

1 **PHILADELPHIA WATER DEPARTMENT RESPONSE TO TRANSCRIPT REQUEST**

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4 **TR-1.** PLEASE PROVIDE BACKGROUND ON ANY LOW-INCOME RATE RIDERS  
5 THAT BLACK & VEATCH HAS DEVELOPED FOR MUNICIPAL WATER  
6 UTILITIES IN THE LAST 3 YEARS.

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8 **RESPONSE:**

9 Please refer to the attached memo regarding the cost recovery of low-income assistance  
10 programs for municipal water utilities. Based on our research and to the best of our knowledge,  
11 there are currently no rate rider mechanisms, and more specifically surcharge rates, employed  
12 by municipally-owned water utilities to solely recover the cost of “low-income” assistance  
13 programs.

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15 In general, electric and natural gas utilities more commonly use rate rider mechanisms to  
16 recover specific costs associated with weather and/or customer assistance type circumstances,  
17 when compared with their water counterparts.<sup>1</sup> However, all utilities commonly customize  
18 their riders to meet the specific needs of their programs and satisfy the following objectives:

- 19 1. Reflect the services provided;  
20 2. Align as needed with their other rate structures, and where applicable customer types;  
21 and  
22 3. Meet the administrative requirements of the respective utility.

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26 <sup>1</sup> The regulated nature of electric and natural gas utilities provides a means for commissions to direct implementation  
27 of low-income customer assistance programs. Regulated water utilities are beginning to establish similar programs,  
28 but they are far less prevalent compared to the electric and natural gas assistance programs. For municipally-owned  
water utilities, implementation of low-income customer assistance programs faces legislative barriers in many states.  
Such barriers include the inability to recover low-income customer assistance discounts via higher user rates charged  
to other customers who are not on low income assistance programs, and being limited to cost recovery only from  
other non-user fee funding sources such as money from the general fund or charitable contributions.

1 Black & Veatch has not specifically developed a “low income” rate rider mechanism to  
2 recover the cost of low-income assistance programs for other municipally-owned water  
3 utilities; and as noted earlier, we are not aware of any municipally-owned water/sewer  
4 /stormwater utilities in the US that have adopted such an explicit low income rate rider  
5 mechanism.

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7 However, Black & Veatch has developed and/or updated reconcilable rate rider mechanisms  
8 for a number of electric utilities, to recover specific costs. For example, Black & Veatch  
9 developed a reconcilable Transmission, Distribution, and Storage System Improvement Charge  
10 (“TDSIC”) rate rider for Northern Indiana Public Service Company (NIPSCO), to exclusively  
11 recover the costs associated with eligible Transmission, Distribution, and Storage System  
12 Improvement projects, and also developed the semi-annual reconciliation mechanism for the  
13 TDSIC. In addition, Black & Veatch supported the development of the Ohio Development  
14 Services Agency’s (ODSA’s) Universal Service Fund (USF) Riders (see Public Utilities  
15 Commission of Ohio Case No. 15-1046-EL-USF). This proceeding established the basis for the  
16 ODSA’s reconcilable USF rider which recovers the cost of operating the “Percentage of  
17 Income Payment Plan (PIPP) Plus program, Electric Partnership Program (EPP) including  
18 customer education programs, and associated administrative costs.”

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20 Similarly, Black & Veatch developed the following rate riders, which were approved in those  
21 respective utility rate case proceedings:

- 22 • **Utility / Proceeding** – The Peoples Gas Light and Coke Company (Illinois)/Case No. 07-  
23 0242
  - 24 ○ **Rate Rider** – Rider EEP (now called the Energy Efficiency Program charge)
  - 25 ○ **Purpose of Rider** – The mechanism adjusts customers’ gas rates on a monthly  
26 basis to provide for funding of a portfolio of energy conservation programs that are  
27 available to small residential heating, and general service customers, with the  
28 determination of the monthly charge based on the program’s annual budget.

- 1       • **Utility / Proceeding** – Vectren Energy Delivery of Indiana, Inc./Cause No. 42598
  - 2           ○ **Rate Rider** – Normal Temperature Adjustment (NTA) Mechanism
  - 3           ○ **Purpose of Rider** – The mechanism adjusts customers’ gas rates on a monthly
  - 4                   basis to reflect the difference between actual weather (actual heating degree-days)
  - 5                   and normal weather (normal heating degree-days) used to design rates in the
  - 6                   utility’s most recent rate case.
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- 8       • **Utility / Proceeding** – New York State Electric & Gas Corporation/Case No. 91-G-0865
  - 9           ○ **Rate Rider** – Weather Normalization Clause
  - 10           ○ **Purpose of Rider** - The mechanism adjusts customers’ gas rates on a monthly
  - 11                   basis to reflect the difference between actual weather (actual heating degree-days)
  - 12                   and normal weather (normal heating degree-days) used to design rates in the
  - 13                   utility’s most recent rate case.
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15       In addition, Black & Veatch has also developed surcharge mechanisms for municipally-owned  
16       water utilities for recovery of specific expenses such as purchased water, energy, and pumping  
17       costs, for water utilities such as the Cities of Long Beach, Oxnard, and San Clemente in  
18       California, and other specific cost recovery surcharge such as the Water and Sewer Asset  
19       Reinvestment Charge for Harford County, MD.

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21       All of the above experiences, in addition to a review of PECO and PGW’s framework,  
22       informed the original TAP Rate Rider proposal and the alternative proposal (presented in PWD  
23       Rebuttal Statement 5), which Black & Veatch developed.

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