

PHILADELPHIA WATER DEPARTMENT
REBUTTAL STATEMENT NO. 1

BEFORE THE
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

Re: Philadelphia Water Department Proposed Changes in Rates and Charges	2024 TAP-R Adjustment Proceeding
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Rebuttal Testimony

of

Raftelis Financial Consultants

on behalf of

the Philadelphia Water Department

Topics Addressed:

Average Monthly Number of TAP Participants

Average TAP Discount Per Participant

Monthly Consumption Per TAP Participant

Dated: May 6, 2024

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2
3 **1. PLEASE STATE YOUR NAMES AND POSITIONS.**

4 **1.** Our names are Jon Davis, Henrietta Locklear, Jennifer Tavantzis, and Simon Warren. We
5 are consultants working at Raftelis Financial Consultants (“RFC”) providing client-
6 specific advisory services for utilities, such as of the Philadelphia Water Department, also
7 referred to in this rebuttal testimony as “PWD” or the “Department.” Together we
8 constitute a panel from RFC that is testifying on behalf of the Department.

9
10 **2. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 **2.** In this rebuttal, we provide the Department’s response to the adjustments,
12 recommendations and criticisms that Mr. Lafayette Morgan has expressed in his direct
13 testimony (PA Statement 1, Schedules LKM-TAP-R-1 through LKM-TAP-R-6, and
14 Appendices A and B) on behalf of the Public Advocate.

15
16 We specifically address the following areas of Mr. Morgan’s testimony:

- 17 • Projected number of TAP participants for the Next Rate Period
18 • Average TAP discount per participant for the Next Rate Period
19 • Monthly Consumption Per TAP participant

20
21 **3. PLEASE IDENTIFY THE SCHEDULES THAT ACCOMPANY THIS**
22 **REBUTTAL TESTIMONY.**

23 **3.** The following schedule and exhibit accompany this rebuttal testimony:
24 Rebuttal Exhibit RFC-1: Average TAP Discounts per IDEA Pre-Qualified Participant as
25 of March 31, 2024

1 Schedule RFC-2.A: Resume of Simon Warren

2
3 Please note that the resumes of the other panel members from RFC were included in
4 Schedule RFC-2. Also appended to this testimony is RFC Rebuttal Exhibit 1.

5
6 **II. REBUTTAL TESTIMONY**

7
8 **4. PLEASE SUMMARIZE THE DEPARTMENT'S PROJECTION OF THE**
9 **NUMBER OF TAP PARTICIPANTS IN THE NEXT RATE PERIOD.**

10 **4.** RFC prepared the projections used in the Formal Notice that show approximately 34,000
11 additional customers will participate in TAP by August 2024. Refer to Schedule RFC-3
12 for more details.¹

13
14 **5. HAVE YOU EXAMINED THE DIRECT TESTIMONY AND SCHEDULES**
15 **FILED BY PUBLIC ADVOCATE WITNESS LAFAYETTE MORGAN?**

16 **5.** Yes, we have.

17
18 **6. PLEASE SUMMARIZE THE RECOMMENDATIONS MADE BY MR. MORGAN**
19 **ON BEHALF OF THE PUBLIC ADVOCATE.**

20 **6.** The Public Advocate appears to agree with increasing the projected number of TAP
21 participants in the Next Rate Period. There is disagreement, however, on the additional
22 number of TAP participants that can be expected from the City's efforts to increase
23

24
25 ¹ Note that in the initial version of Schedule RFC-3, 34,280 TAP customers were projected to be added to TAP
between December 2023 and August 2024. As 34,280 rounds to 34,000, the two numbers are used interchangeably
throughout this rebuttal testimony.

1 participation in TAP. There is also disagreement on the average TAP discount per
2 participant and the monthly consumption per TAP Participant.

3
4 We would note that the change in the number of TAP participants as well as changes in
5 the average TAP discount per participant and the monthly consumption per TAP
6 participant impacts factors in the formula used to calculate TAP Rider rates for the Next
7 Rate Period. So, changes in those “inputs” will result in different TAP Rider rates for the
8 Next Rate Period.

9
10 **A. AVERAGE MONTHLY NUMBER OF TAP PARTICIPANTS**

11
12 **7. THE DEPARTMENT’S TAP-R FILING ASSUMES 55,974 CUSTOMERS WILL**
13 **BE PARTICIPATING IN TAP BY JUNE 2024. WHAT IS THE LEVEL OF TAP**
14 **PARTICIPATION AS OF MARCH 31, 3024?**

15 **7.** Actual TAP participation was 49,658 as of March 31, 2024. TAP-enrolled customers are
16 counted as TAP participants each month that they receive a TAP bill.

17
18 The Department expects that TAP participation will average 55,974 participants per
19 month in the Next Rate Period, as we noted above. Actual and average enrollment and
20 participation have been significantly higher than they have been in the past because a
21 large group of new candidates have been enrolled in TAP via a new data-sharing “pre-
22 qualification” effort, at the recommendation and direction of the Rate Board and Public
23 Advocate. The City’s Office of Integrated Data for Evidence and Action (“IDEA”)
24 provided the Water Revenue Bureau (“WRB”) with a data set of candidates who were
25 pre-qualified by IDEA for enrollment in TAP because they participated in other

1 assistance programs that generally include eligibility of 133% of the federal poverty
2 guideline, according to that customer's household size, and so met TAP's income and
3 residency requirements, and were in the WRB billing system. WRB started enrolling
4 candidates from the IDEA data set on February 13, 2024 and TAP enrollment increased
5 rapidly.

6
7 **8. ARE THERE MORE CUSTOMERS IDENTIFIED VIA IDEA PRE-
8 QUALIFICATION THAT CAN POTENTIALLY BE ENROLLED?**

9 **8.** Yes. Refer to Exhibit RFC-1. Analysis of the initial IDEA dataset before pre-qualification
10 began showed that roughly 38,000 customers in the dataset of 53,407 were not already
11 TAP participants and were therefore eligible to be pre-qualified for TAP. However, to be
12 conservative, it was expected that 10% of eligible customers on the list would not be
13 successfully enrolled, such as those who have changed addresses or left the service area
14 entirely since participating in the partner program. 90% of 38,000 translates to 34,000,
15 but it is possible that more than 34,280 customers may be enrolled between December
16 2023 and August 2024. In other words, more than 34,000 new customers may be enrolled
17 in TAP once all processing is completed.

18
19 **9. IS THERE POTENTIAL FOR ADDITIONAL CUSTOMERS?**

20 **9.** Yes. While the current pre-qualification effort will begin to wind down as WRB finishes
21 processing all IDEA pre-qualified candidates in the coming months, and IDEA will
22 provide smaller data sets of pre-qualified candidates monthly, there are no plans for other
23 major pre-qualification efforts at this time. Customers can still apply to be in TAP via
24 paper or online applications, and the Department and WRB will continue outreach efforts
25 to enroll customers.

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10. HAS AN UPDATED VERSION OF SCHEDULE RFC-3 BEEN GENERATED?

10. Yes. Schedule RFC-3 has been updated utilizing a static copy of the basis2 database and reflects actual numbers of TAP participants, total TAP discounts, and sewer and water usage, among other things, through March 2024.²

11. FOR THE NEXT RATE PERIOD, HOW DOES THE DEPARTMENT’S PROJECTED AVERAGE MONTHLY NUMBER OF TAP PARTICIPANTS COMPARE TO MR. MORGAN’S PROJECTED AVERAGE MONTHLY NUMBER OF TAP PARTICIPANTS?

11. The table below shows the projected number of TAP participants under the Department and Public Advocate proposals.

Projected Number of TAP Participants for the Next Rate Period (September 2024 to August 2025)		
	Department’s Updated Schedule RFC-3 (Dated April 29, 2024)	Public Advocate’s LKM Workpapers (Provided in response to Discovery Request PWD-I-2)
<u>Actual</u>		
December 2023	21,694	21,694
January 2024	21,969	21,900*
February 2024	28,292	24,038*
March 2024	49,658	29,738*

² Updated Schedule RFC-3 was filed on April 29, 2024. Mr. Morgan’s testimony was filed on the same day.

<u>Projected</u>				
April 2024	55,974	12.72% **	41,138	39.79% **
May 2024	55,974	0.0% **	52,538	28.46% **
June 2024	55,974	0.0% **	54,260	3.35% **
July 2024	55,974	0.0% **	54,260	0.0% **
August 2024	55,974	0.0% **	54,260	0.0% **
Average monthly number of TAP participants (for Sept. 2024 to Aug. 2025)	55,974		54,260	
<p>* January 2024 to March 2024 presented as projections in Mr. Morgan’s testimony. In each instance during this period, the actuals exceed his projections, and in fact exceeded the projections in Schedule RFC-3 provided during the formal filing.</p> <p>** This shows the percentage change in the projected number of TAP participants from the prior month.</p>				

12. DO YOU AGREE WITH MR. MORGAN’S PROJECTED AVERAGE MONTHLY NUMBER OF TAP PARTICIPANTS FOR THE NEXT RATE PERIOD?

12. No.

1 **13. PLEASE STATE THE BASES FOR YOUR DISAGREEMENT WITH MR.**
2 **MORGAN’S PROJECTED AVERAGE MONTHLY NUMBER OF TAP**
3 **PARTICIPANTS FOR THE NEXT RATE PERIOD.**

4 **13.** Mr. Morgan assumed a 5% attrition rate to the projected addition of 34,280 customers to
5 TAP. In so doing, Mr. Morgan then applied this 5% reduction to each month’s count of
6 TAP participants, at the time of enrollment, meaning that he assumes each customer will
7 leave the program after being enrolled but before receiving a single TAP bill. This is not
8 what has happened in reality. This miscalculation is demonstrated in his projections for
9 January through March, where the numbers of IDEA-prequalified participants are already
10 known and are greater than his resulting projections as shown in the table above. [See
11 table above.] Note that although IDEA enrollment began in February, Mr. Morgan
12 applies his adjustment for IDEA participant enrollments in January.

13
14 **14. ARE THERE REASONS WHY THE DEPARTMENT DID NOT ENROLL ALL**
15 **OF THE CANDIDATES FROM IDEA?**

16 **14.** Yes. PWD has acknowledged that some of the candidates from IDEA would not be
17 eligible for TAP. That acknowledgment is reflected in part in the difference between the
18 projected enrollment of an additional 34,000 or so TAP participants out of the total
19 53,407 potential candidates identified by IDEA. Also reflected in this difference, aside
20 from ineligibility, is the fact that a number of candidates that came from IDEA were
21 already TAP participants.

22
23 We understand that WRB is planning a process for quality assurance with respect to
24 IDEA candidates. WRB will utilize quality assurance measures to confirm that the
25 enrolled candidates are assigned to the correct income tier and otherwise eligible for TAP

1 moving forward.

2
3 Despite the quality assurance measures, we do not anticipate that the actual monthly
4 number of TAP participants will fall below the projected additional 34,280 TAP
5 participants because there are over 35,000 new IDEA-pre-qualified TAP enrollees as of
6 this writing, and other candidates will continue to come from IDEA and from other
7 enrollment efforts by the Department and WRB. As noted above, we also know the
8 number of TAP enrollments will vary for other reasons (change of income, customers
9 leaving the service area, etc.).

10
11 **15. ARE THERE REASONS WHY THE DEPARTMENT WILL LIKELY ATTAIN A**
12 **HIGHER LEVEL OF ENROLLMENT THAN ESTIMATED BY MR. MORGAN?**

13 **15.** Yes. The roughly 34,000 IDEA pre-qualified TAP participants are an adjustment based
14 on the total of roughly 38,000 IDEA pre-qualification candidates who are not already in
15 TAP. It was assumed that approximately 10% of the approximately 38,000 would not be
16 enrolled successfully or would not remain in TAP over the long term. This assumption
17 (already incorporated in the 2024 TAP-R filing) more than addresses Mr. Morgan's
18 concerns that the full 34,280 will not be reached.

19
20 Please note that Mr. Morgan did not include the remaining pool of potential
21 new/prequalified TAP participants from IDEA in his analysis. He does not reflect the
22 fact that the Department realized higher levels of TAP participation in February and
23 March and that other TAP participants will continue to come from the remaining IDEA
24 list and as customer-initiated enrollees from other enrollment efforts by the Department
25 and WRB. Mr. Morgan concedes in his response to PWD discovery requests that he is

1 not aware of current TAP enrollment levels (over 35,000 at the time of this writing) as a
2 result of IDEA data sharing. We also assume he is unaware of the number of remaining
3 IDEA candidates still to be reviewed.
4

5 **16. DOES THIS PANEL BELIEVE THAT MR. MORGAN'S PROJECTED NUMBER**
6 **OF TAP PARTICIPANTS, IF ACCEPTED, WOULD BE GOOD FOR PWD OR**
7 **ITS CUSTOMERS?**

8 **16.** No. Mr. Morgan's proposals will contribute to a significant underfunding of the
9 Department and place additional pressures on financial reserves.
10

11 **17. IS THE DEPARTMENT CHANGING THE PROJECTED AVERAGE MONTHLY**
12 **NUMBER OF TAP PARTICIPANTS BASED ON MR. MORGAN'S**
13 **RECOMMENDATION?**

14 **17.** No. We believe that the Department's proposal is reasonable, since it takes into account
15 both the potential pool of additional enrollees into TAP and the continuing hardships
16 facing the Department's customers. In addition, the Department believes that it is
17 appropriate to use the most updated reporting through March 2024 in reconciling the
18 most recent period.
19

20 **B. AVERAGE TAP DISCOUNT PER PARTICIPANT**
21

22 **18. MR. MORGAN SUGGESTS THAT THE AVERAGE MONTHLY TAP**
23 **DISCOUNT, THAT IDEA PRE-QUALIFIED TAP PARTICIPANTS WILL**
24 **RECEIVE, IS \$20.906. DO YOU AGREE?**

25 **18.** No.

1 Mr. Morgan’s proposed average is based upon the bills for IDEA pre-qualified customers
2 between March 2023 and March 2024. Enrollment began in February and the data
3 provided in the responses utilized by Mr. Morgan already reflected the customers TAP
4 billed amount in February and March 2024. This means that many of the bills (close to
5 10%) used in his comparison have already been discounted. As a result, Mr. Morgan
6 incorrectly depresses the average discount amount.

7
8 **19. WHAT AVERAGE MONTHLY TAP DISCOUNT SHOULD BE USED FOR IDEA**
9 **PRE-QUALIFIED TAP PARTICIPANTS?**

10 **19.** Using customer-level records for the 26,566³ IDEA-prequalified TAP participants
11 enrolled in TAP as of March 2024, based on the April 2023 to March 2024 sewer and
12 water billed volume, each customer's water meter size, and the applicable PWD rates, we
13 can calculate each customer's usage-based charge, and using their income-based TAP
14 rate, we determined their actual March TAP Discount, as well as what their TAP discount
15 would have been in prior months, if they had been TAP participants. The average
16 monthly TAP discount for IDEA pre-qualified TAP participants enrolled in TAP as of
17 March 2024 was \$28.14. It should be noted that when the same calculation is applied to
18 the past 12 months, monthly average discount amounts for IDEA pre-qualified customers
19 range from a high of \$32.89 to a low of \$24.01, making it clear that IDEA pre-qualified
20 customers’ monthly average discount will vary over time just as other TAP customers’
21 discounts have varied in the past. See RFC Rebuttal Exhibit 1. It bears emphasis that the
22 average monthly discount for customer-initiated TAP enrolled customers is higher than
23 the range of average discount amounts for IDEA pre-qualified customers. As discussed

24
25 ³ 34 monthly billed volume records were omitted from this record set. The omitted records had both negative consumption and negative bills in the month owing to adjustments from a previous month and did not represent the customers' monthly consumption and discount for that month.

below the overall average discount for all TAP customers is higher than the average discount for IDEA pre-qualified customers.

20. HOW DOES THE DEPARTMENT’S AVERAGE TAP DISCOUNT PER IDEA PARTICIPANT COMPARE WITH THE PUBLIC ADVOCATE’S AVERAGE TAP DISCOUNT PER IDEA PARTICIPANT?

20. The table below shows the average simulated TAP discount per IDEA Participant of the Department and Public Advocate.

	Average TAP Discount Per IDEA Participant			
	Department’s Calculated Average Discount based on IDEA Tap Participation through March 2024			Public Advocate’s Proposal LKM Workpapers
	High	Average	Low	
Average Discount	\$32.89	\$28.14	\$24.01	\$20.91

21. FOR PURPOSES OF THE TAP-R RECONCILIATION CALCULATIONS, WHAT SHOULD THE OVERALL AVERAGE MONTHLY TAP DISCOUNT BE INCLUDING ALL CUSTOMERS?

21. Under the existing methodology, the average monthly TAP discount for all TAP participants is \$53.24. This is calculated by dividing the \$16,850,358 in projected total TAP discounts by the projected 316,520 participant bills between January 2023 and March 2024. This average takes into account customers enrolled in TAP via the customer-initiated approach and those enrolled via IDEA pre-qualification.

1 We recognize that IDEA-prequalified participants impact the average TAP discount, but
2 we also recognize that the average TAP discount has been highly variable over time. The
3 average TAP discount per participant for January 2024, the last month before IDEA
4 customers became participants, was \$60.86. We observe, however, that the average TAP
5 discount per participant for March 2024 fell to \$40.69.

6
7 We expect the average TAP discount to vary monthly, and we anticipate the average TAP
8 discount would increase with the upcoming base rate increase on September 1, 2024.

9
10 **22. DO YOU AGREE WITH THE AMOUNT OF MR. MORGAN'S AVERAGE TAP**
11 **DISCOUNT AMOUNT PER PARTICIPANT?**

12 **22.** No.

13
14 **23. PLEASE STATE THE BASES FOR YOUR DISAGREEMENT WITH THE**
15 **AMOUNT OF MR. MORGAN'S AVERAGE TAP DISCOUNT PER**
16 **PARTICIPANT?**

17 **23.** As alluded to above, Mr. Morgan has incorrectly calculated the discounts received by
18 IDEA-prequalified customers, thereby creating an inaccurate average monthly TAP
19 discount. Actual discounts for February and March 2024 were provided as part of the
20 update to Schedule RFC-3 (dated April 29, 2024). The actual discounts for February and
21 March are higher than the average TAP discount Mr. Morgan projects in his workpapers.

22
23 Mr. Morgan applies his calculated TAP discount to his estimation of IDEA pre-qualified
24 participants and applies the average from RFC-3 to traditionally enrolled participants.

25 Since the discount for IDEA pre-qualified participants is lower than experienced in

February or March, the resultant overall average is lower as well.

Mr. Morgan further reduces the IDEA pre-qualified participant Average Bill data by an estimate of the Senior Discount. The average bills provided in response to PA TAP 1-10 C and PA TAP 2-3 C already reflected the senior discounts, so this proposed adjustment is double counting the discount and results in a further understated estimate of the TAP Discount.

24. HOW DOES THE DEPARTMENT’S AVERAGE DISCOUNT PER TAP PARTICIPANT COMPARE WITH THE PUBLIC ADVOCATE’S AVERAGE DISCOUNT PER TAP PARTICIPANT?

24. The average discounts identified in the record are summarized below.

	Average Discount Per TAP Participant for the Next Rate Period (September 2024 to August 2025)		
	Original Filing Schedule RFC-3	Updated Schedule RFC-3 (Updated April 30, 2024), Original Methodology	Public Advocate’s Proposal LKM Workpapers
Average Discount	\$55.49	\$53.24	\$34.73 ⁴

25. ARE THERE REASONS WHY THE DEPARTMENT WILL LIKELY ATTAIN A HIGHER LEVEL OF AVERAGE DISCOUNT THAN THE AMOUNT CALCULATED BY MR. MORGAN?

25. Yes, there are several.

⁴ Based upon projected overall monthly TAP discount and TAP participation level for all enrollees (including IDEA participants)

1 First, as stated earlier, the \$34.73 average monthly TAP discount calculated by Mr.
2 Morgan assumes an inaccurately calculated TAP discount for IDEA pre-qualified
3 customers', artificially driving the average discount lower than it has been in reality for
4 February and March of 2024.

5
6 Second, the factors that are used to calculate the average TAP discount could change.
7 TAP customers' water and sewer billed volume could increase, as there is no price signal
8 to TAP customers to promote conservation once they surpass the level of consumption
9 where their regular bill would be more affordable. Also given the income-based TAP
10 bills will not increase when regular rates increase (i.e., September 1, 2024) also means
11 that discounts will increase during the Next Rate Period.

12
13 Last, the monthly average discount has varied month to month for TAP customers in the
14 past, and there are many reasons to expect that it will continue to vary moving forward.
15 The number of TAP participants may go up, and discounts may go down, which could
16 work in opposite directions, while Mr. Morgan's calculated average discount represents
17 an erroneous and understated average discount. Furthermore, WRB's planned efforts to
18 confirm eligibility could allow customers to get lower bills if the customers provide
19 specific income information and may affect the average discount.

1 **26. DOES THIS PANEL BELIEVE THAT THE AMOUNT OF MR. MORGAN'S**
2 **AVERAGE DISCOUNT PER TAP PARTICIPANT, IF ACCEPTED, WOULD BE**
3 **GOOD FOR PWD OR ITS CUSTOMERS?**

4 **26.** No. Mr. Morgan's proposals will lead to the continued under recovery of TAP discounts
5 that is currently being experienced.

6

7 **C. MONTHLY CONSUMPTION PER TAP PARTICIPANT**

8

9 **27. MR. MORGAN SUGGESTS THAT THE AVERAGE MONTHLY TAP USAGE**
10 **FOR IDEA PRE-QUALIFIED TAP PARTICIPANTS IS 536.65 CFS. DO YOU**
11 **AGREE?**

12 **27.** We agree that his calculation is close to the calculated average of usage for customers
13 included in TAP-2-10 and TAP-3-2. However, we do not believe that the average is the
14 most meaningful data point for usage, especially since there can be zero meter reads,
15 negative usage, or high usage associated with a true-up.

16

17 **28. WHAT IS THE AVERAGE MONTHLY USAGE FOR IDEA PRE-QUALIFIED**
18 **TAP PARTICIPANTS?**

19 **28.** Utilizing the last 12 months of data the average monthly usage for IDEA pre-qualified
20 TAP participants would be 538.5 CFs of water. This is based upon a total number of
21 26,566 IDEA pre-qualified TAP participants as shown in the response to PA-TAP-2-3.

22

23

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25

1 **29. WHAT IS THE OVERALL AVERAGE MONTHLY TAP USAGE (INCLUDING**
2 **ALL CUSTOMERS)?**

3 **29.** The overall average monthly TAP usage would be 702 CF based upon the reporting data
4 through March 2024 as presented in the updated version of Schedule RFC-3 filed with
5 the Rate Board on April 29, 2024.

7 **D. IMPLEMENTATION OF TAP RATES**

8 **30. HOW DOES MR. MORGAN’S PROJECTED TAP NET RECOVERABLE COSTS**
9 **COMPARE WITH THE DEPARTMENT’S PROJECTION?**

10 **30.** The tables below show the proposed total TAP net recoverable costs and the proposed
11 TAP-R surcharge rates using the TAP participation assumptions of the Department
12 (Column 2) or the Advocate (Column 3).

TAP Net Recoverable Costs		
Component	Original Filing	Public Advocate Schedule LKM-TAP-R-1⁵
Projected TAP Billing Loss	37,272,060	22,615,700
Experienced & Estimated Net Over/Under Collection	(14,245,076)	(8,476,735)
Interest on Experienced & Estimated Net Over/Under Collection	(441,727)	(371,551)
TAP Net Recoverable Costs	\$51,958,864	\$31,463,986

25 ⁵ Source: LKM-TAP-R-1. This information is consistent with the workpapers and schedules Mr. Morgan provided and inconsistent with the table on page 5 of his testimony.

TAP-R Surcharge Rates		
	Department's Original Filing Schedule BV-1	Public Advocate's Schedule LKM-1
TAP-R Surcharge		
Water	\$4.19 /MCF	\$2.55 /MCF
Wastewater	\$6.04 /MCF	\$3.64 /MCF

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9 **31. DO YOU HAVE ANY COMMENTS ON THE CALCULATIONS OF THE TAP**
10 **RIDER RATES USING THE ADVOCATE'S PROJECTED NUMBER OF TAP**
11 **PARTICIPANTS, AVERAGE DISCOUNT PER TAP PARTICIPANT AND**
12 **MONTHLY CONSUMPTION PER TAP PARTICIPANT?**

13 **31.** No.
14

15 **III. CONCLUSION**

16 **32. WHAT IS YOUR OVERALL RECOMMENDATION WITH RESPECT TO THE**
17 **2024 TAP ADJUSTMENT?**

18 **32.** The Rate Board should approve the Department's proposal, using 55,974 as the average
19 monthly number of TAP participants, and reflect the actual results through March 2024.
20 The Department recognizes that the average discount per TAP has been decreasing with
21 the addition of IDEA enrollees. However, it is not decreasing to the degree Mr. Morgan
22 suggests. The lowest observed monthly discount per participant, based upon reporting
23 through March was \$40.69. Please note that settlement negotiations between the
24 Department and Public Advocate are being initiated this week.
25

1 In conclusion, please recognize that the Department’s proposal takes into account the
2 potential pool of enrollees from IDEA and LIHWAP into TAP. The Department is taking
3 steps to maximize the enrollment of customers in TAP. Failure to provide cost recovery
4 for new enrollees will place additional pressure on Department’s financial reserves, since
5 TAP provides a discount to customer bills. Underfunding the participation in TAP, by
6 using a lower number of TAP participants or understated TAP discount, will result in
7 pressure upon the Department’s financial reserves to cover the lost revenues of the
8 additional (unprojected) participants. In turn, that will also increase the under-recovery
9 that other customers will face in the next TAP adjustment proceeding.

10
11 The difference between the Department’s and the Public Advocate’s net recoverable
12 costs is over \$20.5 million. Adoption of Mr. Morgan’s recommendations would lead to
13 additional lost revenues.⁶

14
15 **33. DO YOU HAVE ANY FINAL COMMENTS?**

16 **33.** Yes. It is our understanding that the Department is willing to discuss the settlement of
17 some or all of its proposals in this TAP proceeding.

18
19 **34. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 **34.** Yes, it does.

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⁶ Based on comparison of Next Rate Period Total TAP Discount in Schedule RFC-3 or TAP Billing Loss (Total) in
Schedule BV-1 with Public Advocate Statement 1 at 5 (Table) and TAP Billing Loss (Total) in Schedule LKM-1.