

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

In the Matter of the Philadelphia Water	:	
Department's Proposed Changes in Rates and	:	2020 TAP-R Reconciliation Proceeding
Related Charges	:	

HEARING OFFICER REPORT

Marlane R. Chestnut
Hearing Officer

July 22, 2020

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I. SUMMARY OF RECOMMENDATION

This report addresses the filing made with the City of Philadelphia Department of Records, following advance notice to City Council and the Water, Sewer and Storm Water Rate Board (Rate Board), by the Philadelphia Water Department (PWD or Department)¹ to implement the annual reconciliation adjustment to the Tiered Assistance Program Rate Rider (TAP-R) by revising related water, sewer and fire service connection quantity charges (2020 TAP-R adjustment) in accordance with the tariff approved by the Rate Board in a prior rate proceeding. As discussed in more detail below, I recommend that the Rate Board accept without modification the proposed TAP-R rates contained in the Joint Petition for Settlement of the TAP-R Proceeding (Joint Petition) for service rendered on and after October 1, 2020. The effect is a modest reduction in the TAP-R rates charged for water and sewer service.

II. HISTORY OF THE PROCEEDING

On May 20, 2020, the Department filed an Advance Notice with City Council and the Rate Board to implement the annual reconciliation adjustment to the Tiered Assistance Program Rate Rider (TAP-R) and to revise related water, sewer, and fire service connection quantity charges accordingly.² Included with the filing were supporting statements, schedules, and exhibits as required by the regulations promulgated by the Rate Board. Formal Notice of the proposed reconciliation adjustments was filed with the Department of Records on June 22, 2020.

In addition to the Water Department, active participants included the Public Advocate (Community Legal Services, selected by the Rate Board to represent the concerns of residential consumers and other small users); the City of Philadelphia Department of Revenue, Water Revenue Bureau; and the Philadelphia Large Users Group. Also, two individual customers

¹ PWD is a City department, with responsibility for provision of water, sewer and stormwater services in the City of Philadelphia. It also makes wholesale water sales to neighboring communities.

² TAP is a customer assistance program that allows low-income customers to pay reduced bills based upon a percentage of their household income. The TAP-R rider tracks revenue losses resulting from application of the TAP discount, in order to permit annual reconciliation if they are greater or less than projected. The TAP-R surcharge is charged to customers not eligible for the discount.

(Adam Erlich and Jamila Kinsey) provided notice of participation, but did not actively participate after being contacted directly by counsel for PWD.³

A prehearing conference was held on June 30, 2020. After reviewing the filing and conducting discovery, the Public Advocate decided not to file written testimony. No testimony was filed by any other non-department participant.

On July 14, 2020, the Water Department and the Public Advocate (Joint Petitioners) filed a Joint Petition for Settlement of TAP-R Proceeding (Joint Petition). Referenced in the Joint Petition were Exhibit 1 (the Advance Notice, Formal Notice and responses to written discovery), Exhibit 2 (the modified rates and changes related to TAP-R, included with the Joint Petition as Attachment A) and Exhibit 3 (proofs of the legal notices of the Advance and Formal filings, and the scheduled hearings). Attachment B of the Joint Petition contained the presentation prepared by the Department for the July 15, 2020, public hearing.

Upon proper notice being provided, a technical review hearing and a separate public hearing to allow the company's customers the opportunity to express their concerns or opinions concerning the proposed TAP-R adjustment were held on July 15, 2020. Due to the ongoing public health emergency caused by the COVID-19 pandemic and subsequent emergency measures imposed by both the city and state, the conference and the hearings were conducted remotely via Webex Meeting. No customers expressed interest in attending or participated in the public hearing. A stenographic record of both hearings was made. The Hearing Officer accepted into the record the Joint Petition, Attachments A and B, and Exhibits 1, 2 and 3.

On July 21, 2020, the Large Users Group sent a letter stating that it did not oppose the proposed settlement rates and reserved the right to address TAP-R program costs and rates in future proceedings.

³ In addition to the legal notices published in various Philadelphia newspapers and the postings on the Rate Board's website, participants to PWD's 2018 and 2020 general rate proceedings were notified by e-mail of the instant proceeding and provided an opportunity to participate.

As provided in the Rate Board's regulations at §II.C.3(b), the record includes the Joint Petition and the documents identified in it as Exhibits 1, 2 and 3, and Attachments A and B. The record also includes the Large Users Group letter, instructions for participation developed by the Rate Board, and the transcripts of the July 15, 2020, hearings. All of these documents and notices are posted on the Rate Board's [website](#).⁴

The Joint Petitioners' position is that the proposed rates contained in the settlement document provide a fair, just and reasonable TAP-R reconciliation adjustment, are supported by the record and are in the public interest. I agree. I therefore recommend that the Rate Board permit the Department to put the proposed rates and charges in effect for service rendered on and after October 1, 2020. I commend the parties – and the counsel representing them – for their outstanding efforts in this proceeding to resolve the issues in an expeditious and reasonable manner, which benefits both PWD and its customers.

III. PROPOSED RATES

The purpose of this proceeding is to permit an annual reconciliation of the revenue impacts associated with TAP by comparing PWD's actual experience to the projections used to set the rates for the review period. TAP is an assistance program that allows eligible low-income customers to pay reduced bills based upon a percentage of their household income. Monthly bills are not based on usage; they are capped as a percentage of income and are constant each month while the customer is enrolled in the program.⁵

TAP-R rates are charged to all customers who do not receive the discount and are intended to recover the revenue losses associated with the customer assistance program. The cost of the program (in other words, the lost revenue resulting from the discount) is affected by several factors, such as the number of enrolled customers, water and sewer service usage levels, changes in PWD's non-discounted rate and the level of discount needed to provide affordable bills to the

⁴ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2020-annual-rate-adjustment/>

⁵ The TAP program was approved by the Rate Board as part of PWD's 2016 rate filing. The TAP-R rate rider was approved as part of PWD's 2018 rate filing and was adjusted in its 2019 TAP-R reconciliation proceeding.

customers enrolled in the program. The TAP-R Rider tracks revenue losses resulting from application of the TAP discount, in order to permit annual reconciliation if they are greater or less than projected.

The proposed rates and charges contained in the Joint Petition (which are the same as those contained in the Advance and Final Notices) provide that, for service rendered on and after October 1, 2020, the following charges will become effective:

Table 1 – Current and Proposed TAP-R Rates

TAP-R Rate	Current	Proposed	Difference
Water (\$/mcf)	\$0.71	\$0.57	-\$0.14
Sewer (\$/mcf)	\$1.16	\$0.78	-\$0.38

As explained in the Joint Petition and the included exhibits, all affected customers will see reductions in their rates, as shown in the following bill impact analysis of typical customers and usage:

Table 2 – Bill Impact Analysis by Customer Class

Customer Class	Monthly Bill		Monthly Difference (decrease)	Yearly Impact (decrease)
	Current TAP-R Rates	Proposed TAP-R Rates		
Residential <i>5/8" meter, 5 mcf/month</i>	\$66.99	\$66.73	\$0.26	\$3.12 0.4%
Senior Residential <i>5/8" meter, 3 mcf/month, Includes Senior Citizen discount of 25%.</i>	\$38.54	\$38.43	\$0.11	\$1.32 0.3%
Small Business <i>5/8" meter, 6 mcf/month, gross area 5,500 sq ft, impervious area 4,000 sq ft</i>	\$112.45	\$112.13	\$0.32	\$3.84 0.3%

The current TAP-R rates were established in the 2019 TAP-R annual reconciliation adjustment proceeding. The Joint Petition states that they were projected to produce a revenue requirement of \$10,271,302, and that the proposed rates are anticipated to produce a revenue requirement of \$7,472,988 during the next rate period.⁶

Other terms and conditions were contained in the Joint Petition, including the Joint Petitioners' stipulation as to the authenticity and admissibility of the proposed exhibits, and the standard disclaimer that the settlement agreement is made without prejudice to each participant in this or other proceedings.

IV. DISCUSSION

As explained above, the proposed rates result in a modest decrease in the TAP-R rates for the affected customer classes for the next rate period. These rates (including the allocation between water and sewer service) appear to be fair and reasonable and are consistent with the relevant ordinance and regulations established by the Rate Board. They are amply supported by the record, which establishes that they will provide an appropriate level of funding for the TAP program.

The active participants have found the proposed rates appropriate or acceptable after discovery and thorough review. Acceptance of those rates by the Rate Board without additional testimony, hearings and/or arguments will result in cost savings for participants (including PWD), customers and the Rate Board itself.

The proposed rates represent a just and fair resolution for the City as accepted by participants who represent a variety of interests, from small customers (the Public Advocate) to large users (the Large Users Group). The rate-making process adopted by the Rate Board is designed to ensure that it establishes rates for the City only after giving an opportunity for comment by all members of the public who will be affected by rate decisions, and to ensure that all

⁶ Paragraph 36 incorrectly lists the projected revenue impact as \$7,427,988 rather than \$7,472,988; see the correct calculation in footnote 9.

proceedings are open and transparent. The fact that no participant or member of the public opposes the proposal is significant.

Therefore, the proposed rates contained in the Formal Notice, as set out in Exhibit 2 to the Joint Petition, should be approved without modification by the Rate Board for service rendered on and after October 1, 2020.

V. CONCLUSION

1. The record in this proceeding consists of the Joint Petition and the documents identified in it as Exhibits 1, 2 and 3, and Attachments A and B, the Large Users Group Statement, instructions for participation developed by the Rate Board and the stenographic transcripts of the July 15, 2020, hearings.

2. I recommend that the Rate Board permit the Department to file TAP-R rates and charges as contained in Exhibit 2 for service rendered on and after October 1, 2020, as they are supported by the record, and are fair and reasonable.

Marlane R. Chestnut
Hearing Officer

July 22, 2020