

## MEMORANDUM

**TO:** James Leonard, Records Commissioner  
c/o Kattie Anderson  
164 City Hall

**FROM:** Daniel W. Cantú-Hertzler, Senior Attorney DWCH

**DATE:** June 28, 2019

**SUBJECT:** City of Philadelphia Water, Sewer and Storm Water Rate Board  
2019 TAP Rider Rate Determination

340216

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Through our legal assistant, Steven Liang, I am transmitting one original and two conforming copies of the above document, along with a cover memo from the Board Chair and my memorandum to him. Kindly date-stamp and file the original and one copy, and date-stamp and return the second copy to Mr. Liang.

If you have any questions, please do not hesitate to call me at 215-683-5061. Many thanks!

Attachments

DEPARTMENT OF CITY SOLICITOR  
2019 JUN 28 PM 2:04

 ORIGINAL

## MEMORANDUM

**TO:** Sonny Popowsky, Chair – Water, Sewer and Storm Water Rate Board  
**FROM:** Daniel W. Cantú-Hertzler, Senior Attorney *DWCH*  
**DATE:** June 27, 2019  
**SUBJECT:** Determination of Water Department Rates and Charges for FY 2019-2020

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I have reviewed the attached City of Philadelphia Water, Sewer and Storm Water Rate Board 2019 Rate Determination, which the Rate Board adopted today. The Rate Board is the independent rate-making body established by ordinance of City Council pursuant to Section 5-801 of the Philadelphia Home Rule Charter to fix and regulate rates and charges for water and sewer services. The attached document is the Rate Board's Rate Report under Section 13-101(8) of the Philadelphia Code, and is the Rate Board's Rate Determination pursuant to Sections I(o) and II.A.3 of the Rate Board Regulations. I find the 2019 Rate Determination to be legal and in proper form.

In accordance with Section 13-101(8) of the Philadelphia Code and Section II.A.3 of the Rate Board Regulations, you may forward the Rate Determination to the Department of Records for filing. As stated in the Rate Determination and consistent with Section 13-101(8)(e) of the Code and Section II.A.3(d) of the Rate Board Regulations, the effective date of the initial changes in the rates and charges will be September 1, 2019 if the Water Department files its conforming Rates and Charges at least ten days prior to that date.

Attachment

cc (w/att): All Rate Board Members (via E-mail)

 ORIGINAL

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CERTIFIED

MEMORANDUM

 ORIGINAL

**TO:** James Leonard, Records Commissioner  
**FROM:** Sonny Popowsky, Chair of the Water, Sewer and Storm Water Rate Board *SP*  
**DATE:** June 28, 2019  
**RE:** Rate Determination of Water Department Rates and Charges for FY 2020-2021

On May 6, 2019, the Water Department filed a Formal Notice of Proposed Changes in Rates and Charges – Annual Adjustment of TAP-R, Final Proposed TAP-R Reconciliation Statement, seeking to implement the annual adjustment to the Tiered Assistant Program Rate Rider Surcharge Rates (TAP-R) and to revise related water, sewer and fire service connection charges effective September 1, 2019.

In accordance with Section 5-801 of the Philadelphia Home Rule Charter, Section 13-101 of the Philadelphia Code, and the Regulations of the Water, Sewer and Storm Water Rate Board, the Rate Board held one public hearing and one technical hearing on this matter on June 5, 2019. Pursuant to those Regulations, the Rate Board’s Chair held a scheduling conference and supervised discovery among the three entities and two individuals registered as participants in the rate case.

At the technical hearing, the Chair accepted documents and testimony into the record, as well as a Joint Statement of the Water Department and the Public Advocate agreeing on the appropriate changes in the TAP-R. The Water Department and the Public Advocate filed a joint brief in support of those rates. No other participant submitted comments by the deadline. The Rate Board then deliberated the issues in the case and adopted this Rate Determination in a public meeting held on June 27, 2019. All meetings and hearings were duly noticed.

Pursuant to Section 5-801 of the Charter, Section 13-101 of the Code, and the Rate Board’s Regulations, and at the direction of the Rate Board in its public meeting of July 11, 2018, I am forwarding herewith for filing the “City of Philadelphia Water, Sewer and Storm Water Rate Board 2019 Rate Determination,” which constitutes the Rate Report and Rate Determination of the Rate Board, along with a memorandum of approval from the Law Department. The Rate Board has approved changes in rates and charges to take effect on or after September 1, 2019.

We expect that the Water Department will timely file Rates and Charges in conformance with the Rate Determination.

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The City of Philadelphia  
Water, Sewer and Storm Water Rate Board

**2019 RATE DETERMINATION**

concluding the rate proceeding that commenced with  
Formal Notice by the Water Department on May 6, 2019  
following Advance Notice on April 4, 2019  
for

**Proposed Adjustments to the Tiered Assistance Program (TAP)  
Rate Rider Surcharge Rates (TAP-R) of the  
City of Philadelphia Water Department**

10219

Filed June 28, 2019

Board Members:  
Sonny Popowsky, Chair  
Tony Ewing, Vice Chair  
Folasade A. Olanipekun-Lewis  
Rasheia R. Johnson  
Abby Pozefsky

DEPARTMENT OF WATER AND SEWERAGE  
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 DEPARTMENT OF PUBLIC WORKS

# I. SUMMARY OF RATE PROPOSAL AND BOARD DECISION

## A. PROPOSED RATE ADJUSTMENT

On May 6, 2019, the City of Philadelphia Water Department (PWD, or Department) filed a Formal Notice seeking changes in Tiered Assistance Program (TAP) Rate Rider Surcharge Rates (TAP-R), effective September 1, 2019, pursuant to the provisions of Section XI of the July 12, 2018 Rate Determination (the 2018 Rate Determination) of the City of Philadelphia Water, Sewer and Storm Water Rate Board (Board, or Rate Board). TAP provides eligible customers with water and sewer bills that are calculated as a fixed percentage of household income (HHI). The general provisions of TAP assistance and TAP-R are described later in this document, which serves as the Board's Rate Report under Section 13-101 of the Philadelphia Code (the Rate Ordinance, or Ordinance) and its Rate Determination under Sections I(o) and II.A.3 of the Board's Regulations.

TAP-R rates are charged to customers not eligible for TAP and are intended to recover the revenue losses (i.e., costs) associated with the Program. TAP-R rates are separate from and in addition to the basic customer rates for water usage, sewer usage and storm water. Since the revenue losses are subject to fluctuation, an adjustment of TAP-R rates is performed to reflect the reconciliation of projected and actual results. This TAP-R shall be increased or decreased for the next rate period to reflect changes in TAP costs, and will be calculated and reconciled on an annual basis in the manner set forth in Section 10.1 of the PWD's Schedule of Rates and Charges. In the 2018 Rate Proceeding, the Board set the estimated TAP-R rates for Fiscal Year 2020.

In the Formal Notice, the PWD summarized its proposal as follows:

The proposed Water TAP-R rate, effective September 1, 2019, is \$0.72 per thousand cubic feet (MCF) of water usage. The proposed Sewer TAP-R rate, effective September 1, 2019, is \$1.17 per thousand cubic feet (MCF) of sewer usage.

In the City of Philadelphia, the typical residential customer has a 5/8-inch meter and uses about 0.5 Mcf (thousand cubic feet) annually (approximately 500 cubic feet monthly). Under the existing schedules of water and wastewater rates and proposed TAP-R rates, this customer's monthly bill would increase from \$66.33 to \$66.99, an increase of \$0.66 or about 1.0 percent. Note that this is \$0.20 less than, or 0.3 percent, the estimated typical bill of \$67.19 presented in the [2018] Rate Determination based on the estimated TAP-R rates (\$0.95 per Mcf for water and \$1.34 per Mcf for sewer) prior to reconciliation.

The following rates and charges (with references) would be impacted by the new TAP-R rates:

- Total Water Quantity Charges, Section 2.1(c)(1)
- Total Sewer Quantity Charges, Section 3.3(b)(1)
- Total Fire Service Quantity Charges, Section 9.1(d)(1)

### *B. RATE PROCEEDING*

At the May 8, 2019 meeting of the Board, a preliminary schedule was established for the 2019 Rate Proceeding, including the date for members of the public to register as participants, the date for the submission of comments and questions by participants and preliminary dates for the Technical Hearing, the Public Hearing, Board deliberations and the decision of the Board. Prior to the May 8th meeting, comments and questions concerning the rate proposal as described in the Advance Notice were submitted to the PWD by Community Legal Services, the Public Advocate (or Advocate) retained by the Board to represent the interests of residential and small customers, and the Board's Technical Consultant, Edward Markus of the Amawalk Consulting Group (Amawalk). The Department provided responses to the comments and questions of the Advocate and Amawalk. The Advocate also presented written expert testimony of Lafayette K. Morgan, Jr. of Exeter Associates, Inc., supporting a Water TAP-R rate of \$0.71 per MCF of water usage and a Sewer TAP-R rate of \$1.16 per MCF of sewer usage.

The Board Chair presided over a Technical Hearing and a Public Hearing on June 5, 2019. At the Technical Hearing, representatives of the Department and the Advocate filed a Joint Statement agreeing to calculations for the TAP-R rates for water usage (\$0.71 per MCF) and sewer usage (\$1.16 per MCF). The Joint Statement jointly proposed the admission of other documents into the Record, and they were duly admitted. No other participants submitted testimony in this Proceeding at the Technical Hearing, and no one testified at the Public Hearing. No other comments were submitted to the Board either prior to or following these Hearings, except for joint Comments of the Philadelphia Water Department and the Public Advocate in Support of Joint Statement submitted June 11, 2019.

### *C. SUMMARY OF BOARD DECISION*

The Board has reviewed the Formal Notice, the testimony of Mr. Morgan, the documents accepted into evidence at the Technical Hearing, the transcripts of the Technical Hearing and Public Hearing, and the joint Comments of the Philadelphia Water Department and Public Advocate. Under the provisions of the Philadelphia Code and the Board's regulations, and following the principles set forth in the 2018 Rate Determination, the Board's decision is to set the Water TAP-R quantity charge at \$0.71 per thousand cubic feet (MCF) of water usage, the Sewer TAP-R quantity charge at \$1.16 per MCF of sewer usage. This order will determine the rates effective September 1, 2019 for Fiscal Year 2020. It is noted that the approved rates are lower than were estimated in the 2018 Rate Determination, which projected TAP-R rates of \$0.95 per MCF for water and \$1.34 per MCF for sewer, prior to reconciliation.

The basis for the Board's decision in this matter is set forth in the remainder of this Rate Determination. Appendix A hereto details the Board members' pertinent votes.

## II. PROCEDURAL HISTORY

### A. PROCESS TO DETERMINE RATES

In November 2012, Philadelphia voters approved an amendment to the Home Rule Charter to allow City Council to establish, by ordinance, an independent rate-making body responsible for fixing and regulating rates and charges for water and sewer services. Under the Rate Ordinance adopted by the Council, the Board replaced the Water Department as the entity responsible for setting water, wastewater and storm water rates. The Rate Ordinance became effective January 20, 2014. The Rate Board has previously made determinations regarding overall water, wastewater and storm water rates in its 2016 Rate Proceeding and its 2018 Rate Proceeding, as well as a special rate proceeding in 2016 regarding storm water rates for community gardens.

The Rate Board members as of the date of this Rate Determination are Board Chair Sonny Popowsky, Board Vice Chair Tony Ewing, Folasade Olanipekun-Lewis, Rasheia R. Johnson, and Abby Pozefsky.

### B. OPEN AND TRANSPARENT PROCESS: TECHNICAL REVIEW

The Board's Regulations provide for a technical review of any proposed adjustment to rates. For the Board to consider rate changes, the Department must file with its Advanced and Final Notices certain technical information, including the following:

- All financial, engineering and other data upon which the proposed revenue requirements, rates and changes are based;
- Evidence demonstrating that the proposed rates were developed in accordance with sound utility ratemaking practices and consistent with current industry standards for water, wastewater and storm water rates; and
- Material required by Order of the Board in previous rate proceedings, as applicable.

In support of its filing, the Department presented expert testimony and documents on various aspects of the proposed adjustment in TAP-R rates. Pursuant to the Ordinance and the Regulations, the Board chose Community Legal Services to act as Public Advocate (or Advocate) to represent the interests of residential customers and other small users in the rate proceeding. The Advocate presented the testimony of an expert witness, Lafayette K. Morgan, Jr.

In addition to the input of the Advocate, the Board permitted interested persons to participate in the technical analysis of the proposed rate increase. Such participants could obtain data from the Department and other participants, offer their own technical experts and information, and make argument to the Board summarizing their view of the proposed changes in rates, based on the record compiled by the Board. The participants in the 2018 Proceeding were notified by e-mail of the opportunity to participate in the 2019 Proceeding. The general public was notified through information made available on the Board's website as well as publication in Philadelphia newspapers. The registered participants in this proceeding were the Water Department, the Public



Advocate, the Philadelphia Large Users Group, Mr. Daniel Becker, and Mr. Michael Skindzielewski.

### C. PROCESS

The Ordinance provides that the decision by the Board to approve, modify or reject the proposed rates and charges shall be made in a timely manner, but “no later than 120 days from the filing” of the Final Notice. This deadline, together with other timing requirements specified in the Board regulations, necessitated the careful development of the deadlines for action within the Board’s overall time limit.

To promote an efficient process, the PWD and the Advocate consulted together after the filing of the Advance Notice; the Advocate submitted questions and comments to the Department before the filing of the Formal Notice, as did the Board's Technical Consultant, Edward Markus of the Amawalk Consulting Group (Amawalk). The Board Chair held a scheduling conference on May 15, 2019 open to all participants. The Department provided responses to the comments and questions of the Advocate and Amawalk.

Further procedural history is set forth in Section IV below.

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### III. RATE DETERMINATION STANDARDS

#### A. THE ORDINANCE

The Ordinance (Section 13-101 of the Philadelphia Code) provides directions and parameters for the Board in "Fixing and Regulating Rates and Charges." Section 13-101(4) sets forth the standards the Board must apply in reviewing and determining rate cases:

(4) Standards for Rates and Charges.

(a) Financial Standards. The rates and charges shall yield to the City at least an amount equal to operating expenses and debt service, on all obligations of the City in respect of the water, sewer, storm water systems and, in respect of water, sewer and storm water revenue obligations of the City, such additional amounts as shall be required to comply with any rate covenant and sinking fund reserve requirements approved by ordinance of Council in connection with the authorization or issuance of water, sewer and storm water revenue bonds, and proportionate charges for authorization or issuance of water, sewer and storm water revenue bonds, and proportionate charges for all services performed for the Water Department by all officers, departments, boards or commissions of the City.

(b) The rates and charges shall yield not more than the total appropriation from the Water Fund to the Water Department and to all other departments, boards or commissions, plus a reasonable sum to cover unforeseeable or unusual expenses, reasonably anticipated cost increases or diminutions in expected revenue, less the cost of supplying water to City facilities and fire systems and, in addition, such amounts as, together with additional amounts charged in respect of the City's sewer system, shall be required to comply with any rate covenant and sinking fund reserve requirements approved by ordinance of Council in connection with the authorization or issuance of water and sewer revenue bonds. Such rates and charges may provide for sufficient revenue to stabilize them over a reasonable number of years.

(i) In fixing rates and charges the Board shall recognize the importance of financial stability to customers and fully consider the Water Department's Financial Stability Plan. In addition, the Board shall determine the extent to which current revenues should fund capital expenditures and minimum levels of reserves to be maintained during the rate period. When determining such levels of current funding of capital expenditures and minimum levels of reserves, the Board shall consider all relevant information presented including, but not limited to, peer utility practices, best management practices and projected impacts on customer rates.

(ii) Rates and charges shall be developed in accordance with sound utility rate making practices and consistent with the current industry standards for water, wastewater and storm water rates. Industry standards include the current versions of: American Waterworks Association (AWWA) Principles of Rates, Fees and Charges

Manual (M-1) and Water Environment Federation's Wastewater Financing & Charges for Wastewater Systems.

(c) The rates and charges shall be equitably apportioned among the various classes of consumers.

(d) The rates and charges shall be just, reasonable and nondiscriminatory as to the same class of consumers.

Section 13-101(2) requires the Water Department to "develop a comprehensive plan ('Financial Stability Plan') which shall forecast capital and operating costs and expenses and corresponding revenue requirements.

Together, these provisions of the Ordinance provide guidance to the Board in reviewing any request to change water, sewer or stormwater rates. Several considerations must be observed and balanced. The Ordinance directs the Board to consider the impact of its rate decisions on customers as well as the Department. The Ordinance points to the AWWA water rate manual M-1 and other industry manuals as sources for identifying industry standards applicable to water, wastewater and storm water rates. The Ordinance requires that rates and charges be equitably apportioned among the various classes of consumers. Finally, the Ordinance directs that rates and charges "shall be just, reasonable and nondiscriminatory as to the same class of customers."

#### *B. THE ORDINANCE LEADING TO TAP*

In 2015, the Council and Mayor of Philadelphia approved an ordinance authorizing the establishment of an Income-Based Water Rate Assistance Program (IWRAP), which was planned to go into effect on July 1, 2017. Section 19-1605 of the IWRAP Ordinance – part of Chapter 19-1600 of the Code through which Council sets further standards for Water Department charges – specifies the following terms and conditions for this program to enhance the affordability of water in Philadelphia (references are to the Federal Poverty Level or FPL):

(3)(a) Monthly IWRAP bills shall be affordable for low-income households, based on a percentage of the household's income and a schedule of different percentage rates for (i) households with income up to fifty percent (50%) of FPL, (ii) households with income from fifty percent (50%) to (100%) of FPL, and (iii) household with income from one hundred percent (100%) to one hundred fifty percent (150%) of FPL, and shall be charged in lieu of the Department's service, usage, and stormwater charges. That goal shall be achieved through a discount on generally applicable residential rates or other bill calculation mechanism based upon each Customer's actual income and, if practicable, historical usage, in a manner consistent with applicable federal law. The percentage of income limitations to be imposed at each level by the first sentence shall be determined by the Water, Sewer and Storm Water Rate Board, which also shall have discretion to establish more, but not fewer, Low-Income tiers. . . .

As part of its Rate Determination for the 2016 General Rate Proceeding, the Rate Board adopted a percent of income payment program, now known as the Tiered Assistance Program (TAP), which provides eligible customers with bills that are calculated as a fixed percentage of household income (HHI), as follows: 2% of HHI for customers with income between 0-50% of the FPL (subject to a minimum bill of \$12 per month); 2.5% of HHI for customers with income between 51-100% FPL; and 3% of HHI for customers with income between 101-150% FPL. TAP applications became available on July 1, 2017. While TAP is for customers whose income falls below 150% of FPL, higher household incomes with a Special Hardship may still qualify under Section 19-1605(3)(b) of the Code.

### *C. TAP RIDER*

In the 2018 Rate Proceeding, the Advocate and PWD reached agreement regarding, and the Board subsequently approved, many of the significant aspects of a reconcilable TAP Rider. This Rider would track revenue losses resulting from application of the TAP rate and would permit annual reconciliation of such costs in order to prevent either over or under-recovery of TAP revenue loss through TAP-R Surcharge. Key points that were agreed-upon include:

1. Expenses for the Low-Income Conservation Assistance Program (LICAP) will not be recovered through the TAP Surcharge Rate Rider ("TAP-R Surcharge" or "TAP Rider").
2. During the annual reconciliation submission, the TAP Rider will be calculated based on both the reconcilable TAP expenses (in this case the TAP revenue loss associated with providing discounts to TAP program participants) and the amount of TAP-R surcharge revenue collected through the rider from the Non-TAP customers.
3. The TAP-R surcharge will be calculated on a "dollars per unit of consumption (MCF)" basis.
4. In calculating the TAP Rider in the annual reconciliation submission, for the 12-month period prior to the effective date of the TAP Rider:
  - a. PWD will use actual TAP revenues and expenses data from approximately the first 9 to 10 months of the current period, and annualized/projected revenues and expenses for the remaining months of the current period in order to estimate the full 12-month period of TAP revenue loss and surcharge revenues, which are subject to reconciliation.
  - b. PWD will reconcile TAP Rider calculations of the current period, based on the difference between (i) annualized/projected TAP surcharge revenues and expenses, and (ii) the actual TAP surcharge revenues and expenses experienced during that current period.
5. The TAP Rider will not include provisions for emergency TAP Rider adjustments based on financial emergencies associated with TAP surcharge revenues and/or TAP expenses.
6. TAP over- and under-recovery shall be subject to an interest rate equal to the 52-week Treasury Bill rate as compiled and published in the Federal Reserve Statistical Release

H.15 (519) as of the first day of the month preceding the month of the annual reconciliation submission.

In addition, the PWD and the Advocate agreed to the principle that the TAP Rider should include an embedded lost revenue adjustment. In its 2018 Rate Determination, the Board adopted all of the above areas of agreement, and further ordered, in part, as follows:

- The collection rate is assumed to be 96.54%, the same as customers generally, for purposes of calculating revenue loss, pending an analysis to be developed for consideration in future proceedings.
- Costs are to be allocated only to non-TAP customers, apportioned “between water and sewer services based on those services’ respective share of revenue requirements.”

Under the 2018 Rate Determination, the TAP Rate Rider went into effect beginning in FY 2019. Specifically, with the implementation of the Rider, all revenue losses associated with TAP are to be recovered via the associated surcharge rates that became effective beginning on September 1, 2018. The reconciliation component begins with the filing of the FY 2020 surcharge rates, which is to include a projection for FY 2020 TAP revenue loss and reconcile actual discounts provided to TAP participants with revenue recovered via the TAP-R surcharge from non-TAP customers. Again, in order to establish distinct Water TAP-R surcharge rate and Sewer TAP-R surcharge rate, the total TAP revenue loss and reconcilable TAP over- or under-collection must be apportioned between water and sewer services.

DEPARTMENT OF PUBLIC UTILITIES  
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## IV. 2019 RATE PROCEEDING

### A. SCHEDULE

The preliminary schedule for the TAP-Rider Proceeding was outlined at the April 10, 2019 meeting of the Board; key dates and actions were confirmed at the May 8, 2019 meeting of the Board and then discussed during the May 15, 2019 conference call noted below. At its meeting of April 10, 2019, the Board members appointed Board Chair Sonny Popowsky to serve as Hearing Officer.

- ✓ April 4, 2019: Advance Notice by the PWD filed with the Records Department, also posted in local newspapers and on the Board's website.
- ✓ April 29, 2019: Board Notice Regarding Participation in 2019 TAP-R Proceeding (posted on Board's website and emailed to 2018 Rate Proceeding participants: Any affected members of the public may testify and submit written arguments and documentation at the public hearing. To participate you must register as a Participant no later than seven calendar days following the filing of the Formal Notice. We expect that registration deadline to be Monday, May 13, 2019. For instructions on how to register, read the notice: **Notification Regarding Participation in 2019 TAP-R Proceeding**
- ✓ May 13, 2019: Deadline for notice to the Board by persons interested in participating in the Proceeding.
- ✓ May 15, 2019 at 2 pm: Pre-hearing conference call, chaired by Sonny Popowsky as the Hearing Officer.
- ✓ May 24, 2019: Deadline to file written comments for the TAP-R Proceeding.
- ✓ June 5, 2019: (1) technical hearing and (2) public hearing, both transcribed by court reporter.
- ✓ June 21, 2019: Deadline for participants to file briefs or other comments.
- ✓ Week of June 24: Board Meetings for deliberations and decision-making, as necessary.
- ✓ Board Decision, as reflected in the final Order, will be made on or about July 1, 2019 in order to enable PWD to make billing on September 1.
- ✓ Filed FY 2020 TAP-R rates will be effective on September 1, 2019, to coincide with changes in basic rates and charges.

### B. REVIEW OF THE PWD TAP-R RATE PROPOSAL

Comments and questions concerning the rate proposal were submitted to the PWD by the Advocate and the Board's Technical Consultant. Most comments and questions related to the actual rates of participation in TAP, the actual reductions in bills and the assumptions for the upcoming period.

Expert witness Lafayette K. Morgan, Jr. submitted testimony for the Advocate. On that basis, the Advocate proposed three adjustments to the calculation of the TAP-R Rate, to change the projected growth rate in the number of TAP participants during the remainder of the current period from two percent to one percent, to change the base level from which the growth in the number of TAP participants was calculated, and to adjust the interest calculation on over- and under-collections of TAP Rider revenues to reflect the recovery of such revenues on a monthly basis. The overall impact of these proposed adjustments was to reduce the TAP-R Water rate from \$0.72 to \$0.71 per Mcf and the TAP-R Sewer rate from \$1.17 to \$1.16 per Mcf.

### *C. TECHNICAL HEARING*

The Technical Hearing was conducted beginning at shortly after 10 a.m. on June 5, 2019 in the Gas Commission Room on the 18<sup>th</sup> Floor of the One Parkway Building at 1515 Arch Street in Philadelphia. Some participants attended in person, others via call-in. Board Chair Popowsky was the Hearing Officer.

Representatives of the PWD and the Advocate offered the following joint statement:

Joint Statement for Technical Hearing  
Water Department and Public Advocate

1. The Water Department does not oppose the adjustments to the TAP-R rates proposed by Mr. Morgan. Accordingly, for purposes of resolving the issues in dispute in this TAP-R Reconciliation Proceeding, the Water Department and the Public Advocate jointly request (the "Request") that the Board modify the proposed Rates and Charges effective as of September 1, 2019, to include the Water TAP-R of \$0.71 per thousand cubic feet (MCF) of water usage and a Sewer TAP-R rate of \$1.16 per MCF.
2. It is understood and agreed among the Water Department and the Public Advocate that this Request is the result of compromise and is being presented only in the context of this TAP-R Reconciliation Proceeding in an effort to resolve this TAP-R Reconciliation Proceeding in a manner that is fair and reasonable.
3. This Request is presented without prejudice to any position that the Water Department or the Public Advocate:
  - a. Advanced or will advance in the 2018 Rate Proceeding or any appeal thereof;
  - b. May have advanced in this TAP-R Reconciliation Proceeding; and
  - c. May advance in future rate proceedings.
4. The Water Department waives cross-examination of the Public Advocate's witnesses, and the Public Advocate waives cross-examination of the Water Department's witnesses. The Water Department and Public Advocate may question their own respective witnesses in response to other testimony or cross-examination.

5. The documents that the Water Department or the Public Advocate will move for inclusion into the record of this TAP-R Reconciliation Proceeding without objection from the other party are listed on the attached table, marked as Hearing Exhibit 1.

No other participant commented on the 2019 Rate Proceeding or on the proposal of the PWD and the Advocate at the Technical Hearing.

*D. PUBLIC HEARING*

The Public Hearing was conducted beginning at approximately 2 p.m. on June 5, 2019 in the Gas Commission Room on the 18<sup>th</sup> Floor of the One Parkway Building at 1515 Arch Street in Philadelphia. Board Chair Popowsky again served as Hearing Officer. No one commented on the 2019 Rate Proceeding or on the proposal of the PWD and the Advocate at the Public Hearing, either in person or on the available call-in line.

*E. PUBLIC COMMENTS RECEIVED AFTER TECHNICAL HEARING AND RATE HEARING*

On June 11, 2019, the Board received written Comments of the Philadelphia Water Department and the Public Advocate in Support of Joint Statement, in which both participants reiterated their support for the Joint Proposal that they had presented at the June 5 Technical Hearing. No other participants commented on the 2019 Rate Proceeding or on the proposal of the PWD and the Advocate after the Technical Hearing and the Public Hearing.

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## V. DECISION OF THE RATE BOARD

Upon review of the full record in this proceeding, the Board has determined to adopt the rates set forth in the Joint Statement of the Water Department and the Public Advocate as set forth above, based on the extensive documentation set forth in the Department's Formal Notice and the testimony of Mr. Morgan described above. The Board therefore finds that a Water TAP-R rate of \$0.71 per thousand cubic feet (MCF) of water usage, and a Sewer TAP-R rate of \$1.16 per MCF of sewer usage comply with the ordinances governing this proceeding and provide a reasonable basis for recovery of TAP-R costs in this proceeding.

The Water Department shall make required filings in order to enable the new rates to take effect on or after September 1, 2019. Except as otherwise provided in this 2019 Rate Determination, rates shall be as provided in the Formal Notice.

The Board notes that the approved rates are lower than was anticipated in the 2018 Rate Determination, which projected TAP-R rates of \$0.95 per MCF for water and \$1.34 per MCF for sewer, prior to reconciliation. It is also noted that the rates set forth in this Rate Determination remain subject to reconciliation themselves, which will allow for the recovery of any under- or over-collection of rates charged in the upcoming rate period, with interest, in future TAP-R proceedings.

DEPARTMENT OF WATER AND SEWER SERVICES  
2019 JUN 29 PM 2:04

## APPENDIX A

### MATRIX OF BOARD MEMBER VOTES IN THE 2019 TAP-R RATE PROCEEDING AT PUBLIC MEETING HELD JUNE 27, 2019

<u>Motion</u>	<u>Popowsky</u>	<u>Ewing</u>	<u>Olanepikun- Lewis</u>	<u>Johnson</u>	<u>Pozefsky</u>
Set Water usage rider of \$0.71/Mcf	Y	2-Y	A	R	1-Y
Set Sewer usage rider of \$1.16/Mcf	Y	1-Y	A	R	2-Y
Approve final Rate Determination as set forth in writing, effective on or after 9/1/2019	Y	1-Y	A	R	2-Y

Key: 1 moved  
 2 seconded  
 Y yes  
 N no  
 R recused  
 O otherwise abstained  
 A absent

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2019 JUN 28 PM 2:04