing to any particular question, but
7 I'm pointing to and responding to your disagreement
8 with the ability of any customer to complain to -- to
9 file a complaint or participate in a formal hearing
10 process, and I just wanted to explore with you the
11 possible basis for such a complaint.

12 A. Again, this was in the context of a tape
13 -- TAP rider filing, complaint pertinent to the TAP
14 rider as we have proposed in the alternative
15 framework. We have not -- this is -- again, this is
16 not in the context of the amount of TAP loss, but this
17 is -- question 13 is specifically in the context of
18 the TAP rider framework, the alternative TAP rider
19 framework, should that concept be approved, and,
20 therefore, that process goes into effect.

21 Q. So, just -- just a final question, although
22 we'll see where it goes. If it were shown that the
23 approved TAP rider were substantially over or
24 underrecovering, do you believe it would be a matter

1 of any -- do you believe that customers could raise
2 valid concerns about the operation of the TAP rider?

3 A. Could you repeat the question?

4 Q. If the TAP rider is substantially over or
5 underrecovering, do you believe customers could raise
6 valid concerns about the TAP rider?

7 A. Again, in the alternative framework that
8 we have presented, it's difficult for me to hear
9 conjecture that it's going to over or underrecover,
10 because it's a specifically-defined equation that is
11 data driven. So, it's difficult for me to -- even
12 before this could be implemented and without really
13 the actual rider being implemented and launched, it's
14 conjecture that the TAP rider would over or
15 underrecover. That's not the intent of the TAP rider.
16 The intent of the TAP rider is to recover the specific
17 cost as described in the alternative proposal, which
18 is data driven.

19 So, given that situation, I can't opine
20 here that the TAP rider for some reason will over or
21 underrecover.

22 Q. That wasn't the question, as to whether it would
23 over or underrecover. The question is whether, if it
24 did, a customer would have a reason, and a good

1 reason, to participate in the reconciliation filing.

2 A. If there's -- the customer has any
3 concerns about the reconcilable rate rider that is
4 given out and how that process should work for the
5 customer is really a policy issue that the Departments
6 have to work through before launching.

7 Q. Okay. Well, with all due respect, wouldn't you
8 agree that that would be a determination for the Board
9 to make, not the Departments?

10 A. Yes.

11 Q. Okay.

12 MS. BROCKWAY: I've taken her to mean that
13 the Department has not developed a policy on
14 this to -- to propose to the Board. If that's
15 not correct, please correct me.

16 MR. DASENT: The only correction we would
17 offer is we're looking for a simplified
18 process which is an automatic reconciliation;
19 however, it would go before the Board and there
20 would be a process that you would define.

21 MS. BROCKWAY: Okay. That wasn't really
22 my question, but I think that I understand
23 what's going on.

24 MR. BALLENGER: And I just would like to,

1 again, thank Mr. Dasent for jumping in on a
2 question intended for one of his witnesses, and
3 hope that that doesn't continue for the next six
4 days.

5 MS. BROCKWAY: If it continues, it will --
6 it will demonstrate the extent of which
7 Mr. Dasent does not think his witness is in a
8 position to answer a question.

9 MR. BALLENGER: Thank you, Madam Hearing
10 Officer.

11 I am -- I'm done with my cross on PWD
12 Rebuttal Statement No. 5, and I'd like to thank
13 the panel for answering the questions today.

14 MS. BROCKWAY: All right. We'll take our
15 lunch break now. It's -- we'll go off the
16 record.

17 (Whereupon, a discussion was held off the
18 record.)

19 MS. BROCKWAY: In lieu of the truncated
20 schedule today, we're going to take a shorter
21 lunch break today. So, it's now seven minutes
22 after noon, according to that clock, and we'll
23 get back at 1 o'clock on the dot. Thank you.
24 We're adjourned.

1 (Whereupon, a lunch recess was taken.)

2 MS. BROCKWAY: Thank you. We are ready to
3 continue with cross-examination of this panel.
4 Mr. Bakare.

5 MR. BAKARE: Thank you, Madam Hearing
6 Officer. I'll be very brief. I just have a few
7 questions for the panel and I'll direct them to
8 the witness. The others can chime in as
9 necessary.

10 CROSS-EXAMINATION

11 BY MR. BAKARE:

12 Q. Ms. Kumar, as referenced by Mr. Ballenger in his
13 questioning, there was a change in the TAP rider
14 proposal from the direct to the rebuttal testimony,
15 correct?

16 A. That is correct.

17 Q. Okay. As I understand it, in the direct
18 proposal there was a -- fiscal year 2019, there was a
19 \$9.8 million budget for TAP costs, and the rider would
20 have recovered the difference between those costs and
21 the actual cost the following fiscal year; is that
22 correct?

23 A. It's an estimate of \$9.8 million included
24 in the original filing. And, yes, the reconcilable

1 TAP rider is intended to recover any variant between
2 the actual experience relative to that \$9.8 million.

3 Q. And so in fiscal year 2019, in the original
4 proposal there would have been no rider charges
5 flowing to customers; is that correct?

6 A. In the original filing the \$9.8 million
7 was supposed to be recovered through the base rate,
8 the base rate schedule, that we have filed. But now
9 in the alternative proposal that we have presented
10 with this rebuttal, the \$9.8 million would be
11 recovered through existing water and sewer surcharge,
12 which would not be part of the regular base rate, but
13 it would be added to the water and sewer quantity
14 charge. It would be delineated separately.

15 Q. And per the schedule for new rates in this
16 proceeding, that surcharge would take effect on
17 September 1, 2018; is that correct?

18 A. That is correct, if approved by the Board.

19 Q. If approved by the Board.

20 Has the Department in any of the testimony
21 or exhibits and rebuttal set forth the actual rate
22 design for customers to see the impact of the
23 surcharge?

24 A. In the -- subsequent to the alternative

1 rate rider proposal that we have submitted with the
2 rebuttal, the revised rate schedules and the revised
3 bill impact has not been submitted yet.

4 Q. So, customers have no opportunity nor any idea
5 of what the bill impact of this revised TAP rider is
6 going to be as it stands today?

7 A. The bill impact of the revised TAP report
8 has not been submitted yet.

9 Q. And will not be submitted at any point where
10 customers have an opportunity to respond to it?

11 MR. DASENT: Objection. We don't know
12 that.

13 MR. BAKARE: That's a question. I don't
14 know either. That's why I'm asking the
15 question.

16 MR. DASENT: But usually during the course
17 of the proceeding, Madam Hearing Officer, we
18 have requests by the Board to run certain
19 scenarios, and at that time we will have the
20 answer and we will have an opportunity for input
21 at least in briefing and perhaps otherwise, if
22 you so direct.

23 MS. BROCKWAY: Well, we ought to have an
24 answer to the question in time for if there's a

1 need for cross-examination, we can do that. We
2 can get that in later, if we absolutely had to.
3 One of the reasons I've been holding off on
4 asking for it, because I've noticed the same
5 issue, is that I keep hearing rumors that there
6 will be a settlement of this issue, in which
7 case it wouldn't make any difference. Well, it
8 wouldn't not -- it puts it into a different
9 procedural framework. But if there's not really
10 going to be a settlement, then we ought to have
11 these things on the record.

12 So, maybe the question is, is there going
13 to be a settlement or should we start now by
14 making sure that all the proposals that might be
15 adopted by the Board are -- have in the record
16 the rate consequences.

17 MR. DASENT: I think you will see as we go
18 through our testimony today, particularly,
19 there's certain areas of agreement which would
20 indicate there's a potential for a stipulation
21 as to certain areas, but some may be up to the
22 Board to decide. In which case, we would run a
23 rate -- run the rate model assuming the scenario
24 that you describe or you -- you direct us to

1 run.

2 MS. BROCKWAY: Let's go off the record.

3 (Whereupon, a discussion was held off the
4 record.)

5 MS. BROCKWAY: Okay. We're back on the
6 record. Mr. Bakare, would you like to make a
7 transcript request for the rate impacts of the
8 rebuttal proposal?

9 MR. BAKARE: I would, but I still want
10 Ms. Kumar to answer the question. I know
11 Mr. Dasent provided an answer, but just to
12 clarify the record, I think Ms. Kumar should
13 provide a response to me, so we have a record
14 response from MS. KUMAR to the question.

15 MS. BROCKWAY: Yes.

16 BY MR. BAKARE:

17 Q. And the question was, as it stands here today,
18 will the rates and the rate design for the revised TAP
19 rider be provided in a form that customers will have
20 an opportunity to respond to with testimony?

21 A. It will be if it is requested, yes.

22 MR. DASENT: We are prepared to profer
23 that. We're waiting for the transcript request.

24 BY MR. BAKARE:

1 Q. And will -- the second part of the question was
2 the matter of the form of response. Would you imagine
3 that customers will have an opportunity to present
4 testimony in response to the redesign issues?

5 A. It's a procedural thing that I cannot
6 opine on. I would defer to the Rate Board and to the
7 attorneys to opine on that.

8 MR. BAKARE: Thank you. I would like to
9 make a transcript request for the rate design
10 impacts of the revised TAP rider.

11 MS. BROCKWAY: And that is the TAP rider
12 as it's presented in the rebuttal testimony by
13 the Department?

14 MR. BAKARE: Yes, the TAP rider proposed
15 in PWD Rebuttal Statement No. 5.

16 MS. BROCKWAY: So, that's Transcript
17 Request 2.

18 We need to talk about timing, and as we
19 talk about that we should also address whether
20 or not Mr. Colton's proposal is reflected in
21 rate impacts in the record. Rob, can you...

22 MR. BALLENGER: The -- I think Mr. Colton
23 can answer, but maybe for him the question would
24 be: Have you done a rate design and cost

1 allocation analysis of your TAP rider proposal?

2 MR. COLTON: No.

3 MS. BROCKWAY: Yeah, I think you could
4 have just represented that that would be the
5 position.

6 MR. BALLENGER: I don't want to -- you
7 know.

8 MS. BROCKWAY: Yes, I know. Well, what
9 we're talking about now is process.

10 MR. DASENT: Yes.

11 MS. BROCKWAY: So, I think it would be
12 good for the Department -- excuse me, the Board,
13 not the Department, to have both of those items.
14 The question, then, is how quickly could that be
15 done holding everything else.

16 MR. DASENT: Late next week certainly it
17 could be done. I mean, giving you a realistic
18 timeline. If you tell us to step on it, we'll
19 try to speed that up a little.

20 MS. BROCKWAY: Well, then the problem is
21 we might need to schedule additional hearing
22 time to bring the witnesses back, and I don't
23 know whether Mr. Bakare would want to propound
24 his own witness. Although, we have said we're

1 not going to have surrebuttal, so I guess there
2 would be a limited opportunity for that.

3 MR. DASENT: I thought, quite frankly,
4 once we see the rate design impacts, I don't
5 know if it's too technical to brief or if it's
6 the sort of thing you would request, you know,
7 additional hearings on.

8 MS. BROCKWAY: Well, help me out. Is the
9 end of next week the earliest we can get this?

10 MR. DASENT: Yes. Yes. (Inaudible.)

11 COURT REPORTER: I'm sorry?

12 MS. BROCKWAY: We'll go off the record.

13 (Whereupon, a discussion was held off the
14 record.)

15 MS. BROCKWAY: If you guys want to --

16 MR. DASENT: We'll work it out first.

17 MS. BROCKWAY: -- want to work it out,
18 that would be great.

19 So, we have at least one model run being
20 prepared by next Thursday and potentially some
21 hearing business on Friday about it, and that is
22 the Department's rebuttal version. The parties
23 are going to meet together offline and talk
24 about what's involved and also discuss whether

1 or not we need to have another, reflecting
2 Mr. Colton's methods, and we will report back on
3 what they decided about that and what ideas they
4 have about scheduling.

5 MR. DASENT: And we can get back to you
6 Monday, first thing, when we put that on our
7 calendar. Not Monday, Friday.

8 MS. BROCKWAY: Friday.

9 MR. DASENT: Friday.

10 MS. BROCKWAY: Tomorrow?

11 MR. DASENT: Tomorrow.

12 MS. BROCKWAY: Tomorrow the 11th?

13 MR. DASENT: Yeah.

14 MS. CROSBY: In other words, we'll all
15 discuss to see what we need to do and what time
16 it will take. We'll have that offline
17 discussion today. We can report back to you
18 tomorrow.

19 MS. BROCKWAY: Great. Anything else?

20 MR. BAKARE: Yes. I just want to
21 apologize. You were going to ask Ms. Kumar a
22 question, and I had objected. So, I apologize
23 if I cut that process off.

24 MS. BROCKWAY: No, no, no, that's okay,

1 but I think that your statement is helpful, that
2 we -- that we let you guys work it out as much
3 as possible rather than trying to do these
4 things on the record in realtime.

5 Did you have any other questions for this
6 -- these witnesses?

7 MR. BAKARE: No, I have nothing further.

8 MS. BROCKWAY: We have another question
9 from the bench.

10 MR. POPOWSKY: Good afternoon. Thank you.
11 I just have one question. If you look at the
12 top of page 9 of your rebuttal testimony, the
13 very first couple of lines. You were asked
14 about the first line on the page by
15 Mr. Ballenger, and this has to do with whether
16 or not the Department would consider inclusion
17 of some type of arrearage forgiveness in the
18 future, and you said you would be willing to
19 consider that, then it says, "Subject to
20 potential changes to City policies on arrearage
21 forgiveness," and from the Board's perspective
22 I'm just trying to find out what -- and you may
23 not be, actually, the right witness and maybe
24 the next panel, but it is in your testimony.

1 So, if you want to defer this to the next panel,
2 that's fine.

3 I'm trying to determine what are the City
4 policies that need to be either changed or
5 modified, in your view, and are they different
6 for Philadelphia Gas Works than they would be
7 for Philadelphia Water Department with respect
8 to arrearage forgiveness. And, again, if that's
9 not --

10 MR. DASENT: It probably is for a
11 different witness and it is, in part, a legal
12 question.

13 MR. POPOWSKY: Sure.

14 MR. DASENT: And PGW and PWD in between
15 shall meet in terms of this particular issue.
16 There would be a different ordinance that would
17 govern PGW versus PWD.

18 MR. POPOWSKY: Well, but the ordinance is
19 pretty clear about arrearage forgiveness for the
20 Water Department. My sense was that you were
21 saying that the City charter prohibits arrearage
22 forgiveness. That's why I was trying to
23 determine it there's some -- I just need to know
24 -- and this may be something that you're going

1 to argue that we have no jurisdiction over,
2 anyway --

3 MR. DASENT: Yes, that is the argument.

4 MR. POPOWSKY: -- but it says here that
5 it's subject to City policies, and from the
6 Board's perspective I just want to know what
7 those policies are, what would have to be
8 changed.

9 MR. DASENT: We can certainly provide that
10 for you and Ms. Kumar may have some limited
11 response. We believe it's a legal question and
12 we'll provide the answer to you. And if you
13 want it in the form of a transcript request,
14 that's another way to handle this. I'm not
15 really looking for more work, but a TR-3 might
16 help us address that.

17 MR. POPOWSKY: I think it might be
18 beneficial for us to have that information
19 before the record closes, and then, obviously,
20 you can brief the legal questions. But include
21 in there why it's different, because -- for
22 example, can you do arrearage forgiveness for
23 Philadelphia Gas Works, but not for Philadelphia
24 Water Department --

1 MS. CROSBY: Just to clarify the
2 transcript request --

3 MS. BROCKWAY: Can you talk a little
4 louder, please?

5 MS. CROSBY: Yes. To qualify the trans --
6 to get what you want for the transcript request,
7 you want to know not only the differences of the
8 policy for the arrearage forgiveness between PGW
9 and the Water Department, but also the -- what
10 changes in policy would need to occur?

11 MR. POPOWSKY: I'm just trying to figure
12 out what this answer means when it says "subject
13 to potential changes to City policies." It's in
14 the testimony. I just don't know what that
15 means. What are the City policies that you're
16 referring to there?

17 MS. CROSBY: So, the definition of the
18 City policies?

19 MR. POPOWSKY: Well, yeah, what policies
20 you're referring to and how they apply to the
21 Philadelphia Water Department but may or may not
22 apply to the Philadelphia Gas Works.

23 MS. CROSBY: Thank you.

24 MS. BROCKWAY: This is Transcript Request

1 3. My only question now is whether or not the
2 other parties would be content to allow this to
3 be briefed rather than ask them all their
4 version of it and start briefing in the middle
5 of the hearings.

6 MR. DASENT: Well, I think it helps to
7 know the Department's position and then they can
8 respond.

9 MS. BROCKWAY: I'm not asking you.

10 MR. DASENT: Oh, I'm sorry.

11 MR. BALLENGER: On behalf of the Public
12 Advocate, we fully anticipate briefing this
13 issue.

14 MS. BROCKWAY: Okay. We'll leave it at
15 that, as a transcript request for the
16 Department.

17 MR. POPOWSKY: Thank you very much. Thank
18 you, Ms. Kumar.

19 MS. BROCKWAY: I might have questions, but
20 I'm not really ready to go forward. If the
21 parties would indulge me, can you redirect now?

22 MR. DASENT: Sure.

23 REDIRECT EXAMINATION

24 BY MR. DASENT:

1 Q. Good afternoon, Ms. Kumar.

2 A. Good afternoon.

3 Q. Let me refer you to PWD Rebuttal Statement No.
4 5, page 7. Mr. Ballenger directed your attention to
5 this particular page and particularly with respect to
6 the uncollectible rate of 13.1%. Do you recall that?

7 A. Yes.

8 Q. Now, with respect to Mr. Colton's use of
9 arbitrary low-income collectible rate there, why did
10 you use the word "arbitrary" --

11 MR. BALLENGER: Is that a quote?

12 Objection. Is that a quote?

13 MR. DASENT: Yes.

14 MR. BALLENGER: Thank you.

15 BY MR. DASENT:

16 Q. Why did you use the word "arbitrary" there?

17 A. The 13.1% as presented in Mr. Colton's
18 testimony is not based on PWD data or, specifically,
19 PWD's, Water Department, circumstances, it is based on
20 other utilities not related to the kind of services
21 PWD provides; and, therefore, we refer to it as an
22 arbitrary use of an uncollectible rate.

23 Q. You use a different collection rate, I take it,
24 at 97 -- 97.3%?

1 A. Yes, that is a cumulative collection rate
2 that we use for revenue projections for the Water
3 Department.

4 Q. And why is that important?

5 A. That is important because the Water
6 Department historically and in this rate proceeding
7 projects revenues based on the system-wide cumulative
8 collection rate, and the cumulative collection rate
9 does not make a distinction based on income of the
10 customers. It is based on the billings and the money
11 that is actually collected based on historical data,
12 and that's how the cumulative collection rate is
13 derived. So, we feel that's the appropriate number to
14 use if we have to adjust for collections.

15 Q. Now, in terms of total numbers of accounts,
16 residential customers make up what percentage, or even
17 qualitatively, what percentage of the overall
18 population of the total number of accounts in the
19 system?

20 A. Based on the data we have seen, again,
21 actually, the residential customers would make up the
22 majority of the customer base in Philadelphia's total
23 number of accounts.

24 Q. Now, has the Philadelphia Water Department ever

1 made a distinction in the collection rate based upon
2 income?

3 A. No, not for rate-setting purposes.

4 Q. And was PWD -- has PWD used collection rates
5 based upon income in projecting revenues and rate
6 setting, and you answered. Why do you think using a
7 cumulative collection rate is appropriate for the
8 determination of TAP costs?

9 A. Again, when we are projecting the revenue
10 requirement, in this case TAP cost, typically PWD has
11 always done it based on cumulative collection for the
12 entire system. And in this particular case, again,
13 where the cost -- the money that is not billed and,
14 therefore, not collected from the TAP customers is
15 actually shifted to the non-TAP customer group. And
16 so when we're determining the TAP cost for the
17 reconcilable rate rider, we feel the cumulative
18 collection factor of 97.3%, which is data driven and
19 evidence driven specific to PWD, and that's what we
20 need to be using.

21 Q. During the course of Mr. Ballenger's cross you
22 indicated that the most vulnerable customers could
23 likely be those with higher arrearage -- higher
24 arrearages that were targeted for TAP during the

1 enrollment. Do you remember that?

2 A. Yes, I said it's my understanding that the
3 most vulnerable customers are likely the customers who
4 have higher arrearage.

5 Q. Now, could the actual criteria for vulnerability
6 be different from what you described, then, on the
7 record today?

8 A. The actual criteria that the Water Revenue
9 Bureau actually used and the Water Department could be
10 different. For example, the criteria could be to
11 target customers whose income is such that it would
12 qualify them for a bill that is \$25 or lower.

13 Q. Now, you mentioned, during the course of
14 cross-examination by Mr. Ballenger, that you looked at
15 PECO and PGW in researching riders or cost recovery
16 mechanisms for peer utilities. Do you recall that?

17 A. Yes.

18 Q. Did you use their data in developing the
19 framework for the TAP rider?

20 A. No, we looked to them for the concept, not
21 actually using their data in developing our analysis.

22 Q. I'd like to refer you to the Public Advocate's
23 Hearing Exhibit 1. We discussed that earlier today.
24 Do you recall that?

1 A. Yes.

2 Q. And what do the gross write-offs shown in Public
3 Advocate Exhibit 1 have to do with the Philadelphia
4 Water Department?

5 A. That has no direct relevance specifically
6 to Philadelphia Water Department services and their
7 customers.

8 Q. Now, as a part of that exhibit I see reports on
9 Universal Service Programs and Collections
10 Performances for 2016, '15 and '14. Do they have any
11 connection with the Philadelphia Water Department?

12 A. No, these don't -- these are -- these
13 don't reflect the sub -- the water, sewer, stormwater
14 services that the Philadelphia Water Department
15 provides to their customers. Not the -- not in
16 relation to the actual bills, but the Philadelphia
17 Water Department customers receive for those services.

18 Q. Do you know the basis for the derivation of
19 percentages and data in the table that's presented in
20 Public Advocate's Exhibit 1?

21 A. This exhibit by itself, it only shows a
22 percentage. It does not show any data that is behind
23 these percentages.

24 Q. Turning your attention to Public Advocate

1 Exhibit 3, Hearing Exhibit 3, did you use this
2 information that's shown in that particular exhibit to
3 develop a cumulative collection rate for the
4 Philadelphia Water Department?

5 A. Can you refer to the specific pages of the
6 exhibit?

7 Q. Look at the accounts receivable aging and the
8 other tables towards the back of the exhibit. Did you
9 use any of this in development of your testimony or
10 development of the cumulative collection rate
11 (inaudible) --

12 COURT REPORTER: I'm sorry, you drifted
13 off at the end. I didn't hear you after
14 "cumulative."

15 MR. DASENT: Oh, I'm sorry, the payment
16 pattern information.

17 COURT REPORTER: Payment pattern
18 information. Thank you.

19 MS. KUMAR: The payment pattern report
20 presented on page 5 and page 6 of the exhibit,
21 no, we did not use any of this for determining
22 the cumulative collection factors for the rate
23 projections and the alternative rate proposal.

24 BY MR. DASENT:

1 Q. What is the significance of this table, then, on
2 PWD's proposed TAP rider or TAP cost recovery, which I
3 presume is the subject of this hearing?

4 A. This particular exhibit and report
5 presented, again, does not reflect how the cumulative
6 collection factor was derived, and so it doesn't have
7 any direct bearing on the TAP cost recovery proposal.

8 Q. I'd like to direct your attention to page 34 of
9 35 of the Public Advocate's Exhibit 3, Hearing
10 Exhibit 3. If you look at the first column it says
11 No. of Accounts. If you read --

12 MS. BROCKWAY: Excuse me, what page are we
13 on?

14 MR. DASENT: The final page, 34 of 35.

15 That's what it says on the bottom.

16 BY MR. DASENT:

17 Q. In the first column it says No. of Accounts. Do
18 you see that?

19 A. Yes.

20 Q. Do you know if the accounts shown at the bottom,
21 where it tallies the total 687,128, do you know if
22 these are currently active accounts and receiving
23 service?

24 A. No, from this data we do not know that

1 they are all actually currently active accounts. It
2 could be accounts that are no longer active, because
3 this is an accounts receivable aging report.

4 Q. Returning your attention to the -- your
5 attention to Public Advocate Exhibit 4, do you know if
6 Black & Veatch provided Exhibit 4 or the data in the
7 exhibit for discovery in this case?

8 A. No, Black & Veatch did not provide this
9 report.

10 Q. Do you recall seeing it before this hearing in
11 this case?

12 A. Again, not using this report or seeing
13 this report in the context of the specific TAP rider,
14 alternative rate rider framework.

15 Q. Did you use any of the information in Exhibit 4
16 in development of the TAP rider in this case?

17 A. No, we did not.

18 Q. And I mean the alternative TAP rider, just to
19 make sure we're --

20 A. No, we did not use this report in
21 developing the alternative TAP rate rider framework
22 nor the original TAP rider framework.

23 MR. DASENT: If I might have a moment,
24 your Honor.

1 (Pause.)

2 That's all we have, your Honor. Thank
3 you.

4 MS. BROCKWAY: If you will, I would ask my
5 questions now and I might prompt some
6 re-re-redirect.

7 There are two areas that I'm confused
8 about, and so I'm going to ask you something
9 which maybe is not fair to ask, and if so just
10 tell me I should ask Mr. Colton. I'm trying to
11 -- I'm trying to get a sense of whether there's
12 -- first of all, there's a difference between
13 the Department's analysis and Mr. Colton's
14 analysis with respect to the treatment of
15 arrearage forgiveness. And there was one other
16 -- sorry. Excuse me. CAP credits. I'm looking
17 at Public Advocate Hearing Exhibit 1.

18 And as I understand it, these gross
19 write-off numbers do not include CAP credits or
20 arrearage forgiveness, and I'm trying to figure
21 out whether or not for this reason they are
22 apples and oranges to your analysis or whether
23 you also did not include arrearage forgiveness
24 and CAP credits. I should probably ask

1 Mr. Colton, but I wanted to give you a shot at
2 it first.

3 MS. KUMAR: From our perspective, it's
4 apples and oranges, because when we talk about
5 collection rate, which is what -- so when we
6 have -- in our alternative proposal, when you
7 have to estimate the actual loss due to
8 providing discounts to the TAP customers, so,
9 for example, if the actual discount that they're
10 given was \$9 million, we have acknowledged in
11 our rebuttal testimony that that doesn't mean
12 that all \$9 million is something that we would
13 have collected. We acknowledge in our
14 alternative proposal that instead of the \$9
15 million, we have only collected 97.3% of that \$9
16 million.

17 So, that's what we are stating in our
18 alternative proposal, and so -- whereas this
19 exhibit really talks about arrearage forgiveness
20 and the write-off percentages that are based on
21 arrearage forgiveness. So, we believe and we
22 feel that the arrearage forgiveness is a
23 completely different topic than the collection
24 rate that we have consistently used in our

1 revenue projections and which we are also
2 recommending the same approach being used when
3 we're determining TAP costs.

4 MS. BROCKWAY: Apologize if you've already
5 said this a number of times, but is it correct
6 that you don't reflect in your total revenue
7 requirement the amount of arrears that you
8 assume will be forgiven?

9 MS. KUMAR: Correct. Our collection rate,
10 which is how we determine revenues, are always
11 based on the billings and the actual money
12 received on those billings, taking three years
13 of -- basically taking three sets of historical
14 data, three sets of billing. And so it really
15 -- it's really truly representative of the --
16 what happens in the system when they send a bill
17 out and how much they actually collect. So,
18 it's truly representative of a cumulative system
19 of collection that really happened, and that's
20 what is reflected when we project revenues.

21 MS. BROCKWAY: To my mind, it sounds like
22 in order to understand this and get right down
23 to the 10th decimal, we would need to understand
24 how the arrearage forgivenesses are booked; are

1 they booked as billings being lower or are they
2 booked as something else?

3 MS. KUMAR: Again, I might have to defer
4 to my team member, if that's okay.

5 MS. BROCKWAY: Please.

6 MS. KUMAR: Dave.

7 MR. JAGT: My name is Dave Jagt. I work
8 for Black & Veatch.

9 When we do the projections of revenues in
10 the financial plan, we do -- we project
11 billings, but then we reduce that amount by the
12 amount of collections we're going to receive, so
13 the revenues reflect only the amounts that are
14 being paid, and that's --

15 MS. BROCKWAY: Being paid or being billed?

16 MR. JAGT: Being paid.

17 MS. BROCKWAY: Okay.

18 MR. JAGT: So, within the financial plan,
19 it already removes what is not being paid. We
20 don't -- it's a totally different process in how
21 the utilities reflect what's not being paid.
22 PWD, we're reflecting the bills as paid, so we
23 do not have a separate revenue requirement for
24 the write-off of that amount, because we already

1 reduced revenues to reflect that. In other
2 utilities where they count on revenue as billed
3 amounts, you have to reflect a revenue
4 requirement of the write-off. There is a
5 difference in the approaches that, you know,
6 impact how you handle the revenue requirement of
7 the rates.

8 MS. BROCKWAY: I see that there's a
9 difference in the buckets of the things you put
10 it in, but is there a difference, when the model
11 is all run, in the bottom line of the two
12 different ways of accounting for unpaid bills?

13 MS. KUMAR: The arrearage forgiveness is
14 really an accounting purpose. They report the
15 arrearage for a -- I mean, the arrearage -- the
16 receivable, gets presented as a receivable for a
17 period of time. And, again, for rate-making
18 purposes, we do not reflect arrearage
19 forgiveness if there's an arrearage forgiveness.
20 We do not reflect arrearage forgiveness as a
21 requirement. So, we never reflect it in the
22 first place in our rate setting. That has to be
23 a revenue requirement.

24 And I think, your Honor, that was one of

1 your questions right in the beginning, do we
2 even reflect it as a revenue requirement. We do
3 not. We reflect the actual money that is coming
4 in. So, the delta between what is billed and
5 what we present as money collected, that delta
6 is essentially the arrearage, and we don't set
7 rates to ever recover that.

8 MS. BROCKWAY: So, this is very helpful.
9 So, if I understand what you're saying, the
10 revenue requirement eventually reflects
11 arrears forgivenesses because they show up in
12 the amounts of bills that aren't paid?

13 MS. KUMAR: Uncollectible, correct. The
14 97.3% really reflects what we think is going to
15 be collected, and so the remaining we deem as
16 not being collected.

17 MS. BROCKWAY: Okay. So, let me turn to
18 the aging issue. Let me tell you what I think
19 I've heard, and you can correct me if I don't
20 have it right. If -- what is it, 97.3?

21 MR. DASENT: Yes, correct.

22 MS. BROCKWAY: That that 97.3, it reflects
23 some -- I don't know whether it's averaging, but
24 some -- putting together the impacts of

1 different aged receivables. They're not all
2 receivables in the last year, they're -- it
3 includes some reflection of the receivables two
4 years ago and three years ago?

5 MS. KUMAR: Maybe I'll explain it a little
6 differently. So, let's take an example that may
7 help. So, if you have fiscal year '14 billings
8 and if we billed \$600 million in fiscal year
9 '14, what the collection rate that we used
10 reflects is out of that 600 million that we
11 billed in '14, how much did we collect in '14
12 itself, how much of that billing we still
13 collected in '15, how much of that billing was
14 still collected in '16 and beyond. So, that
15 total collection for that billing is 97.3% by
16 evidence, by actual data from Philadelphia.

17 So, we use fiscal year '16 billings, we
18 use fiscal year '14, we use fiscal year '13
19 billings pattern, we use fiscal year '12
20 billings pattern. When we use all of that data,
21 we find that the cumulative collection factor is
22 97.3%, and that's how we actually project
23 revenues and that's how we then set rates.

24 So, for us, the collectability factor is

1 97.3%.

2 MS. BROCKWAY: You were making what I took
3 to be an implicit criticism of Mr. Colton's
4 analysis, saying something to the effect that
5 the numbers on which you were being crossed were
6 one-year figures and you use this blended
7 three-year figure. Did I understand your
8 response correctly on that?

9 MS. KUMAR: The question was did we
10 interpret that Mr. Colton was actually using the
11 94.84% number that he has used as an example.
12 We said, no, we are not saying that he is using
13 that number. We are saying even to give that as
14 an example of the collectability, we never look
15 at collectability using just one set.

16 MS. BROCKWAY: Okay.

17 MS. KUMAR: We minimally use three sets to
18 determine collectability.

19 MS. BROCKWAY: Okay. So, my last area of
20 confusion, again, I may not even be able to ask
21 an intelligent question. So, here we are in
22 fiscal '18 and we're looking to set rates for
23 fiscal '19, '20, and '21, and the collectability
24 rate for fiscal '19 will be based on a meld of

1 what experience, what years of experience?

2 MS. KUMAR: So, there's 97.3% which we
3 have deemed as the collectability in that
4 pattern. So, it's a pattern of three; what is
5 -- what we collected the billed year, billed
6 year plus one, billed year plus two. So, we
7 apply that same pattern essentially for the --
8 for projecting for '19, '20, '21.

9 So, for example, if you take the '19
10 billings, then our assumption is you will
11 collect X percent in '19 for the '19 billings,
12 then you'll collect some portion of the '19
13 billings in '20 and some portion of the '19
14 billings in '21. So, the cumulative effect
15 would be we'll be collecting 97.3% of what you
16 bill.

17 MS. BROCKWAY: I think I'm not being
18 specific enough in my question. To make the
19 assumption about what you are going to collect
20 in any of those three years, I thought that what
21 you had said was that you look at actual PWD
22 experience, and so that's years before 2019.

23 MS. KUMAR: It is the averaging of the
24 historical data that we have used based on the

1 averaging of the historical data of completed
2 years.

3 MS. BROCKWAY: Yes.

4 MS. KUMAR: We use that and then you come
5 up with the 97.3.

6 MS. BROCKWAY: Yes.

7 MS. KUMAR: So, then we use that for
8 projection for '19, '20 and '21.

9 MS. BROCKWAY: And when you were talking
10 about 2012 and 2014, are those, in fact, the
11 years for which you had the data to get the
12 97 --

13 MS. KUMAR: Correct, all the way from 2012
14 through 2016, that's the billing data that we
15 have used.

16 MS. BROCKWAY: 2015?

17 MS. KUMAR: '16.

18 MS. BROCKWAY: '16?

19 MS. KUMAR: Yes. '12, '13, '14, '15, '16,
20 the billings that happened and the money that
21 was collected from those billings.

22 MS. BROCKWAY: So, when you're talking
23 about -- again, I apologize for being stupid,
24 but the 97.3, is that the assumption that you

1 make in each of the three years of the rate
2 period?

3 MS. KUMAR: Correct.

4 MS. BROCKWAY: If you know, has the amount
5 of money collected in historic years when
6 melded, I'm using that term to say whatever the
7 -- I don't know whether you do a mathematical
8 average or what you do, but I'll call it
9 melding. Whatever you do to take the experience
10 of all these years, has that varied from 97.3 --
11 if you were to -- if every year you were to
12 recalculate, sort of a rolling melding, would
13 you get a different result every year; and, if
14 so, how different is the difference?

15 MS. KUMAR: So, if you're asking could it
16 vary from one set of billings to another set of
17 billings --

18 MS. BROCKWAY: Yes.

19 MS. KUMAR: -- yes, it could have some
20 slight variation. But is it always within the
21 range of this 96 to 97%? The answer is yes.
22 And so it does vary from billings to billings,
23 but the range is pretty consistent, and that's
24 why we don't take any just one set of billings

1 and do this, we try to go as far back as
2 reasonable, which is, in this particular case,
3 we used six (sic) years of data, and use that.
4 Because there could be some year-to-year
5 variations, but when you look at that at a
6 certain period of time, then you have, for
7 projected -- for projecting purposes, it gives
8 you more representative results.

9 MS. BROCKWAY: Thank you. I was starting
10 to -- it's coming out of the mist.

11 You were asked by Mr. Dasent about PA-3
12 and the inactive accounts possibility in that
13 page 34 chart.

14 MS. KUMAR: Right.

15 MS. BROCKWAY: Do you have any sense of
16 how big an impact, if you had to -- if you had
17 to make a decision based on this chart, but you
18 wanted to make it not counting inactive
19 accounts, and so if you try to imagine how many
20 -- how much -- how many dollars in account -- in
21 inactive accounts are in this data, can you come
22 up with any kind of an estimate of how big an
23 impact that would have?

24 MS. KUMAR: Again, let me try to explain

1 this. The question specifically, what Mr. Andre
2 was asking, was the -- whether this is the
3 number, and we said yes, this is this number.
4 We do not know that this includes only active
5 accounts or it includes other accounts.

6 To the question that what that impact
7 would be, I would appreciate if you could let us
8 know impact on what?

9 MS. BROCKWAY: Well, if you took -- if you
10 took the same chart, but you were able to
11 extract data for all inactive accounts, would
12 the bottom -- how much would the bottom lines
13 change?

14 MS. KUMAR: We really do not know,
15 because, first of all, conjecturing that
16 inactive accounts are in this --

17 MS. BROCKWAY: Yes.

18 MS. KUMAR: -- we do not know what the
19 magnitude of inactive -- we have a rough idea of
20 what the magnitude could be, it could be around
21 100,000 accounts, because typically we've seen
22 active accounts in the range of 500,000-plus,
23 not 687,000. So, there could be over
24 100,000-plus inactive accounts in this. Again,

1 it's just conjecture based on what we know about
2 the active accounts we have seen year to year.

3 So, how would this whole chart fall --
4 again, this is an accounts receivable aging
5 chart, so how would this chart change? It
6 really depends on whether the inactive accounts
7 have significant receivable relative to active
8 accounts. We wouldn't know that, if we are
9 really looking at the data, for me to opine on
10 that.

11 MS. BROCKWAY: Okay. So, I'm looking at
12 page 34, and this was the one where it was
13 broken down within the current year, within the
14 first two years -- wait a minute, those are
15 days. Sorry. Within the first year,
16 combination of the first two years, and those
17 after two years, if I'm understanding how this
18 is set up. Is that what you see? In the
19 columns.

20 MS. KUMAR: Correct, the columns here are
21 really -- again, because the titles are not
22 specific here, the 31 to 60 would be the days.
23 61 to 90 would be the days.

24 MS. BROCKWAY: Yes.

1 MS. KUMAR: And then, yes, the last -- the
2 column, one to two years is -- really shows what
3 has been -- what still remains receivable in one
4 to two years and were still receivable two years
5 and more.

6 MS. BROCKWAY: So, do you happen to know
7 at what point an account is determined or is
8 labeled inactive?

9 MS. KUMAR: Again, probably I'm not the
10 right person to opine on that. The Water
11 Revenue Bureau would be able to opine on that.

12 But, typically, when we say, from our
13 terminology, that we are using inactive account,
14 an inactive account is one where it's really not
15 receiving any water service, where literally the
16 meter has been removed and, therefore, there's
17 no more water service. But if that account has
18 arrearage, then -- again, conjecture here --
19 that may be reflected in here.

20 So, I would really defer to asking the
21 Water Revenue Bureau of what their definition of
22 inactive account is, and if they even use the
23 term "inactive account."

24 MS. BROCKWAY: Yeah, that would be very

1 helpful we get there, because I'm trying to --
2 I'm trying to intuit. If you assume, for
3 example, that 15 to 18% of these are inactive
4 based on the general overall experience, are
5 active and inactive accounts different in terms
6 of how long they age? So, for example, how
7 quickly is something called inactive and how
8 that would show up here.

9 But I take it that that's -- we'll take
10 that up, to the extent it makes any difference
11 anyway, with the other witnesses.

12 MS. KUMAR: Sure.

13 MS. BROCKWAY: If you just give me a
14 minute.

15 (Pause.)

16 I think those were my questions. I
17 appreciate your indulgence. Do you want to do
18 more redirect?

19 MR. DASENT: No, we do not.

20 MS. BROCKWAY: Do you want to do more
21 recross?

22 MR. BALLENGER: I think I do have a couple
23 of questions.

24 MS. BROCKWAY: Based on my questions?

1 MR. BALLENGER: Based in part on your
2 questions and in part on redirect. Mostly on
3 redirect.

4 The first thing, if I may, not -- I'm not
5 speaking as to the substance of any of the
6 testimony. I just want it to be clear that the
7 issue of collection factors for the rate case as
8 a whole is on the agenda for Monday and Tuesday,
9 and so what was discussed about the use of five
10 years of collection factors, we've taken a
11 different viewpoint on how to calculate the
12 collection factors, I would like to explore that
13 Monday and Tuesday. But I just wanted to flag
14 that, because we're going to come back to that.

15 MS. BROCKWAY: Yes. And when we do,
16 somebody help me understand whether or not
17 there's a third category, which is collection
18 factors to be used in estimating the TAP
19 requirements.

20 MR. BALLENGER: I think that's something
21 that is today. The distinction, I think, was --
22 sorry. I'm speaking over you. Go ahead.

23 MS. BROCKWAY: No, well, we can clarify it
24 today.

1 I had gotten the impression, Ms. Kumar,
2 that if Black & Veatch is asked to provide a
3 collection factor for use in the revenue
4 requirements model, it provides -- it uses the
5 same process and provides the same number as we
6 have been talking about with respect to the TAP
7 rider.

8 MS. KUMAR: Correct. So, what we are
9 saying essentially is that we have a process
10 that we use for determining revenues in the
11 actual rate-setting process, the base rate, and
12 we are staying consistent with that. For
13 determining the TAP cost, we are saying we would
14 apply the same process.

15 So if, for example, in the set of TAP
16 customers we are giving a discount of, like I
17 said, \$9 million; because the \$9 million was
18 never billed to them in the first place, because
19 they enrolled in the TAP program, they're not,
20 essentially, responsible for the \$9 million of
21 billing. We acknowledge that, yes, we cannot
22 say all of the \$9 million is a loss, because we
23 know even if we really billed that \$9 million,
24 we are saying we would have -- from our

1 cumulative collection process, we could only
2 assume 97.3% would have actually been collected,
3 even if they were billed.

4 So, therefore, we are saying when we have
5 to estimate the TAP, the actual TAP cost for a
6 given year, we are saying that whatever the
7 total amount of discount that was given, that
8 should be adjusted by only 97.3%, and
9 Mr. Colton's proposal basically says you have to
10 adjust it for less than 97%.

11 MS. BROCKWAY: 87%.

12 MS. KUMAR: Yeah, because they are
13 basically saying -- taking a resulting percent,
14 whereas we are saying we should take only 2.7%.

15 MS. BROCKWAY: Got you.

16 Sorry to interrupt your redirect -- or
17 recross.

18 MR. BALLENGER: That's been helpful, and
19 thank you.

20 If I could just have one minute to consult
21 with Roger before I start.

22 (Pause.)

23 MS. BROCKWAY: We're going to go off the
24 record.

1 (Whereupon, a discussion was held off the
2 record.)

3 MR. BALLENGER: Thank you, Madam Hearing
4 Officer.

5 REXCROSS-EXAMINATION

6 BY MR. BALLENGER:

7 Q. Ms. Kumar, just -- I didn't understand something
8 from the redirect, but I just -- I want to just take a
9 quick look back again at Hearing Exhibit 1 of the
10 Public Advocate, and -- actually, we don't even need
11 to look at that for purposes of these couple of
12 questions.

13 Do you agree that PGW serves all retail
14 gas customers in Philadelphia?

15 A. That is my understanding. I have not
16 worked on anything pertaining to PGW.

17 Q. Okay. Do you also agree that PECO serves all
18 retail electric customers in Philadelphia?

19 A. Again, that's my understanding. I have
20 not worked with PECO electric.

21 Q. Okay. When you were answering Mr. Dasent's
22 question on HE-1, I thought that I heard you, and I --
23 truthfully, I might have misunderstood what you were
24 saying, so hopefully you can help me. I thought I

1 heard you saying that this table regarding gross
2 write-offs for electric and natural gas customers was
3 utilized for purposes of determining arrearage
4 forgiveness. Am I misunderstanding you?

5 A. No, I didn't say that.

6 Q. Okay. Okay. So -- all right. So I must have
7 misunderstood. Is there --

8 A. I said that this data is used in deriving
9 that 13.1% in Mr. Colton's testimony, and I said this
10 has no direct relevance at all to the kind of services
11 that we provide, which is water, sewer and stormwater,
12 and, therefore, the bills are completely different
13 than what an electric or gas bill would look like.

14 Q. Okay. Are you aware of what an average annual
15 residential electric bill is for a Philadelphia
16 customer?

17 A. I haven't looked at it here, so I can't
18 opine on that today.

19 Q. Are you aware of what an average annual
20 residential gas bill is for a Philadelphia customer of
21 PGW?

22 A. Again, I haven't -- I don't have a bill in
23 front of me, so I can't opine on that today.

24 Q. I had a question -- and maybe, Mr. Jagt, this

1 sort of goes more to you, but maybe Ms. Kumar in the
2 first instance -- just could you explain to me what
3 the effect is of write-offs on the collection analysis
4 that you do for the rate proceeding?

5 A. Again, what we are clearly stating here is
6 that the write-off that the Department does, it's,
7 first of all, not during a short period. The
8 write-off, as we understand, is after a long period of
9 when the write-off happened.

10 So, when we do the projections for
11 revenue, we really do not go by this kind of an
12 arrearage forgiveness data that's being referred to
13 here on the context of the TAP program, we go by what
14 is actually billed to a customer and what is actually
15 collected for a given set of billings, and we use
16 multiple years to get a representative result, and
17 that result is then used for projecting revenues in a
18 very appropriate manner for the whole system.

19 Q. And when I say "write-offs," I just want to
20 understand if I'm saying the same thing that you're
21 saying. When you say the write-offs don't happen over
22 a short period, are you referring to the balances that
23 are 15 years or older that are automatically sort of
24 written off?

1 A. Correct, that's my understanding, that...

2 Q. So, you're not referring to any other write-offs
3 that may occur as a matter of practice at the Water
4 Revenue Bureau?

5 A. No, I'm not opining on that. All I'm
6 saying is how we project revenues and what we use and
7 what we historically used in all the previous rate
8 proceedings consistent with how it is done in
9 municipal utilities.

10 Q. But would you agree that whatever is written
11 off, whether it's at the end of 15 years or whether
12 it's a year or two after the debt was incurred, that
13 would not go into your collection analysis, right?
14 Once it's been written off, you're no longer
15 considering it for the purpose of doing your --
16 calculating your collection factors; is that right?

17 A. Again, what I'm saying is that we never
18 consider the write-off data, the amount of money that
19 is written off, that write-off data. We really go by
20 the billing versus collection.

21 Q. But the write-off -- the written-off debts
22 wouldn't appear in the data that you utilized, would
23 they?

24 A. Right, if something is written off and,

1 therefore, it is not showing up in billings anymore,
2 yes, it wouldn't be in the billings.

3 Q. That's the only point I think that I wanted to
4 make on that.

5 Okay. One more question.

6 (Pause.)

7 Just indulge me. You would agree, would
8 you not, that gas service is different from electric
9 service?

10 A. Gas service is different from electric
11 service, and water service is quite different from gas
12 and electric service.

13 Q. Fair enough.

14 I guess this is probably for the next
15 panel, but I'll ask, just in case: Are you familiar
16 with --

17 MR. BALLENGER: You know, never mind. I'm
18 going to hold it for the next panel. I think
19 we're good on this panel for now.

20 MS. BROCKWAY: I've got another question
21 based on what you had just asked.

22 You said that water service is quite
23 different. What did you mean by that in terms
24 of its application to the questions we've been

1 discussing today?

2 MS. KUMAR: So, for example, if you take a
3 water customer, let's take a row home, for
4 example, which has no irrigation, no yard, it's
5 just a row home. There are lots of row homes in
6 Philadelphia.

7 A row home probably is using pretty much a
8 steady state of water every month whether it is
9 summer or winter or fall or spring. But if you
10 take a customer that has gas or electric, if it
11 is summer and if they have air conditioning,
12 they're going to be using a lot of electricity
13 during summer, so the bills are going to be
14 significantly spiking up. Similarly, a gas
15 customer who's using gas for heating, for
16 example, in winter, their gas costs are going to
17 be significant -- significantly higher than the
18 months of summer.

19 But for that same customer, in this
20 example I said it's a row home, for the same
21 customer, for the same number of people in the
22 household, the water usage month to month to
23 month could be pretty much steady state, because
24 they don't have the spikes in their bill. So,

1 if you look at their bill and -- you know,
2 there's the spikes, that's not what you're going
3 to see in a water customer's bill.

4 So, from that perspective a water customer
5 and their bill is very different from a gas
6 customer's and electric for the same customer.

7 MS. BROCKWAY: And you're saying this has
8 an impact on uncollectibles?

9 MS. KUMAR: Correct, because, for example,
10 in winter months, if a customer who is also
11 struggling to pay the bill, let's say, in the
12 summer, and that same customer is billed for gas
13 and electric -- especially for gas if it's
14 heating, it's going to spike during winter. And
15 if the customer has difficulty paying that bill
16 in summer, that customer's going to have more
17 arrearage or more difficulty, I would say more
18 difficulty in paying the bill in winter if they
19 already had difficulty paying the smaller bill
20 in summer.

21 But in the case of a water customer, if --
22 it's not that their difficulty level increases
23 between summer to winter, especially if the
24 level of usage is going to be the same. The

1 only time a water customer's usage significantly
2 could go up, again, in different homes they have
3 extensive irrigation, that they may be watering
4 in summer. And even that is mitigated if there
5 is rain, they're not going to be watering their
6 lawn.

7 So, all I'm trying -- I'm saying here is
8 simply to say that a gas utility and an electric
9 utility and water utility are all one and the
10 same just because they're serving the same
11 geographic area is not appropriate for this
12 particular purpose, and that's why we say if you
13 are going to be looking at any kind of
14 collection rate or uncollectability rate, you
15 have to look within that utility's data, not
16 basically say that -- because a gas utility and
17 an investor-owned electric utility, PECO is not
18 even a municipal utility, an investor-owned
19 utility that has very different policies and
20 very different procedures for enforcement --
21 that they're all one and the same.

22 That's the point we are trying to make
23 here, to say that if you want to use anything
24 for a utility you have utility-specific data.

1 MS. BROCKWAY: I don't take Mr. Colton to
2 have testified that they're all one and the
3 same. I take his testimony to be more they are
4 close enough that you should look at the gas and
5 electric, also, and not ignore it.

6 MS. KUMAR: The only reason we are
7 pointing this out is, I mean, Mr. Colton's
8 testimony is really using 13.1%, and the 13.1%
9 uncollectability rate was the average of PGW and
10 PECO, and that rate is actually being used in
11 his testimony, and that's from completely two
12 different utilities and not PWD. That's all the
13 point we are making.

14 MS. BROCKWAY: Any redirect?

15 MR. DASENT: No.

16 MS. BROCKWAY: Anything on what I just
17 asked?

18 MR. BALLENGER: Nothing further.

19 MS. BROCKWAY: Panel, thank you very much.
20 We'll go off the record.

21 (Whereupon, a discussion was held off the
22 record.)

23 MR. POPOWSKY: My question on fire
24 protection, and it may be a question of

1 statutory interpretation, I guess, and you may
2 not be able to answer, but in your testimony the
3 Department states that the language in the
4 ordinance -- and I'm not asking you right now,
5 I'm just putting you on notice -- it says that
6 the -- Mr. Colton fails to recognize that this
7 subsection -- okay. The subsection states that
8 the cost of supplying water to City facilities
9 and fire systems should be excluded. And then
10 it -- Mr. Colton said, well, that means fire
11 protection, public fire -- well, that includes
12 -- I think includes fire hydrants, et cetera.
13 And then you say in your panel testimony,
14 Mr. Colton fails to recognize that the
15 subsection refers to City facilities and City
16 fire systems, not public fire systems.

17 And I guess, first of all, what I'm trying
18 to figure out is how do you know what -- what
19 that -- how do you know that. And, I'm not
20 asking now, sort of what -- what I don't
21 understand is what's the difference between a
22 fire system and what we all think of as fire
23 protection in the aggregate. So, that's a --

24 MR. DASENT: The panel tomorrow would

1 certainly be able to address that generally and
2 we'll be able to brief the legal question in due
3 time.

4 MS. CROSBY: I think that that specific
5 issue is more of a legal briefing issue.

6 MR. POPOWSKY: It is, but it's in your
7 testimony and you say this is what -- this is
8 what the ordinance means. I don't know how you
9 know that. So, how do you bill it, for example,
10 you know.

11 MR. DASENT: We'll try to address that in
12 part tomorrow and try to get an answer to you,
13 also, because it is a briefing issue, but we
14 understand you want to know.

15 MR. BALLENGER: Before we adjourn, I'd
16 just -- I believe that this was resolved sort of
17 through a conference call with the Hearing
18 Officer, where those questions would no longer
19 be part of the rebuttal, that whatever
20 statements -- my understanding from our
21 conversation is that the last -- I think it's
22 the last three questions in that rebuttal
23 statement were supposed to be supported by the
24 fire commissioner --

1 MR. DASENT: That's correct.

2 MR. BALLENGER: -- as part of the panel
3 presentation, but the fire commissioner is no
4 longer presenting on the panel, so those three
5 questions and their responses were not going to
6 be part of the rebuttal, so that we would not,
7 in fact, cross the fire commissioner on his
8 legal interpretation and the grounds for that
9 legal interpretation.

10 MS. BROCKWAY: Right, that's correct. I
11 think, having talked with Chair Popowsky after
12 our conversation, it came up that there are
13 certain questions that really probably the Water
14 Revenue Board would know better than anybody in
15 the room about how -- what specific services
16 were billed and how they were billed and was
17 this part of the -- where all the City
18 departments swap each other's obligations to
19 each other at the end of the year.

20 MR. POPOWSKY: If I haven't said it, I
21 mean, I didn't realize that you were actually
22 striking that testimony, because that was my
23 question.

24 MR. BALLENGER: I believe that is what

1 we're --

2 MR. POPOWSKY: If all the parties are
3 prepared to -- if you think this all can be done
4 by briefing --

5 MR. DASENT: Yes.

6 MS. CROSBY: Yes.

7 MR. BALLENGER: -- so be it.

8 MR. DASENT: Yes.

9 MS. CROSBY: Yes.

10 MR. POPOWSKY: To me, this is an important
11 thing. I mean, I'm struggling with this
12 question as to what that ordinance means. I
13 have no historical basis -- I'm sorry, I have no
14 historical basis on which to determine what they
15 meant whenever they wrote that language, and I
16 guess I -- since it was in your testimony, I
17 thought you'd want to testify. But if you think
18 you can brief it, that's...

19 MR. DASENT: We weren't trying to overrule
20 your concern. We were trying to find a way to
21 get the fire commissioner's testimony in and at
22 the same time brief those questions, the legal
23 questions.

24 MR. POPOWSKY: But I doubt that that's the

1 kind of question that the fire commissioner
2 would be able to answer. It's really a...

3 MR. DASENT: We will get you the answer,
4 though.

5 MR. BALLENGER: That was -- that was the
6 problem with having it in a rebuttal statement.

7 MR. POPOWSKY: I'll leave it up to the
8 parties. That was a question that jumped out
9 for me in trying to figure out what the answer
10 to that question is, but I can wait till the
11 brief.

12 Again, I apologize for disrupting the
13 schedule.

14 MS. BROCKWAY: I probably will ask the
15 Water Revenue Bureau tomorrow that question
16 about what account -- what goes in and out and
17 how has it been done, but --

18 MS. CROSBY: That's actually more
19 appropriate for the financial panel.

20 MS. BROCKWAY: Right.

21 MS. CROSBY: Not the WRB panel.

22 MS. BROCKWAY: Okay.

23 (Whereupon, Mr. Popowsky left the hearing
24 room.)

1 MS. BROCKWAY: Well, you guys are making
2 such great progress that we think that we can
3 adjourn now and pick up tomorrow morning at
4 10:00. If the parties, if the representatives
5 could get here at ten of, something like that,
6 we can do our housekeeping discussion before we
7 start, that would help.

8 There being nothing else, we're adjourned.

9 (Whereupon, the technical hearing was
10 concluded at approximately 2:18 p.m.)

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C E R T I F I C A T I O N

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I, Krista L. Schultz, hereby certify
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KRISTA L. SCHULTZ
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