

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

In the Matter of the Philadelphia Water
Department's Proposed Changes in Water,
Sewer and Stormwater Rates and Related
Charges

For: Fiscal Years 2024-2025

Rebuttal Testimony
of
BILLIE LACONTE

On Behalf of

Philadelphia Large Users Group

April 27, 2023



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GLOSSARY OF ACRONYMS

| Term | Definition |
|-------------------|--|
| CCOSS | Class Cost-of-Service Study |
| EPA | Environmental Protection Agency |
| FY | Fiscal Year |
| GARP | Greened Acre Retrofit Program |
| PLUG | Philadelphia Large Users Group |
| PWD | Philadelphia Water Department |
| Rate Board | City of Philadelphia Water, Sewer and Storm Water Rate Board |
| SMIP | Stormwater Management Incentive Program |
| TAP | Tiered Assistance Program |

REBUTTAL TESTIMONY OF BILLIE S. LACONTE

1 **Introduction**

2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A My name is Billie LaConte. My business address is 12647 Olive Blvd., Suite 585, St.
4 Louis, Missouri 63141.

5 **Q ARE YOU THE SAME BILLIE S. LACONTE WHO PREVIOUSLY SUBMITTED**
6 **DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE**
7 **PHILADELPHIA LARGE USERS GROUP (PLUG)?**

8 A Yes.

9 **Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A I am addressing Public Advocate witnesses, Jerome D. Mierzwa, and Roger D. Colton
11 on the following subjects:

- 12 • Class Cost-of-Service Study (CCOSS);
- 13 • The allocation of billing credits associated with the Stormwater
14 Management Incentive Program (SMIP) and Greened Acre Retrofit
15 Program Grants (GARP);
- 16 • The allocation of late payment fees;
- 17 • Tiered Assistance Program (TAP) enrollment; and
- 18 • Retroactive arrearage forgiveness.

19 **Q ARE YOU ADDRESSING ALL OF THE ISSUES RAISED BY THE PUBLIC**
20 **ADVOCATE AND OTHER PARTIES IN THEIR TESTIMONIES?**

21 A No. However, the fact that I am not addressing every issue should not be interpreted
22 as an endorsement of their proposals in this proceeding.

1 **Summary**

2 **Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

3 **A** My findings and recommendations are as follows:

4 **Class Cost-of-Service Study**

- 5 • PWD's CCOSS appropriately derived maximum hour and maximum
6 day extra-capacity factors for each class based off the factors used in
7 PWD's prior rate case filing because they consider PWD's unique
8 operating characteristics.
- 9 • The Public Advocate revised PWD's CCOSS by revising the maximum
10 day and maximum hour ratios used to allocate costs. The revised
11 CCOSS uses fiscal year (FY) 2019 usage data to estimate the
12 maximum day and maximum hour factors. However, the Public
13 Advocate uses generic assumptions which do not reflect PWD's unique
14 operating conditions to determine PWD's capacity factors. As a result,
15 the allocation factors derived from the data are skewed and do not
16 result in a proper cost allocation.
- 17 • Because Mr. Mierzwa's CCOSS analysis is incorrect, it should not be
18 the foundation to determine the revenue allocation.

19 **SMIP/GARP Programs**

- 20 • The SMIP/GARP programs provide funding for certain customers who
21 install stormwater management measures and reduce their stormwater
22 runoff. Customers who install the management measures are eligible
23 for stormwater billing credits.
- 24 • Stormwater management measures benefit all customers by helping
25 PWD meet its stormwater management goals and thereby avoiding
26 fines from the Environmental Protection Agency (EPA). Further, the
27 stormwater credits are properly assigned to customers who install
28 management measures because those customers are responsible for
29 the continued operation of the stormwater management measures and
30 the credits will offset additional maintenance expenses required for
31 upkeep.
- 32 • Therefore, only customers who install stormwater management
33 measures should receive the stormwater billing credits. Mr. Mierzwa's
34 recommendation that all customers should receive a portion of the
35 stormwater billing credits because the programs are funded by all
36 wastewater and stormwater customers is incorrect and should be
37 rejected.

1 Late Payment Fee Allocation

- 2 • PWD's late payment fees are properly recorded as other revenues and
3 used to offset PWD's total revenue requirement. Allocating other
4 revenues to all classes fairly treats customers who pay their bills in a
5 timely manner and maintains the incentive for them to continue doing
6 so. Mr. Colton's recommendation to reallocate a portion of late payment
7 fees to certain low-income programs unfairly increases the revenue
8 requirement for other customers.

9 Tiered Assistance Program Enrollment

- 10 • Public Advocate Witness Colton proposes a number of auto-enrollment
11 mechanisms generally tying TAP enrollment to participation in other
12 low-income assistance programs.
- 13 • The Rate Board should consider that every discounted TAP bill
14 produces a corresponding increase for the non-TAP customers and the
15 potential for unreasonable rate increases resulting from the potential
16 cost burden on non-TAP customers.
- 17 • The cost of the program should be continually monitored and, if
18 necessary, adjusted through appropriate program changes.

19 Retroactive Arrearage Forgiveness

- 20 • The Public Advocate's Witness Colton alleges PWD has improperly
21 administered the arrearage forgiveness component of TAP and
22 requests that the Rate Board direct PWD to provide accounting reports
23 and issue retroactive arrearage forgiveness credits for any customer
24 that was eligible for arrearage forgiveness.
- 25 • Any further rate adjustments resulting from the investigation of TAP
26 arrearages should be made public and subject to stakeholder review
27 and Rate Board approval.

28 **Class Cost-of-Service Study**

29 **Q DID PWD SUBMIT CLASS COST-OF-SERVICE STUDIES IN THIS PROCEEDING?**

30 A Yes. As discussed in my direct testimony, PWD submitted CCOSSs for the water,
31 wastewater, and stormwater utilities in PWD Statement No. 7, Direct Testimony of
32 Black and Veatch. PWD properly uses the base-extra capacity method in its water
33 CCOSS to allocate costs to each rate class which, as discussed in my detail in my

1 direct testimony, is an accepted practice and is described in the American Water
2 Works Association's *Principles of Water Rates, Fees, and Charges, Manual of Water*
3 *Supply Practices*

4 **Q DID THE PUBLIC ADVOCATE SUBMIT A REVISED WATER CLASS COST-OF-**
5 **SERVICE STUDY IN THIS PROCEEDING?**

6 A Yes. Based on PWD's water CCOSS, Mr. Mierzwa's submitted a revised water
7 CCOSS using revised capacity factors.

8 **Q WHY DID MR. MIERZWA REVISE THE CLASS COST-OF-SERVICE STUDY?**

9 A Mr. Mierzwa states that the study should be revised to reflect recent actual experience.
10 However, Mr. Mierzwa based his analysis on 2019 usage data, when 2022 usage data
11 was available.

12 **Q WHAT CAPACITY FACTORS DID MR. MIERZWA USE IN HIS REVISED WATER**
13 **CLASS COST-OF-SERVICE STUDY?**

14 A Mr. Mierzwa used class maximum day and maximum hour extra-capacity allocation
15 factors that he determined based on actual, FY 2019 usage data, as compared to
16 PWD, which used capacity factors used in its last rate case.

17 **Q PLEASE DESCRIBE THE CLASS MAXIMUM DAY AND MAXIMUM HOUR EXTRA-**
18 **CAPACITY ALLOCATION FACTORS.**

19 A The class maximum day and maximum hour extra-capacity allocation factors are used
20 to allocate extra-capacity costs, which are expenses associated with meeting peak
21 demand usage in excess of average (base) demand.¹

¹ American Water Works Association, *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, Manual of Water Supply Practices – MI at 62, 7th Edition (2017).*

1 Q WHY DO YOU ASSERT THAT MR. MIERZWA'S CLASS MAXIMUM DAY AND
2 MAXIMUM HOUR EXTRA-CAPACITY FACTORS ARE UNREPRESENTATIVE?

3 A The factors calculated by Mr. Mierzwa are based on the American Water Works
4 Association (AWWA) generic Methodology to Develop Peaking Factors by Customer
5 Class (Methodology).² The AWWA Methodology uses generic assumptions for the
6 weekly and hourly usage adjustments to represent a *typical* water utility. However,
7 these usage adjustments are not representative of PWD's operating characteristics.

8 Q DID PWD USE THE AWWA METHODOLOGY TO ESTIMATE THE CAPACITY
9 FACTORS IN ITS CLASS COST-OF-SERVICE STUDY?

10 A Yes, PWD used the AWWA Methodology to determine if the current peaking factors
11 are reasonable.³ The results of the AWWA Methodology analysis were similar to the
12 peaking factors PWD currently uses, with some variation. However, PWD states that
13 "these variations are due to the use of typical weekly and hourly usage factor
14 adjustments as presented in the example calculations included [in the] AWWA M-1
15 Appendix A. These weekly and hourly assumptions do not address unique
16 circumstances of each system."⁴

17 Q HOW ARE THE CLASS MAXIMUM DAY AND MAXIMUM HOUR EXTRA-
18 CAPACITY FACTORS DERIVED?

19 A The class maximum day and maximum hour extra-capacity factors are derived using
20 maximum day and maximum hour demand. The values are derived using non-

² Public Advocate Statement No. 2, Direct Testimony of Jerome D. Mierzwa at 14.

³ PWD Response to PA-X-2, Attachment PA-X-2 at 7.

⁴ *Id.*

1 coincident peak demand, for the utility as a whole, as well as for each class. The class
2 maximum day factor is calculated using the ratio of the class maximum day usage to
3 the annual average day usage. The class maximum hour factor is determined using
4 the class maximum day factor. An example of the derivation of the class maximum day
5 factor and the class maximum hour factor, using the AWWA Methodology, is shown in
6 Table 1.

| Table 1 | | |
|---|---|---------------|
| Maximum Hour and Maximum Day Factors | | |
| Line | Description | Factor |
| 1 | Average Day Demand in Maximum Month (ccf) | 7,848 |
| 2 | Annual Average Day (ccf) | 10,355 |
| 3 | Maximum Day Ratio (line 2 ÷ line 1) | 1.32 |
| 4 | System Maximum Day Ratio | 1.40 |
| 5 | Class Weekly Ratio Adjustment | 1.35 |
| 6 | Class Maximum Day Factor (ln. 3 * ln. 4 * ln. 5) | 2.49 |
| 7 | System Maximum Hour Ratio | 1.66 |
| 8 | Class Maximum Hour Factor (ln. 6 * ln. 7) | 4.14 |

7 The class weekly ratio and maximum hour ratio adjustments are based on a typical
8 utility's operating characteristics and are not representative of PWD's operating
9 characteristics.

10 **Q HOW DO MR. MIERZWA'S EXTRA-CAPACITY FACTORS COMPARE TO PWD'S**
11 **EXTRA-CAPACITY FACTORS?**

12 **A** Table 2 compares PWD's class extra-capacity factors with Mr. Mierzwa's class extra-
13 capacity factors.

| Table 2 Comparison of Customer Class Extra-Capacity Factors PWD and Public Advocate | | | | |
|--|----------------|-----------------|------------------------|-----------------|
| Customer Class | PWD | | Public Advocate | |
| | Max Day | Max Hour | Max Day | Max Hour |
| Residential | 200 | 360 | 205 | 340 |
| Commercial | 180 | 265 | 200 | 330 |
| Industrial | 160 | 200 | 330 | 440 |
| Public Utilities | 160 | 200 | 250 | 415 |
| Housing Authority | 190 | 313 | 255 | 425 |
| Charity & Schools | 180 | 270 | 205 | 340 |
| Senior Citizens | 200 | 360 | 210 | 350 |
| Hand Bill | 180 | 270 | 230 | 380 |
| Hospital/University | 180 | 233 | 215 | 355 |

Sources: PWD Statement No. 7, Direct Testimony of Black & Veatch Management Consulting, LLC, Table 4-4; Public Advocate Statement No. 2, Direct Testimony of Jerome D. Mierzwa, Schedule JDM-1.

1 **Q WHY DO THE CLASS EXTRA-CAPACITY FACTORS DERIVED BY MR. MIERZWA**
 2 **DIFFER FROM PWD’S CLASS EXTRA-CAPACITY FACTORS?**

3 **A** The variation is due to errors in Mr. Mierzwa’s estimation of the weekly usage
 4 adjustment and the hourly usage adjustment. The AWWA Methodology uses generic
 5 weekly and hourly adjustment factors which do not recognize PWD’s unique operating
 6 characteristics. Because the actual weekly and hourly adjustments are not available,
 7 Mr. Mierzwa relied on AWWA’s generic adjustments. Due to Mr. Mierzwa’s incorrect
 8 weekly and hourly factors, the capacity factors he uses are incorrect and should not
 9 be relied upon.

1 **Q WHAT IS UNIQUE ABOUT PWD'S OPERATING CHARACTERISTICS?**

2 A As noted by PWD, the utility "does not experience seasonal peaking to the extent of
3 some utility systems since the urban customer base does not have summer usage
4 peaks for irrigation usage. Since the system experiences a lower maximum day
5 peaking factor, the system experiences more diversity in the hourly usage adjustments
6 than those reflected in the AWWA M-1." ⁵

7 **Q DOES MR. MIERZWA ADDRESS THE DISCREPANCIES BETWEEN THE AWWA**
8 **METHODOLOGY AND PWD'S OPERATING CHARACTERISTICS?**

9 A Yes. Mr. Mierzwa agrees that the residential irrigation needs of PWD's residential
10 customers may be lower than a typical utility. However, he states that the demands
11 of the residential class would be most affected by the lower irrigation requirements.
12 Further, he supports his capacity factors because they are similar to PWD's *for the*
13 *residential class*. However, he fails to acknowledge that there are significant variations
14 for several other classes, as identified above in Table 2. Further, the maximum hour
15 capacity factor Mr. Mierzwa calculated for the residential class is 5.5% lower than
16 PWD's maximum hour capacity factor. For a class as large as the residential class
17 (the current billings for the residential class are approximately 56.6% of PWD's total
18 water billings), the shift in cost to other classes may be substantial.⁶ Mr. Mierzwa
19 should not base the accuracy of his results on the sole outcome for one class. Further,
20 the residential class being similar does not justify using the generic weekly and hourly
21 usage adjustments in the capacity factor analysis.

⁵ *Id.*

⁶ PWD Statement No. 7, Direct Testimony of Black & Veatch Management Consulting, LLC, Table 3-6.

1 **Q DO YOU HAVE ANY OTHER CONCERNS WITH MR. MIERZWA'S ANALYSIS?**

2 A Yes. Any change to PWD's capacity factors should be based on actual, measured
3 data, which will provide the actual maximum day demand and actual maximum hour
4 demand. Mr. Mierzwa's calculations rely on the average daily demand in the maximum
5 month. The AWWA manual states:

6 To estimate customer class peaking factors, utilities need to investigate
7 and study all pertinent sources of information. Such data should
8 include daily and hourly system pumping records, recorded rates of
9 flow in specific areas of the system, studies and interview of large users
10 regarding individual and group characteristics of use, special demand
11 metering programs, and experience in studies of other utilities
12 exhibiting like characteristics.⁷

13 **Q DO YOU AGREE WITH MR. MIERZWA (ON PAGE 13) THAT THE MOST RELIABLE**
14 **AND ACCURATE APPROACH TO DETERMINING THE EXTRA CAPACITY**
15 **FACTORS WOULD BE TO CONDUCT A FORMAL STUDY THAT SAMPLES THE**
16 **ACTUAL DAILY AND HOURLY DEMANDS OF THE VARIOUS GENERAL RETAIL**
17 **CUSTOMER CLASSES?**

18 A Yes. I agree that the CCOSS capacity factors should be based on actual
19 measurements. However, PWD has not conducted an updated, formal study.
20 Nonetheless, the capacity factors should not be adjusted using 2019 data or the
21 generic assumptions from the AWWA manual.

22 **Q DO THE DIFFERENCES IN THE CLASS EXTRA-CAPACITY FACTORS EXPLAIN**
23 **HOW PWD'S PROPOSED REVENUE INCREASE IS ALLOCATED TO THE RATE**
24 **CLASSES?**

25 A Yes. Table 3 compares the results of Mr. Mierzwa's CCOSS and PWD's CCOSS for

⁷ AWWA, *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices*, Manual of Water Supply Practices at 76, 7th Edition (2017).

1 FY 2024. Mr. Mierzwa’s use of incorrect data is demonstrated in the much lower
 2 increases for the Residential, Senior Citizens and the Housing Authority rate classes,
 3 and much higher increases for the other rate classes (excluding the Wholesale rate
 4 class).

| Table 3 PWD vs. Public Advocate Proposed Revenue Increases FY 2024 | | |
|--|------------|------------------------|
| Rate Class | PWD | Public Advocate |
| Residential | 18.7% | 14.6% |
| Senior Citizens | 17.6% | 12.6% |
| Commercial | 14.5% | 22.4% |
| Industrial | 2.8% | 37.8% |
| Public Utilities | 2.0% | 33.6% |
| Housing Authority | 22.1% | 18.9% |
| Charities & Schools | 12.0% | 20.5% |
| Hospitals/Universities | 14.3% | 34.2% |
| Hand Billed | 36.6% | 37.8% |
| Private Fire Protection | 39.5% | 37.8% |
| Public Fire Protection | 8.8% | 9.5% |
| Wholesale | 38.2% | 33.0% |
| Total Water System | 18.9% | 18.9% |
| Sources: PWD Statement No. 7, Table 4-12. Public Advocate Statement No. 2, Direct Testimony of Jerome D. Mierzwa at 22. | | |

5 The rate increases for most classes are much higher than PWD’s proposed rate
 6 increases.

1 Q SHOULD THE RATE BOARD ADOPT MR. MIERZWA'S PROPOSED CLASS
2 EXTRA-CAPACITY FACTORS?

3 A No. Mr. Mierzwa's recommended class extra-capacity factors are based on incorrect
4 calculations of the capacity factors and produce faulty cost allocations. His class extra-
5 capacity factors include generic weekly and hourly adjustments which skews his data
6 and incorrectly allocates costs to each rate class. Therefore, his adjusted extra-
7 capacity factors should be rejected.

8 Q SHOULD THE RATE BOARD ADOPT MR. MIERZWA'S RECOMMENDED
9 REVENUE ALLOCATION?

10 A No. Mr. Mierzwa's revenue allocation is based on his faulty CCROSS, which produces
11 incorrect allocations and would result in distorted rates. Therefore, the Rate Board
12 should reject his recommended revenue allocation.

13 Q WHAT DO YOU RECOMMEND?

14 A I recommend that the capacity factors used by PWD in the CCROSS should be
15 maintained. PWD should be required to conduct a formal study of its class usage
16 characteristics prior to its next rate case. PWD must certify that it has completed its
17 study before filing its next rate proceeding, to ensure the data is current and reflective
18 of PWD's current operating usage and characteristics.

19 **Stormwater Incentive Program**

20 Q PLEASE DESCRIBE THE STORMWATER MANAGEMENT INCENTIVE AND
21 GREENED ACRE RETROFIT PROGRAM GRANTS PROGRAMS.

22 A The SMIP and GARP programs provide financial and environmental incentives to
23 eligible non-residential, condominium, and some multi-family residential customers to

1 promote projects that manage stormwater runoff and help PWD meet its stormwater
2 management goals.

3 **Q HOW ARE THESE PROGRAMS FUNDED?**

4 A The SMIP/GARP programs are funded through grants and recovery in Wholesale and
5 retail wastewater revenues and stormwater revenues.

6 **Q DO CUSTOMERS RECEIVE BILLING CREDITS AFTER INSTALLING**
7 **MANAGEMENT MEASURES THAT MANAGE STORMWATER RUNOFF?**

8 A Yes. Customers who install management measures to reduce their stormwater runoff
9 are eligible for billing credits which reduce their stormwater charges. While the Public
10 Advocate's testimony indicates that stormwater billing credits are only available to
11 management measures funded by SMIP or GARP, the credits are available for any
12 qualifying management measures, regardless of whether the measure was initially
13 funded by SMIP or GARP grants. Stormwater billing credits can be earned as a result
14 of the construction, operation, and maintenance of Stormwater Management Practices
15 that reduce a parcel's contribution of stormwater runoff.⁸ As a result of these
16 management measures, customers are eligible for Impervious Area Stormwater
17 credits or Gross Area Stormwater credits.⁹

18 A customer who self-funds a management measure is also eligible for a credit.
19 The amount of credits awarded to each recipient is based upon unique characteristics
20 of the site and the management measures in terms of the impact of the impervious
21 area management for impervious credits and stormwater management practices or
22 surface discharge for gross area credits.

⁸ Philadelphia Water Department, *Stormwater Management Service Charge, Credits and Appeals Manual* at 6 (Sept. 2022).

⁹ *Id.* at 18-22.

1 **Q WHY ARE CUSTOMERS WHO IMPLEMENT STORMWATER MANAGEMENT**
2 **MEASURES USING THESE PROGRAMS' FUNDING ELIGIBLE FOR BILLING**
3 **CREDITS WHEN THE INSTALLATION OF THE MANAGEMENT MEASURES ARE**
4 **FUNDED, AT LEAST IN PART, BY PWD?**

5 A PWD created the credit system to incentivize implementation of stormwater
6 management measures by reducing stormwater costs for property owners undertaking
7 such projects. Once in place, the management measures reduce stormwater flows
8 from the properties, thereby reducing the property's impact on PWD's stormwater
9 infrastructure. Additionally, customers who install stormwater management measures
10 are responsible for the continued operation of these projects. As stated in PWD's
11 Credit and Appeals Manual, this responsibility includes complying with maintenance
12 obligations, which will require the property owners to incur ongoing maintenance costs
13 that are not incurred by other customers.¹⁰

14 **Q WHAT IS MR. MIERZWA'S PROPOSAL REGARDING THE STORMWATER**
15 **BILLING CREDITS?**

16 A Mr. Mierzwa recommends that all customers receive the financial benefits from the
17 SMIP/GARP retrofit program. Because all customers fund the SMIP/GARP programs,
18 he recommends an adjustment to the stormwater rates, specifically using an average
19 of the rates based on the current rate design and the rates if no gross area or
20 impervious area credits were reflected in the design of rates.¹¹ In this way all
21 customers would receive the stormwater credits.

¹⁰ *Id.* at 29.

¹¹ Public Advocate Statement No. 2, Direct Testimony of Jerome D. Mierzwa at 27.

1 **Q DO ALL CUSTOMERS BENEFIT FROM THE SMIP/GARP PROGRAM?**

2 A Yes. All customers benefit from the program because the retrofits allow PWD to
3 manage stormwater runoff and meet its stormwater management goals. If PWD did
4 not manage its stormwater runoff, the utility and its customers would be exposed to
5 fines issued by the EPA. Because the stormwater management measures allow PWD
6 to avoid potential EPA fines, stormwater costs are lower and all customers benefit from
7 the lower rates.

8 **Q SHOULD ALL CUSTOMERS BENEFIT FROM STORMWATER BILLING CREDITS?**

9 A No. Only customers who install stormwater management measures on their properties
10 should be eligible for stormwater billing credits. PWD's credit policy is clearly intended
11 to offer incentives associated with the installation of management measures.
12 Penalizing property owners participating in these programs by eroding eligibility for
13 future credits diminishes the intended incentives. As explained above, customers
14 who install stormwater management measures will also incur ongoing maintenance
15 expenses and are responsible for continued operation of the management measures.
16 Incentivizing long-term maintenance and preservation of the management measures
17 is critical to ensure PWD and all of its customers benefit from compliance with PWD's
18 Consent Order and Agreement. Therefore, there are both valid policy and ratemaking
19 bases for offering stormwater credits only to customers who install stormwater
20 management measures. PWD has demonstrated that all customers benefit from the
21 current practice. As a result, the Public Advocate's proposal should be rejected.

1 **Late Payment Fee Allocation**

2 **Q DOES PWD COLLECT LATE PAYMENT FEES FROM CUSTOMERS WHO DO NOT**
3 **PAY THEIR BILLS IN A TIMELY MATTER?**

4 A Yes. PWD charges a late payment fee for unpaid water bills. In FY 2022, PWD
5 charged approximately \$22.3 million in late payment fees.¹²

6 **Q HOW DOES PWD TREAT THE LATE PAYMENT FEES?**

7 A The late payment fees are recorded as other revenues, which reduces PWD's overall
8 revenue requirement.

9 **Q WHY SHOULD PWD RECOVER LATE PAYMENT FEES?**

10 A Late payment fees are recovered by utilities for several reasons, including: incenting
11 customers to make timely payments, ensuring fair treatment of all customers, and to
12 cover any costs incurred by the utility associated with processing late payments.

13 Late payment fees guarantee all customers are treated equally. In addition,
14 PWD may incur additional administrative costs when trying to recover the late
15 payments. Therefore, PWD should recover late payment fees from customers who do
16 not pay their bills in a timely manner.

17 **Q DOES THE PUBLIC ADVOCATE'S WITNESS MR. COLTON SUPPORT THE LATE**
18 **PAYMENT FEES?**

19 A No. Mr. Colton believes that late payment fees lack a cost basis and that "PWD has
20 no basis upon which to conclude that its late payment charge serves as an incentive
21 to pay..."¹³ However, he recommends that a portion of the funds recovered through

¹² Public Advocate Statement No. 3, Direct Testimony of Roger D. Colton at 79.

¹³ *Id.*

1 the late payment fees should be applied to other programs, such as the Utility
2 Emergency Services Fund, the low-income water conservation program, the low-
3 income usage reduction program, and a pilot internal plumbing repair program. In
4 total, Mr. Colton recommends reallocating approximately \$6.9 million of late fees to
5 these programs.¹⁴

6 **Q SHOULD THE LATE PAYMENT FEES BE REALLOCATED?**

7 A No. As stated above, one of the reasons the late payment fees are recovered is to
8 treat all customers fairly. Customers who pay on time should not be penalized. Mr.
9 Colton's proposal to reallocate a portion of the late payment fees is not cost based and
10 unfairly results in higher rates for other customers, especially those who make timely
11 payments. The reallocation is in no way cost based and results in a rate increase for
12 the customer classes who would not benefit from Mr. Colton's reallocation.

13 **Q DO MOST UTILITIES RECORD LATE PAYMENT FEES AS OTHER REVENUE?**

14 A Yes. In Philadelphia alone both PECO Energy and Philadelphia Gas Works record
15 late payment fees as other revenue. The other revenues are included with total
16 revenues recovered from each rate class, which reduces the total revenue
17 requirement.

18 **Q WHAT DO YOU RECOMMEND?**

19 A I recommend that PWD continue its current practice of recovering late payment fees,
20 recording the fees as other revenues and allocating them to each rate class. PWD
21 should not reallocate any of the late payment fees to specific customer programs. Mr.
22 Colton's recommendation would not benefit all rate payers and should be rejected.

¹⁴ *Id.* at 8, 81, 93; Public Advocate Statement No. 1, Direct Testimony of Lafayette K. Morgan, Jr. and Jennifer L. Rogers at 23.

1 **TAP Enrollment**

2 **Q DOES THE PUBLIC ADVOCATE PROPOSE CHANGES TO PWD'S PROCESS FOR**
3 **ENROLLING TAP CUSTOMERS?**

4 A Yes, Public Advocate Witness Colton proposes a number of auto-enrollment
5 mechanisms generally tying TAP enrollment to participation in other low-income
6 assistance programs.

7 **Q DO YOU HAVE A COMMENT ON THE PROPOSALS TO AUTO-ENROLL TAP**
8 **CUSTOMERS USING DATA FROM OTHER LOW-INCOME ASSISTANCE**
9 **PROGRAMS?**

10 A Yes. The Rate Board should consider that every discounted TAP bill produces a
11 corresponding increase for the non-TAP customers. While PLUG is not taking a
12 specific position on the various auto-enrollment proposals presented by the Public
13 Advocate at this time, the Rate Board should be cognizant of the potential for
14 unreasonable rate increases resulting from the potential cost burden on non-TAP
15 customers. The cost of the program should be continually monitored and, if necessary,
16 controlled through appropriate consideration of program changes.

17 **Retroactive Arrearage Forgiveness**

18 **Q DOES THE PUBLIC ADVOCATE SPONSOR TESTIMONY PROPOSING**
19 **RETROACTIVE ARREARAGE FORGIVENESS FOR CERTAIN CUSTOMERS?**

20 A Yes. The Public Advocate's Witness Colton alleges PWD has improperly administered
21 the arrearage forgiveness component of TAP and requests that the Rate Board direct
22 PWD to provide accounting reports and issue retroactive arrearage forgiveness credits
23 for any customer that was eligible for arrearage forgiveness.¹⁵

¹⁵ Public Advocate Statement No. 3, Direct Testimony of Roger D. Colton at 63-64, 74-76.

1 Q DOES THE PUBLIC ADVOCATE ADDRESS THE COST IMPACT OF GRANTING
2 RETROACTIVE ARREARAGE FORGIVENESS?

3 A No. The Public Advocate's testimony does not address the rate impact to the non-TAP
4 customers.

5 Q WOULD IT BE APPROPRIATE FOR THE RATE BOARD TO APPROVE ISSUANCE
6 OF RETROACTIVE ARREARAGE FORGIVENESS WITHOUT A REVIEW OF THE
7 RATE IMPACT?

8 A No. Retroactive ratemaking is generally prohibited by the Pennsylvania Public Utilities
9 Commission. However, PLUG is not taking a position on the Public Advocate's
10 request for further accounting and investigation into PWD's administration of the
11 arrearage forgiveness component of its TAP. Any further rate adjustments resulting
12 from this investigation should be made public and subject to stakeholder review and
13 Rate Board approval.

14 **Conclusion**

15 Q WHAT FINDINGS SHOULD THE RATE BOARD MAKE BASED ON THE
16 RECOMMENDATIONS DISCUSSED IN YOUR REBUTTAL TESTIMONY?

17 A The Rate Board should make the following findings:

- 18 • Reject Public Advocate's revised class extra-capacity factors;
- 19 • Reject Public Advocate's proposed revenue allocation;
- 20 • Reject the proposal to allocate stormwater billing credits to all
21 stormwater customers;
- 22 • Reject the reallocation of late payment fees;
- 23 • Monitor the cost impact of TAP credits on non-TAP customers and
24 consider program changes as necessary to ensure just and
25 reasonable rates; and
- 26 • Reject the Public Advocate's proposal to award retroactive
27 arrearage forgiveness prior to holding public hearings on the rate
28 impacts to non-TAP customers.

29 Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

30 A Yes.
