

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

Philadelphia Water Department Proposed Changes in Rates and Charges	2025 TAP-R Reconciliation Proceeding
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**MAIN BRIEF OF THE  
PHILADELPHIA WATER DEPARTMENT**

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Andre C. Dasent, Esquire  
Commerce Square  
2001 Market Street, 25th Floor  
Philadelphia, Pennsylvania 19103  
(267) 624-3503

Neal Sellers, Esquire  
Alexandra Athanasiadis, Esquire  
Philadelphia Law Department  
1515 Arch Street, 17<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19102

Carl R. Shultz, Esquire  
Renaldo Hicks, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8<sup>th</sup> Floor  
Harrisburg, Pennsylvania 17101

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Counsel to Philadelphia Water Department

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## **I. INTRODUCTION**

### **A. Statement of the Proceeding.**

The Philadelphia Water Department (“PWD” or “Department”)<sup>1</sup> proposes to implement the annual reconciliation adjustment to the Tiered Assistance Program Rate Rider (“TAP-R”) so as to charge revised TAP-R surcharge rates in accordance with the rider approved in this proceeding by the Philadelphia Water, Sewer and Storm Water Rate Board (“Rate Board” or “Board”).

The Department’s **primary** position is its **amended** proposal. The amended proposal is reasonable and should be adopted by the Rate Board. The Department’s amended proposal is based on the most recent 7 months of actual data in the Most Recent Rate Period (September 2024 to March 2025). The amended proposal can be found in Schedule RFC-4 and Schedule BV-6 and is summarized in [PWD Hearing Exhibit 2](#) (column 5). The Department’s amended proposal differs from the Department’s original proposal (as set forth in the Formal Notice) because the original proposal was based on the 3 months data in the Most Recent Rate Period (September 2024 to November 2024). The Department’s **secondary** position is its original proposal,<sup>2</sup> which can be found in Schedule BV-2 and is summarized in [PWD Hearing Exhibit 2](#) (column 4). The Department’s **tertiary** position<sup>3</sup> is the proposal based on the 12-month average of the most recent months of data. [PWD Hearing Exhibit 2](#) (column 3).

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<sup>1</sup> The Department and Water Revenue Bureau are referred to collectively in this brief, unless the context indicates otherwise.

<sup>2</sup> If the Rate Board concludes that the Department’s amended proposal is unreasonable, the Department submits that the Department’s original proposal is reasonable and should be adopted by the Rate Board.

<sup>3</sup> Should the Rate Board conclude that the Department’s original proposal and amended proposal are unreasonable, the Department submits that the proposals in Column 3 of [PWD Hearing Exhibit 2](#) are reasonable and should be adopted by the Rate Board.

The Public Advocate makes two recommendations in this proceeding. Its first recommendation is based on its testimony (PA Statement 1). Its second (or amended) recommendation is based on a discovery response provided during the course of the proceeding and is reflected in the revised workpapers of its witness (LKM Workpapers).<sup>4</sup> Ironically, the Department would be in a better position using the current TAP-R surcharges (which are producing a significant under-recovery) than using either of the TAP-R surcharges recommended by the Public Advocate (“Advocate” or “PA”). This is shown in Table 2 below. The fundamental problem with the Advocate’s recommendations is that they do not reasonably reflect what the Department experienced from September 2024 to March 2025 or what the Department is likely to experience in the Next Rate Period.

Stated differently, the Advocate’s recommendations are based on only 3 months of data in the Most Recent Rate Period (September 2024 to November 2024). In addition to those 3 months, the Advocate looked back to data in the Prior Rate Period. Please note that both of the Advocate’s recommendations rely on data that pre-dates the start of the IDEA enrollment in February 2024. Such older data with associated lower base rates, lower participation levels, lower average discounts and higher usages **are not representative** of what is happening today or what is expected to occur in the Next Rate Period.

The proposed rates contained in the Department’s proposals<sup>5</sup> (i) provide a fair, just and reasonable TAP-R reconciliation adjustment; (ii) are supported by the record; (iii) are in

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<sup>4</sup> See, PA responses to PWD Set II-3.

<sup>5</sup> The Department’s positions are described on page 1 of this Brief. For ease of reference, this Brief generally refers to the Department’s primary position, i.e., the Department’s amended position – unless otherwise noted by the text or context. The Department’s secondary and tertiary positions are described on page 1 of this Brief.

compliance with all applicable ordinances; and (iv) are in the best interests of the Department and its customers.

Specifically, the Department's primary proposal asks the Rate Board to adopt the proposed TAP-R rates supported by Schedule RFC-4 and Schedule BV-6 for service rendered on and after September 1, 2025. The effect is an increase in water and wastewater TAP-R surcharges, as summarized in Table 1 below.

<b>Table 1: Current TAP-R Rates and the Department's Proposed TAP-R Rates</b>			
	<b>Current</b>	<b>Department's Amended Proposal</b>	<b>Department's Amended Proposal with Modified Cost Allocation</b>
	<u>2024 TAP Rate Determination</u>	Schedule RFC-4 Schedule BV-6	Appendix B
Water TAP-R Surcharge	\$3.08 /MCF	\$4.17 / MCF	\$4.26 /MCF
Wastewater TAP-R Surcharge	\$4.40 /MCF	\$6.10 / MCF	\$6.03 /MCF
Cost Allocation Between Utilities	42% Water 58% Wastewater		43% Water 57% Wastewater

Please note that the surcharge rates adopted by the Rate Board should reflect the Stipulation between the Department and the Advocate. The Stipulation (entered into after the technical hearings) provides for a different apportionment/allocation of costs between the water and wastewater utilities (43% Water, 57% Wastewater). The aforesaid change is reflected in Department's Amended Proposal (column 4) above.

## **B. Procedural History.**

On February 18, 2025, the Department filed its [Advance Notice](#)<sup>6</sup> of proposed changes to TAP-R rates, proposed to become effective for the period September 1, 2025 to August 31, 2026 (“Next Rate Period”). The Department filed its [Formal Notice](#)<sup>7</sup> of the proposed reconciliation adjustments was filed with the Department of Records on March 31, 2025.

Both Notices contained supporting statements, schedules, and exhibits as required by the regulations (Sections II.A.2 and II.C.1) promulgated by the Rate Board.<sup>8</sup> Specifically, they contained schedules (Schs. BV 1-5, Schs RFC 1-3) and exhibits (PWD Exhs. 1A and 1B) setting forth the calculations of the reconciliation and proposed rates and charges. The proposed TAP-R rates and charges are designed to take effect for the Next Rate Period.

The general public was notified of the 2025 TAP-R filing through information made available on the Rate Board’s website,<sup>9</sup> and legal notices related to the Advance and Formal Notices published in local newspapers. In addition to the foregoing, the Service List from the 2024 TAP-R Reconciliation proceeding was used to notify interested parties by e-mail of the instant proceeding and provided an opportunity to participate.

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<sup>6</sup> <https://www.phila.gov/media/20250218165544/2025-TAP-R-Reconciliation-Proceeding-Advance-Notice.pdf>

<sup>7</sup> <https://www.phila.gov/media/20250401173653/Formal-Notice-of-Proposed-Changes-in-Rates-and-Charges-Annual-Adjustment-of-Tiered-Assistance-Program-Rate-Rider-Surcharge-Rates-TAP-R-Final-Proposed-TAP-R-Reconciliation-Statement.pdf>

<sup>8</sup> The Advance Notice and Formal Notice referenced above are sometimes collectively referred to as the “2025 TAP-R filing.”

<sup>9</sup> <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-tap-r-proceeding/>

A [prehearing conference](#) to address preliminary procedural issues was held (remotely via Zoom, a video teleconferencing platform) on April 8, 2025, following the deadline to register as a participant as of right, per Section I(m) of the Board’s Regulations. All participants were invited to attend. In addition, notice of the prehearing conference was posted on the Rate Board’s website. At that prehearing conference, a schedule was adopted, and directives were issued regarding discovery and the holding of hearings. These determinations were memorialized in a [Prehearing Order](#) dated April 10, 2025.

The participants in the 2025 TAP-R proceeding included the Department; the Advocate (represented by Community Legal Services, selected by the Rate Board to represent the concerns of residential consumers and other small users); the Philadelphia Large Users Group (“PLUG” or “Large Users Group”);<sup>10</sup> and, two separate (*pro se*) individual customers, Lance Haver and Michael Skiendzielewski.

The Advocate submitted written information requests to the Department by e-mail on (a) [April 3, 2025](#) to which PWD responded on [April 10, 2025](#) and April 29, 2025<sup>11</sup>; and, (b) [May 5, 2025](#) to which PWD responded on [May 7, 2025](#). The Department submitted written information requests to the Advocate by email on (a) April 22, 2025 to which the Advocate responded on [April 29, 2025](#);<sup>12</sup> and, (b) [April 24, 2025](#) to which the Advocate responded on [April 29, 2025](#). No

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<sup>10</sup> The Philadelphia Large Users Group is an *ad hoc* group of large volume customers receiving water, sewer, and stormwater service from the Department under the Industrial and Hospital/University Rate Schedules.

<sup>11</sup> Three documents were filed: Response Attachment to [PWD Data Requests Set I Question 1](#); Supplemental Response to [PWD Data Requests Set I Question 2](#); and Supplemental Response Attachment to [PWD Data Requests Set I Question 2](#).

<sup>12</sup> Four documents were filed: Advocate [Responses to PWD Data Requests Set II](#); Advocate [Response Attachment PWD-II-3A](#); Advocate [Response Attachment PWD-II-3B](#); PA Modified Schedule RFC-3 REVISED; Advocate [Response Attachment PWD-II-3C](#).

other participant sent information requests to other participants. Copies of the information requests and responses are posted on the Rate Board's website.

The [schedule](#)<sup>13</sup> for the proceeding provided that written testimony in response to the Department's proposed annual adjustment, if any, would be submitted by April 21, 2025. On that date, the Advocate filed testimony ([PA Statement 1](#)) stating its disagreement with the Department's projections. No other participant in this proceeding submitted written testimony.

In PA Statement 1, the Advocate's witness Lafayette Morgan, recommended (a) a lower projected number of TAP participants for the Next Rate Period than the Department's corresponding projection of 60,827. In PA Statement 1, Mr. Morgan also recommended that: (b) the average discount per TAP Participant be reduced from the Department's projected average discount of \$54.62; (c) the collection factor established in PWD's 2025 general rate proceeding be used as opposed to the 96.99% collection factor used by the Department; and, (d) that allocation of costs between the water and wastewater utilities established in PWD's 2025 general rate proceeding be used as opposed to the allocation of 42% for water and 58% for wastewater used by the Department. Mr. Morgan (by way of a response to an information request) amended his testimony.<sup>14</sup> Mr. Morgan's [amended recommendation](#)<sup>15</sup> projects a lower average discount per

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<sup>13</sup> <https://www.phila.gov/media/20250411155326/TAP-R-PHC-ORder-2025-FINAL.pdf>

<sup>14</sup> See footnote 12.

<sup>15</sup> We note that in his amended workpapers as included on the record, Mr. Morgan relies on PWD's original projected enrollment for the months of December 2025 to August 2025, the average enrollment used for these months is 59,757. This figure is higher than that proposed by Mr. Morgan of 56,041, which he applies only for the C-Factor. This is important as it impacts the calculation of the E-Factor in this proceeding. Mr. Morgan's assumptions and analysis are incorrectly applied and inconsistent in both his original and modified proposals. This further demonstrates why his calculations should not be relied upon here.



TAP Participant at \$47.72 — rather than the Department's above-stated projected average discount of \$54.62.

In response to an information request of the Advocate, the Department provided updated actual data through March 2025 regarding the number of TAP participants, the discounts provided and consumption. This updated data was provided as a [supplemental response](#) and [attachment](#) regarding PA TAP Set I-2. That updated data is the basis for the Department's amended proposal.

Written rebuttal testimony was due May 2, 2025. On that date, the Department filed rebuttal testimony ([PWD Rebuttal Statement 1](#)) stating disagreements with the Advocate's recommendations. PWD Rebuttal Statement 1 was based primarily on the Department's supplemental response and attachment to PA TAP Set I-2. The analysis of the updated data through March 2025 is summarized in [Schedule RFC-4](#) (which was attached to PWD Rebuttal Statement 1).

On May 8, 2025, upon proper notice being provided, a technical hearing and a separate public input hearing were convened to allow PWD customers the opportunity to express their concerns or opinions concerning the proposed TAP-R adjustment. These hearings were conducted remotely via Zoom online.

The stenographic transcripts of the public input and technical hearings are posted on the Rate Board's website. The Department submitted a [presentation](#) to summarize the proposed annual TAP-R adjustment. No members of the public appeared to comment on the annual TAP-R adjustment at the public input hearing. The technical hearing was held immediately after the

public input hearing.<sup>16</sup> The Department, Advocate, and PLUG participated in the technical hearing. The witnesses for the Department that were tendered for cross-examination included Raftelis Financial Consultants (“Raftelis” or “RFC”) and Black & Veatch Management Consulting LLC (“Black & Veatch” or “BV”). The witness presented by the Advocate, Lafayette Morgan, was also available for cross-examination. During the technical hearing, the Department presented PWD Hearing Exhibits 1 through 3.

During the technical hearing, both the Department and the Advocate expressed willingness to engage in settlement discussions. A full Settlement was not reached by and between the Department and the Advocate.

Following the technical hearing, the Department and the Advocate stipulated the resolution of two issues presented by the Advocate. PWD submits this Brief in support of the Department’s Amended Proposal.

The Hearing Officer indicated (per the [schedule](#)) that any participant could submit a Reply Brief or statement in opposition to the Settlement on or before May 23, 2025.

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<sup>16</sup> One member of the public appeared during the TAP-R technical hearing and was permitted to testify even though the public input hearing had concluded.

## II. LEGAL STANDARDS

The TAP-R rates must be fair and reasonable and consistent with the Philadelphia Home Rule Charter<sup>17</sup> and with relevant ordinances<sup>18</sup> and regulations.<sup>19</sup> The governing legal standards are discussed more fully in the Department's Brief in the 2021 General Rate Proceeding,<sup>20</sup> which is incorporated herein by reference.

Consistent with the foregoing and the Rate Board's 2018 General Rate Determination<sup>21</sup> (which set forth the basis for calculating and adjusting the TAP-R rates), PWD reviews and proposes adjustments to the TAP-R rates annually to account for changes in actual and projected TAP costs (as defined in the 2018 Rate Determination) and the extent to which those costs were over- or under-recovered during a prior period.<sup>22</sup>

The program and rider<sup>23</sup> have been described as follows:

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, to permit annual reconciliation if they are greater or less

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<sup>17</sup> Sections 5-800 and 5-801 of the Charter.

<sup>18</sup> Philadelphia Code, Sections 13-101 (Fixing and Regulating Rates and Charges) and 19-1605 (Limitation on Action to Enforce Collection; Income-Based Water Rate Assistance Program).

<sup>19</sup> Rate Board Regulations; Water Department Regulation 206.0 (Income-Based Water Rate Assistance Program); Water Department Rates and Charges, 10.0 (Provisions for recovery of TAP costs).

<sup>20</sup> <https://www.phila.gov/media/20210513093206/Brief-May-11-2021.pdf>.

<sup>21</sup> <https://www.phila.gov/media/20180713144736/2018-RATE-DETERMINATION-TIMESTAMPED.pdf>.

<sup>22</sup> TAP was approved by the Rate Board as part of PWD's 2016 rate filing. The TAP-R rate rider and the means of its calculation were approved as part of PWD's 2018 rate filing. The Rate Board adjusted the TAP-R rates and charges in the 2019, 2020, 2021, 2022, 2023 and 2024 TAP-R annual reconciliation proceedings.

<sup>23</sup> The terms "rider" or "tariff" refer to Water Department Rates and Charges, 10.0 (Provisions for recovery of TAP costs).

than projected. The TAP-R surcharge is charged to customers who do not receive the discount.<sup>24</sup>

The formula within the rider has been generally described as follows:

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 [(i.e., the projected number of TAP Participants)], 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 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.<sup>25</sup>

Annual adjustment proceedings, such as this year's proceeding, are limited to the application of the formula. Changes to TAP and TAP-R Rider are proposed, reviewed and authorized in general rate proceedings.<sup>26</sup>

### **III. THE PROPOSED TAP-R ADJUSTMENT**

This proceeding is a TAP-R reconciliation or annual adjustment. It is not a general rate case. TAP costs (defined in 2018 Rate Determination) are recovered outside the general rate case by means of the separately administered TAP-R Rider, which provides for an annual reconciliation of revenues and expenses.

The purpose of this proceeding is to undertake an annual reconciliation of the revenue impacts associated with TAP-R by using the Department's actual experience to make projections for the TAP-R rates for the Next Rate Period. Those projections for the Next Rate Period are later

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<sup>24</sup> 2021 TAP-R Determination, at 1.

<sup>25</sup> 2021 TAP-R Adjustment Proceeding, Hearing Officer Report, at 4-5.

<sup>26</sup> *Id.* See also the 2021 general rate determination which addressed two unsettled issues relating to TAP arrearage forgiveness.

(i.e., in the next TAP-R proceeding) compared and reconciled against the Department’s actual experience in the Next Rate Period.

In the instant proceeding, the Department and Advocate were unable to agree upon the TAP-R rates for FY 2025 or upon the associated projections for the remainder of the Most Recent Period and the Next Rate Period. Table 2 below summarizes the differences between the positions of the Department and the Advocate.

<b>Table 2: Comparison of Proposals for TAP-R Surcharge Rates</b>			
	<b>Department’s Original Proposal &amp; Amended Proposal</b>	<b>Current</b>	<b>Advocate’s Original Proposal &amp; Amended Proposal*</b>
	Formal Notice, <u>Schedule BV-1</u>  Schedule RFC-4 * Schedule BV-6 *	<u>2024 TAP Rate Determination</u>	<u>LKM Testimony</u> <u>LKM Workpapers*</u>
Water TAP-R Surcharge	\$3.87 / MCF \$4.17 /MCF *	\$ 3.08 /MCF	\$2.93 /MCF \$2.98 /MCF*
Wastewater TAP R- Surcharge	\$5.67 /MCF \$6.20 / MCF *	\$ 4.40 /MCF	\$4.30 /MCF \$4.37 /MCF*
	* Only the PWD Amended Proposal shown above reflects the recently negotiated stipulation between these two participants (43% Water, 57% Wastewater allocation). The PA amended proposal shown above does not.		

Consistent with the premise of using the Department’s actual experience to make projections for the TAP-R rates for the Next Rate Period, PWD used the most recent available data (for the Most Recent Rate Period) to make its projections for the remainder of the Most Recent Period and the Next Rate Period. At first, the Department used 3 months of data

(September 2023 to November 2023). Those months were used because that data was available to support the Advance Notice and the Formal Notice. The Department amended its position to include four additional months of actual data, so the Department's amended proposal is based on the most recent 7 months of data in the Most Recent Rate Period (September 2024 to March 2025). It bears emphasis that the Amended Proposal includes the most recent data available at the time of the technical hearing (through March 2025) which was submitted at the request of the Advocate. In years past, such updated data was included in the reconciliation analysis and reflected in the determination.

The Advocate expressed displeasure with the use of data through March 2025 as the basis for the PWD Amended Proposal. Transcript at 17, 28-29. The displeasure appears to be based on the outcome rather than the analysis, given that the proposed surcharges are higher using the most recent data (as shown in Table 2 above) when compared to the Department's original proposal. A purely outcome-based approach (targeting the lowest surcharge rates) isn't the goal of a reconciliation proceeding. This proceeding must be data driven. The question is only whether the data is representative.

The Department's primary proposal<sup>27</sup> is reasonable for the following reasons.

First, this is a reconciliation proceeding. Reconciliation is data driven. In the past, the Department has updated its position when additional and more recent data are more representative of what the Department is likely to experience in the remainder of the Most Recent Period and the Next Rate Period. In the instant context, the Department should not be bound by the original filing, if additional and more recent data show a different trend. Not using

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<sup>27</sup> See page 1 of this Brief and footnote 5.

the most recent data will make it more likely that projections for the remainder of the Most Recent Period and the Next Rate Period will miss the mark (customers will experience an under-recovery or an over-recovery).

It is reasonable to avoid either an under-recovery or over-recovery since they both have consequences. With under-recovery, customers must pay more later. With over-recovery, customers must pay more now. Artificially low TAP-R surcharges, such as those proposed by the Advocate, make current customer interests paramount over future customer interests (who will have to shoulder the consequences of under-recovery of today's TAP-R costs) as well as over the long-term interests of the Department (which must rely on today's cash reserves to cover the TAP-R costs not being paid by today's customers). Rather than shifting costs to future ratepayers, it is a reasonable goal to avoid either an under-recovery or over-recovery, so that the TAP-R surcharges reflect the costs within one "rate period" (September to August). That goal may not be perfectly obtained, but it should not be disregarded to the detriment of future customers and the Department.

Second, projections and reconciliations under the TAP-R rider are driven by data. They should not occur in a vacuum or be random (arbitrary). Being as accurate as possible will minimize changes in the E-Factor, which measures over-recovery or under-recovery. If the Rate Board is working to be as accurate as possible, it should use projections based on the most recent data. Actual data through March 2025 should be used in the determination of the E-Factor (as it relates to the Most Recent Period). Further, projections using more recent actual data from the Most Recent Rate Period are more representative of what the Department is likely to experience

during the remainder of the Most Recent Period and in the Next Rate Period, as compared to projections using older data from the Prior Rate Period.<sup>28</sup>

Please recall that, in the current proceeding, the Advocate requested more recent data than in the Department's original filing. In response, the Department provided such data for December 2024 through March 2025. For whatever reason, the Advocate did not incorporate any of that more recent data into its amended proposal. Instead, the Advocate incorporated data from one older month, December 2023 (which is before the IDEA enrollments started in February 2024), into its amended proposal. Adding that older month had mixed results in: (i) increasing the Advocate's projected surcharges by \$0.07 or less (see Table 1 above), and (ii) increasing the Advocate's projected average monthly discount by \$0.46 (see Table 8 below). The reduction conflicts with the upward trend in average monthly discount per TAP participant experienced by the Department and shown in Table 3 below.

Third, the Advocate's criticisms of the most recent data are misplaced. The Advocate expressed criticism of the most recent data because the data could change over time with different "pulls" (batches of data pulled or retrieved at different points in time). RFC acknowledged that *de minimis* changes do occur and that such changes occur more frequently with newer data than with older data. Transcript at 51-53. That being the case, it does not justify ignoring the more recent data in its entirety. But the Advocate's position does just that. It ignores all of the data for December 2024 through March 2025. It would be more reasonable to propose some adjustment to the most recent data, rather than ignoring all of it. The Advocate also appears to be critical of the most recent data because the first six months of a given "rate period" tend to

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<sup>28</sup> This point is examined in greater detail below.



be higher than the second six months of such “rate period.” As a part of this criticism, the Advocate does not explain why it is better or more reasonable to use the first three months of a rate period (September to November) as opposed to seven months of the same rate period (September to March). In short, the Advocate, fails to explain why it makes sense to ignore the most recent data.

Fourth, projections using more recent actual data from the Most Recent Rate Period are more likely to correct the current under-recovery of TAP surcharges. Please note that the current TAP-R surcharge under-recovers lost revenues as evidenced by the negative E-Factor in the TAP-R formula. See, Schedule BV-1. Simply put, under-recovery puts immediate financial stress upon the Department because it must rely on its cash reserves to cover costs that are not being recovered under TAP-R surcharges. Under-recovery also shifts costs to future customers. Those future customers face increased TAP surcharges due to under-recovery of costs in prior “rate periods.” PWD would like to correct the current under-recovery of lost revenues in this reconciliation proceeding.

#### **A. Annual Adjustment Issues Raised by the Advocate**

Projections for the remainder of the Most Recent Period and the Next Rate Period are based on numerous data points and assumptions. The data and assumptions can be found in Rate Rider Reporting Model, which was submitted by the Department as [Schedule RFC-3](#) (original) and [Schedule RFC-4](#) (amended proposal with updated data).

Five issues were raised by the written testimony on behalf of the Advocate: (1) Projected Number of TAP Participants; (2) Projected Average Discount Per TAP Participant; (3) Projected

Usage Per TAP Participant; (4) Projected Collection Factor; and (5) Projected Cost Allocation Between Water and Wastewater. Each issue is addressed in the sections below.

Please note that the Public Advocate’s testimony and exhibits in this proceeding did not propose any changes to the Department’s projected water and wastewater billed volumes for the Next Rate Period which are included in the TAP-R Formula as the S-Factor.<sup>29</sup> During the technical hearings, the basis of the S-Factor projections was discussed, during which the Public Advocate witness indicated “If I were doing the update today, I would use the most recent updated numbers, which would capture 12 months.” Transcript at page 75 lines 1 to 3. There is no disagreement between the participants as to this issue.

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## **1. Projected Number of TAP Participants**

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The Advocate disagrees with the Department’s projections during the remainder of the Most Recent Period and the average number of TAP participants in the Next Rate Period. The Advocate initially recommended a lower average number of TAP Participants. Based on 11 months of data<sup>30</sup> (from January 2024 through November 2024), the Advocate projects that the average number of TAP participants for the Next Rate Period should be 56,041. The Advocate

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<sup>29</sup> The Water Department utilized 12 months of actual data for the basis of the S-Factor in both PWD’s original filing (see Schedule BV-1) and its updated version submitted with rebuttal (see Schedule BV-6). The S-Factor should be based upon the most currently available data. The Water Department’s methodology and position, as to this issue, are uncontested on the record.

<sup>30</sup> Confusingly, Mr. Morgan’s written testimony states that he used 7 months of data from May 2024 through November 2024. PA St. 1 at 9. In doing so, he stated that he believes “it would inappropriate to capture any change in the number of participants for the period before May 2024.” PA. St. 1 at 10. His discovery responses confirm that he used 7 months of data (May 2024 through November 2024) to project the actual rate of change of TAP participation. *Id.*; PA Response to PWD Set II, Question 1. However, his workpapers showed that he used 11 months of data (from January 2024 to November 2024). He amended part of his written testimony to say that he intended to use 12 months of data (from December 2023 to November 2024). See, PA Response to PWD Set II, Question 3. On its face, that amendment did not change Mr. Morgan’s position on using data before May 2024.

amended its position to include one additional month of data (December 2023). The Advocate’s [amended recommendation](#) projections are based on 12 months of data (from December 2023 to November 2024) to project the number of TAP participants and the average TAP discount for the Next Rate Period.

PWD submits that the Advocate’s position is unreasonable based upon the actual number of TAP participants in the recent past. The historic and recent actual numbers of TAP participants are shown in Table 3 below. The number of TAP participants means the “number of unique customers issued a TAP bill during the period in question.” See, Schedule BV-3 at 1. Please note that the actual number of TAP participants is dramatically higher now than a year ago (in April 2024). The increase in the TAP participation is the upshot of the Department’s efforts to include more income eligible households in TAP through data sharing with other City agencies. IDEA enrollments began on February 13, 2024.

<b>Table 3: Actual Number of TAP Participants</b>	
<b>Rate Period Month - Year</b>	<b>TAP Participants (Actual)</b>
<b>Prior Rate Period</b>	
September 2023	20,145
October 2023	20,809
November 2023	21,341
December 2023	21,694
January 2024	21,854
February 2024	28,110
March 2024	49,252
April 2024	57,155

May 2024	57,602
June 2024	54,185
July 2024	58,344
August 2024	58,618
<b>Most Recent Rate Period</b>	
September 2024	59,305
October 2024	60,225
November 2024	56,464
December 2024	60,300
January 2025	60,481
February 2025	59,037
March 2025	64,283

Table 3 shows what has been experienced by the Department. Notably, the monthly number of TAP participants in the Most Recent Rate Period is trending significantly higher than months of September 2023 through January 2024. Those 5 months are before the start of the IDEA enrollments, which began in February 2024. The months after February 2024 show the “ramp-up” of enrollment in TAP based on IDEA enrollment as well as other enrollment efforts.

The last month of actual data for TAP participants presented in this proceeding is March 2025, as shown in Table 3. Perforce the average number of TAP participants for the Next Rate Period (September 2025 to August 2026) must be projected, since actual data is not available for succeeding months.

The Department and the Advocate disagree on the projected number of TAP participants for the remainder of the Most Recent Period and the Next Rate Period (September 2025 to

August 2026).

<b>Table 4: Comparison of Projected Average Monthly TAP Participants</b>				
<b>Participant Position</b>	<b>Advocate Amended</b>	<b>Advocate Original</b>	<b>Department Original</b>	<b>Department Amended</b>
<b>Reference</b>	<u>LKM Workpapers</u>	<u>LKM Testimony</u>	Formal Notice, <u>Schedule BV-1</u>	Schedule RFC-4 Schedule BV-6
<b>Rate Period Month – Year</b>	<b>Next Rate Period (September 2025 to August 2026)</b>			
Projected Average	56,041	56,041	60,827	64,283
Time Period of Data Used for Projection	December 2023 through November 2024	January 2024 through November 2024	September 2024 through November 2024	September 2024 through March 2025

It is not reasonable to adopt the Advocate’s projections of the number of TAP participants for the following reasons:

In the first instance, the Advocate’s projection of 56,041 average TAP participants is less than the Department’s actual experience in the most recent 7 months in the Most Recent Rate Period. Also, the Advocate’s recommendation of 56,041 TAP participants per month is substantially the same as the average number of TAP participants in the [Settlement](#) of the 2024 TAP-R proceeding (55,974). This shows that the Advocate is actually moving away from the more recent actual data and experience of the Department.

Secondly, the Advocate’s projection of TAP participants (56,041) is less than the Department’s actual experience in the most recent 7 months in the Most Recent Rate Period (64,283 using the actual TAP participants for March 2025). It is also less than the Department’s

actual experience in the most recent 12 months. Using updated data in [Schedule RFC-4](#) for the most recent 12 months (from April 2024 to March 2025), the Department projects the total of TAP participants of about 59,000. See [PWD Hearing Exhibit 1](#) (using 7 month straight average, 59,973); [PWD Hearing Exhibit 2](#) (column 3, using the 12 month straight average, 58,796).

Third, the Advocate's amended recommendation weighs too heavily on a period of time in the past that is less relevant than ever. The Advocate is using 3 months, September 2024 to November 2024 in the Most Recent Period and 9 months, December 2023 to August 2024, from the Prior Rate Period. The 9 months from December 2023 through August 2024 (in the Prior Rate Period) are not representative of what is being experienced by the Department in the Most Recent Rate Period. The months from December 2023 through February 2024 are also not representative of Department's current and likely future experience because they are months prior to the start of the IDEA enrollments.

Mr. Morgan's written testimony states that he believes "it would inappropriate to capture any change in the number of participants for the period before May 2024." PA. St. 1 at 10. That belief appears to be related to the start of the IDEA enrollments, which began in February 2024. The months from April 2024 to August 2024 reflect the "ramp-up" of enrollment in TAP. The months from September 2025 to March 2025 show a steadier and slower increased enrollment in TAP. So, RFC projected TAP participation shows an increase 1% per month, on average, over the projection period.

Last, the Department believes that the Advocate's recommendations will increase the Department's under-recovery (as opposed to moving towards actual reconciliation).

Each of the Advocate's recommendations would produce lower surcharge rates than the rates under the 2024 TAP-R Settlement. Please recall that the [Settlement](#) of the 2024 TAP-R proceeding produced a Water TAP-R surcharge of \$3.08 per MCF and a Sewer TAP-R surcharge of \$4.40 per MCF. The Advocate's original recommendation in this proceeding was for a Water TAP-R surcharge of \$2.93 per MCF and a Sewer TAP-R surcharge of \$4.30 per MCF. The Advocate's amended recommendation is for a Water TAP-R surcharge of \$2.98 per MCF and a Sewer TAP-R surcharge of \$4.37 per MCF.

Intentionally creating an under-recovery is a problem because it results in artificially low surcharges that completely evade the purpose of a data-based reconciliation under the TAP-R Rider. The Department invests a lot of time and energy to forecast participants, discounts and usage for the Next Rate Period. The Department focused on the most recent available data (for the Most Recent Rate Period) to make its projections. The original projections were based on actual data for 3 months (September 2024 to November 2024) in the Most Recent Rate Period. The updated data for 7 months (September 2024 to March 2025) in the Most Recent Rate Period show that the Department's original projections were low. It is difficult to forecast the future level of participants, discounts and usage, and Participants can disagree with the Department's forecasts.

Under-recovery can have negative consequences for the Department. Under-recovery means that the Department needs to draw down cash reserves to pay its bills, since the under-recovery will not be paid by customers until a later rate period. The Advocate noted, at the Technical Hearing, that customers can be repaying under-recoveries over multiple rate periods. It is not disputed that there will be an under-recovery in the Most Recent Period. The total

Experienced & Estimated Net Over/Under Collection (E-Factor) will be over \$5 million (according to the Advocate) and over \$9 million (according to the Department).

It is important to recognize that there is a chronic problem of under-recovery stemming, in part, from an underestimate of the average number of TAP participants. This point is illustrated by the last two TAP adjustment proceedings. The [Settlement](#) of the 2023 TAP-R proceeding set the projected number of TAP participants at 16,479 for what is now the Prior Rate Period (September 2023 to August 2024). That Settlement resulted in an under-recovery, since (among other things) the actual average number of TAP participants for Prior Rate Period was 39,092. The [Settlement](#) of the 2024 TAP-R proceeding set the projected number of TAP participants at 55,974 for what is now the Most Recent Rate Period (September 2024 to August 2025). That Settlement resulted in an under-recovery, since (among other things) the actual average number of TAP participants for the most recent 7 months of the Most Recent Rate Period is over 59,000. See [PWD Hearing Exhibit 1](#) (using a 7-month straight average, 59,973); [PWD Hearing Exhibit 2](#) (using the 12-month straight average, 58,796).

***(a) The Department's Amended Proposal on the Average Monthly Number of TAP Participants is the Preferred Course.***

The Department supports 64,283 as a reasonable projection of the average number of TAP participants in the Next Rate Period. The projection is based on the most recent 7 months (September 2024 to March 2025) in the Most Recent Rate Period. By focusing on the most recent 7 months, the projection of 64,283 is what is being experienced by the Department in the Most Recent Rate Period. That projection is also reasonably representative of what the Department is likely to experience in the Next Rate Period, since the Department projected that



TAP participation would increase, on average, over the projection period owing to small monthly increases in IDEA pre-qualified candidates and traditional enrollment candidates.

That projection is higher than the Department’s original projection (of 60,827). The original projection was based on 3 months of data (September 2024 to November 2024) in the Most Recent Rate Period. The additional 4 months of data (December 2024 to March 2025) show that the use of the Department’s original projection has the potential to under-project what the Department will actually experience in the remainder of the Most Recent Period and the Next Rate Period. Such an under-projection would lead to an under-recovery by the Department.

***(b) Use of 12-month Average with Actual Data Through March 2025 to Determine the Average Monthly Number of TAP Participants is Presented in this Record***

Ordinarily, a finding by the Rate Board should display an exercise of well-founded judgment, and not merely be a mathematical average. In this case, the Department has calculated the 12-month averages using the most-recent actual data (through March 2025) to illustrate a possible middle ground between the Advocate and PWD. The results of using the 12-month averages of that data are shown in column 3 of [PWD Hearing Exhibit 2](#) and are summarized in Table 5 below:

<b>Table 5: 12-month Average of Actual Data from April 2024 to March 2025</b>	
<b><u>PWD Hearing Exhibit 2</u> (column 3)</b>	
Water TAP-R Surcharge	\$3.44 / MCF
Sewer TAP-R Surcharge	\$5.02 / MCF
Average TAP Participants	58,796

Average monthly discount per TAP Participant	\$48.95
Cost allocation between utilities	42% water 58% wastewater

It cannot be disputed that the mathematically derived average varies considerably, depending upon the period used in computing same. An example of the different results that can be reached using different 12-month periods is provided in Table 6 below.

<b>Table 6: Comparison of Projections Using 12± Months of Data</b>		
	<b>Advocate's Original Proposal (11 Months) Amended Proposal* (12 Months)</b>	<b>Most Recent 12 Months of Actual Data</b>
	<u>LKM Testimony</u> <u>LKM Workpapers*</u>	<u>PWD Hearing Exhibit 2</u> (column 3)
Water TAP-R Surcharge	\$2.93 / MCF \$2.98 / MCF*	\$3.44 / MCF
Wastewater TAP R-Surcharge	\$4.30 / MCF \$4.37 / MCF*	\$5.02 / MCF
Average Monthly Number of TAP Participants	56,041	58,796
Average Monthly Discount Per TAP Participant	\$47.26 \$47.72*	\$48.95
Cost Allocation Between Utilities	42% Water 58% Wastewater	
Time Period of Data Used for Projection	December 2023 or January 2024 through November 2024	April 2024 through March 2025

	* Surcharge rate does not reflect recently negotiated Stipulation between PWD and PA.	
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Table 6 shows the 12-month average of the most-recent data in contrast to the 12-month average using older data as recommended by the Advocate. As explained during the technical hearing, the Advocate based its averages on only 3 months of recent data (September 2024 to November 2024) in the Most Recent Period and 9 months of older data (December 2023 to August 2024) from the Prior Rate Period. By using three times as much data from the Prior Rate Period than the Most Recent Rate Period, it results in artificially low TAP participant averages and lower proposed rates. It bears reiteration that the Advocate’s proposed Water TAP-R surcharge (original, \$2.93; amended, \$2.98) is less than the current Water TAP-R surcharge (\$3.08). The same is true for the Sewer TAP-R surcharge. The proposed Sewer TAP-R surcharge resulting from Advocate’s proposal (original, \$4.30; amended, \$4.37) is less than the current Sewer TAP-R surcharge (\$4.40).

Assuming *arguendo* that the Rate Board is calculating an average, the question remains what data should be averaged?

The Department believes computing a simple mathematical average for this proceeding would use “high end” of the most-recent 7 months of actual data for the Most Recent Rate Period. [PWD Hearing Exhibit 2](#) (column 5). That is higher than the Department’s original proposal, but is the data showing what the Department is experiencing now. The most recent 7 months is also the most representative data for what the Department is likely to experience in the remainder of the Most Recent Period and the Next Rate Period. The “low end” would be the

most-recent 12 months of actual data. [PWD Hearing Exhibit 2](#) (column 3). A simple average of the TAP-R surcharges for that “high end” and “low end” would result in a Water TAP-R surcharge of \$3.81<sup>31</sup> and Sewer TAP-R surcharge of \$5.56.<sup>32</sup> Those results are less than, but still reasonably close to, the Department’s original proposals in the Formal Notice: Water TAP-R Surcharge of \$3.87 and Sewer TAP-R surcharge of \$5.67. [PWD Hearing Exhibit 2](#) (column 4).

The Department believes computing a straight average using the Department’s position as the “high end” and the Advocate’s position as the “low end” is unreasonable based on the record in this proceeding. Nothing indicates that the simple mathematical calculation of the midpoint between the Department’s position and the Advocate’s position results in a fair, just and reasonable TAP-R reconciliation adjustment. The positions of the Department and the Advocate are summarized in Table 2 above. The midpoint for these positions is a Water TAP-R surcharge of \$3.45<sup>33</sup> and Sewer TAP-R surcharge of \$5.02.<sup>34</sup> Those results are near the results in column 3 in [PWD Hearing Exhibit 2](#), which is detailed in both Tables 5 and 6 above: Water TAP-R Surcharge of \$3.44 and Sewer TAP-R surcharge of \$5.02.

Table 6 shows that the Department and the Advocate are using different periods for their 12-month averages. In this proceeding, the Department is looking at the experience within one rate period to make projections for the Next Rate Period. The Department is using data from the Most Recent Rate Period. RFC explains that the experiences and data in the Most Recent Rate

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<sup>31</sup>  $(\$3.44 + \$4.17) \text{ divided by two equals } \$3.81.$

<sup>32</sup>  $(\$5.02 + \$6.10) \text{ divided by two equals } \$5.56.$

<sup>33</sup>  $(\$3.87 + \$2.98) \text{ divided by two equals } \$3.45.$

<sup>34</sup>  $(\$5.67 + \$4.37) \text{ divided by two equals } \$5.02.$

Period should be used to make projections about the Next Rate Period. The “Third” Point above (Section III.1 at page 19) summaries the Department’s reasons for not using data from the Prior Rate Period to make projections about the Next Rate Period. In contrast to the Department’s methodology, the Advocate is looking at the experience over two different rate periods. The Advocate asserts that 12-month averages are reasonable. But the Advocate does not explain why the data from the Prior Rate Period should be used to make projections about the Next Rate Period. The Advocate does not explain how the data from the Prior Rate Period is representative of what the Department is actually experiencing in the Most Recent Rate Period or is likely to experience in the Next Rate Period. Nor does the Advocate make any comparison of conditions in the Prior Rate Period with conditions in the Most Recent Rate Period (September 2024 to March 2025) or with conditions in the Next Rate Period.

Based on the vastly different periods used for computations, the Department contends that the Advocate’s position should not be used as the “low end” in this proceeding. The Advocate’s reliance on data that includes enrollments before start of the IDEA enrollments, the start of the IDEA enrollments, as well as the “ramp-up” period for IDEA enrollments places the Advocate’s position outside of the range of reasonable outcomes for the Next Rate Period. The Advocate agrees that the average monthly discount per TAP Participant will be higher in the Next Rate Period (original, \$47.26; amended, \$47.72) than the average discount (of \$40.00) from the 2024 TAP Settlement for the Most Recent Rate Period. [PWD Hearing Exhibit 2](#) (column 2). But the Advocate argues that the number of TAP Participants will be 56,041 in the Next Rate Period. That proposition is essentially the same as the number of TAP participants (55,974) from the 2024 TAP Settlement for the Most Recent Rate Period (i.e., only 67 more) and alarmingly

lower than; (b) the number of TAP participants (60,827) in the Department's original proposal; and, (c) the number of TAP participants (64,283) being experienced in the most recent 7 months of the Most Recent Rate Period. [PWD Hearing Exhibit 2](#) (columns 1 and 4). The question presented is — whether that level of decline reflected in the Advocate's recommendation regarding projected TAP participation reasonable? The Department submits that the answer is no. Nothing in the record supports the exodus of TAP participants projected by the Advocate.

***(c) Conclusion on the Average Monthly TAP Participants.***

The Department's position is that the Department's projection of 64,283 for the number of TAP participants in the Next Rate Period will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers.

More specifically, for this proceeding, the Department generally disagrees with the use of a 12-month average for reconciliation under the TAP-R Rider. The Department notes that the formula is intended to reconcile rate periods between September through August. Using an average that spans more than one rate period is not representative of the experience within one rate period. We are looking at the actual monthly number of TAP participants to project the average number of TAP participants in the Next Rate Period. Looking at participation beyond the Most Recent Rate Period is not always reasonable. In fact, at the Technical Hearing, it was implicitly acknowledged that there are many factors that impact averages. Transcript at 64, 67.

That being said, the 12-month average of the most-recent data is far more reasonable than the 11-/12-month average(s) used by the Public Advocate. Using the Advocate’s 11-/12-month averages would significantly increase the potential for under-recovery as compared to the Department’s amended projection of 64,283 or original projection of 60,827. While the 12-month average for TAP participants is substantially similar to the Department’s projection, that average is less than the Department’s projection. See [PWD Hearing Exhibit 1](#); [PWD Hearing Exhibit 2](#). That lower number of participants increases the potential for under-recovery as compared to the Department’s projection. Under-recovery in the Next Rate Period should be avoided for the reasons discussed above.

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## 2. Projected Average Discount Per TAP Participant.

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The Advocate disagrees with the Department’s projection of the average monthly TAP discount for the Next Rate Period. The past average monthly bill discount per TAP Participant should be based on actual data. The actual average monthly bill discount has varied over time, as shown in the table below.

<b>Table 7: Actual Average Monthly TAP Discount</b>	
<b>Rate Period Month - Year</b>	<b>TAP Discount (Actual)</b>
<b>Prior Rate Period</b>	
September 2023	\$61.40
October 2023	\$57.54
November 2023	\$59.75

December 2023	\$61.93
January 2024	\$60.83
February 2024	\$53.42
March 2024	\$40.24
April 2024	\$36.62
May 2024	\$41.09
June 2024	\$43.39
July 2024	\$43.50
August 2024	\$46.63
<b>Most Recent Rate Period</b>	
September 2024	\$53.73
October 2024	\$56.37
November 2024	\$52.89
December 2024	\$52.81
January 2025	\$60.29
February 2025	\$50.71
March 2025	\$47.99

RFC used the Rate Rider Reporting Model to make projections of the average monthly discount per TAP participant for the Next Rate Period. See, Schedule RFC-3 at “TRR\_Summary” Tab, line 4 (Original Proposal); Schedule RFC-4 at 3 [“TRR\_Summary” Tab, line 13] (Amended Proposal).

The Department and the Advocate disagree on the projected average monthly discount per TAP participant for the Next Rate Period (September 2025 to August 2026). None of the



other participants made projections of the average monthly discount per TAP participant for the Next Rate Period.

<b>Table 8: Projected Average Monthly TAP Discount</b>				
<b>Participant Position</b>	<b>Advocate Amended</b>	<b>Advocate Original</b>	<b>Department Original</b>	<b>Department Amended</b>
<b>Reference</b>	<u>LKM Workpapers</u>	<u>LKM Testimony</u>	Formal Notice, <u>Schedule BV-1</u>	Schedule RFC-4 Schedule BV-6
<b>Rate Period Month – Year</b>	<b>Next Rate Period (September 2025 to August 2026)</b>			
Projected Average	\$47.72	\$47.26	\$54.62	\$53.50
Time Period of Data Used for Projection	December 2023 through November 2024	January 2024 through November 2024	September 2024 through November 2024	September 2024 through March 2025

***(a) The Department’s Amended Proposal on the Average Monthly TAP Discount is the Preferred Course.***

The Department supports \$53.50 as a reasonable projection of the average monthly discount per TAP participant in the Next Rate Period. The projection is based on the most recent 7 months of data in the Most Recent Rate Period. Using updated data in [Schedule RFC-4](#) for the most recent 7 months (from September 2024 to March 2025), the Department projects the average discount should be \$53.50 per TAP Participant in the Next Rate Period. [PWD Hearing Exhibit 2](#).

It is acknowledged that the 3-month projection is higher than the 7-month projection. The Department’s average discount for all TAP participants was originally projected to be \$54.62.

That original projection was based on the average of the actual average discounts for 3 months of the Most Recent Period (September 2024 through November 2024).

***(b) The Department's Disagreement with the Advocate's Position on the Average Monthly TAP Discount.***

The Advocate criticizes the Department's projection of the monthly average discount per TAP participant for the Next Rate Period. Mr. Morgan projects a lower average discount. Mr. Morgan's amended proposal projects that the average discount should be \$47.72 in the Next Rate Period based on 12 months of data (from December 2023 to November 2024). Mr. Morgan originally projected that the average discount should be \$47.26 per TAP participant in the Next Rate Period based on 11 months of data (from January 2024 to November 2024).

It is not reasonable to adopt the Advocate's projections of the average TAP discount for the following reasons:

First, the Advocate's average monthly projections for the averaged monthly TAP discount in his original and amended proposals (\$47.26 and \$47.72) are less than the Department's actual experience in the last 7 months in the Most Recent Rate Period (\$53.50). [Schedule RFC-4](#); [PWD Hearing Exhibit 2](#).

Second, the Advocate's average monthly projections for the average monthly TAP discount are also less than the Department's actual experience in the most recent 12 months in the Most Recent Rate Period of \$48.95 per TAP participant. [Schedule RFC-4](#); [PWD Hearing Exhibit 2](#).

Third, the Advocate's amended recommendation is using 3 months (September 2024 to November 2024) in the Most Recent Period and 9 months (December 2023 to August 2024) from

the Prior Rate Period. The 9 months from December 2023 through August 2024 (in the Prior Rate Period) are not representative of what is being experienced in the most recent 7 months (September 2024 to March 2025) in the Most Recent Rate Period.

Fourth, as discussed above, the Department believes that the Advocate's projections will increase the Department's under-recovery (as opposed to moving towards actual reconciliation).

***(c) The Department's Disagreement with Using the Advocate's 12-Month Average in this Proceeding to Determine the Average Monthly TAP Discount.***

The Department notes that using a 12-month average would increase the potential for under-recovery as compared to either the Department's amended projection of \$53.50 or the Department's original projection of \$54.62. The 12-month averages are presented in Table 6 above. Using one of 12-month averages shown in the above table would increase the potential for under-collection by the Department. That should be avoided for the reasons stated herein.

***(d) Conclusion on the average monthly TAP discount per TAP Participant***

The Department's position is that the Department's projected average discount per TAP participant of \$53.50 will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers.

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**3. Projected Usage Per TAP Participant**

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The projected water and sewer usage levels are underlying factors that impact TAP costs and the resulting TAP-R surcharges. See, e.g., [2024 TAP-R Hearing Officer Report](#) at 7.

Projected usage per TAP Participant for the Next Rate Period (September 2025 to August 2026) is disputed. Usage per TAP Participant is data driven. RFC used the Rate Rider Reporting Model to make projections of the average usage per TAP participant for the Next Rate Period. Schedule RFC-3 at “TRR\_Summary” Tab, line 5 (Original Proposal); Schedule RFC-4 at 3 [“TRR\_Summary” Tab, line 13] (Amended Proposal). Each of the proposals shown in Table 2 reflects a decline in projected average usage as compared to the average usage from the 2024 TAP-R Settlement.

The question is: **How much lower will the average usage be in the Next Rate Period?** The 2024 TAP-R Settlement used an average usage of 700 ccf per TAP Participant. Based on the 3 months data in the Most Recent Rate Period (September 2024 to November 2024), the Department projects average usage per TAP Participant should be 679 ccf in the Next Rate Period. Based on 7 months of data (from September 2024 to March 2025) in the Most Recent Rate Period, the average usage per TAP participants should be 654 ccf. Using updated data in [Schedule RFC-4](#) for the most recent 12 months (from April 2024 to March 2025), the Department projects the average usage should be 647 ccf.

The Department submits that using one of the above-described projections of average usage for purposes of reconciliation in this TAP proceeding will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers.

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#### **4. Projected Collection Factor**

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The collection factor is data driven. The collection factor reflects what the Department expects to collect on its water and wastewater (non-stormwater) only billings. An overall collection factor of 96.99% means that the Department expects to collect 96.99% of its gross water and wastewater (non-stormwater) only billings over a three-year period and will not collect 3.01% of its gross non-stormwater only billings over that three-year period. The 3.01% is an uncollectible expense, which is recovered from all customers (as part of base rates).

For TAP, the overall collection factor is used to adjust TAP Billing Loss and TAP-R billings for the Most Recent Period to reflect what the Department projects to collect from TAP participants. If the collection factor is 100%, then no adjustment is made to TAP Billing Loss and TAP-R billings. If the collection factor is less than 100%, adjustments are made. The farther the collection factor is from 100%, the larger the adjustments to TAP Billing Loss and TAP-R billings.

The Department's non-stormwater overall collection factor is determined in a general rate proceeding. It is then codified in the Department's regulations. See PWD Regulations, Rates and Charges, §10.1(b)(3). The system-wide overall collection factor for the FY 2025 rate period (September 1, 2024 to August 2025) identified in the corresponding rate proceeding is 96.99%.

The Department and the Advocate disagreed on the non-stormwater collection factor that should be used for the Next Rate Period (September 2025 to August 2026). The Department used a non-stormwater collection rate of 96.99%, consistent with the collection factor approved in last general rate proceeding. In contrast, Mr. Morgan recommended that the collection rate for this

TAP proceeding be the same as the collection rate that will be determined in the Department pending 2025 general rate case. In that pending proceeding, the Department recommends a non-stormwater collection rate of 96.93%. The Advocate did not make any recommendations on the non-stormwater collection rate in the 2025 general rate proceeding. The Rate Board has not adopted the Department's recommendation on the collection rate, as of this writing.

The Department filed written [rebuttal testimony](#) on May 2, 2025, among other things, that it generally agreed with the Advocate's recommendation that collection factor determinations made in the [current 2025 General Rate Proceeding](#) should be reflected in the 2026 TAP-R Reconciliation Proceeding. That general agreement was made subject to clarifications in the rebuttal testimony. It was explained that determinations made in the [current 2025 General Rate Proceeding](#) should not be reflected in the 2025 TAP-R Reconciliation Proceeding.

The Department and the Advocate stipulated a resolution of this issue, as stated in the Stipulation.

[The Department and the Advocate stipulate that:] ... The collection factors proposed by PWD in the 2025 General Rate Proceeding will be used by PWD in its Advance Notice and Formal Notice in future (i.e., 2026) TAP-R Rate Reconciliation Proceedings for purposes of calculating the "E" factor unless and until PWD proposes different collection factors in a subsequent General Rate Proceeding.

The above stipulated resolution requires no action in this 2025 TAP-R Reconciliation Proceeding. It provides for the use of the collections factors in the 2026 TAP-R Reconciliation Proceeding. Using the collection factors established in a general rate proceeding in the next TAP-R Reconciliation Proceeding is consistent with what has always been done.

- The [2019 TAP-R Reconciliation Proceeding](#) used the collection factor established in the [2018 General Rate Proceeding](#). The [Formal Notice](#) for the 2019 TAP-R Reconciliation Proceeding states that the collection factor was 96.54 percent for that reconciliation.
- The [2020 TAP-R Reconciliation Proceeding](#) used the collection factor established in the [2018 General Rate Proceeding](#). The [Formal Notice](#) for the 2020 TAP-R Reconciliation Proceeding states that the collection factor was 96.54 percent for that reconciliation.
- The [2021 TAP-R Reconciliation Proceeding](#) used the collection factor established in the [2018 General Rate Proceeding](#). The [Formal Notice](#) for the 2021 TAP-R Reconciliation Proceeding states that the collection factor was 96.54 percent for that reconciliation, not the 97.32 percent established in the 2021 General Rate Proceeding.
- The [2022 TAP-R Reconciliation Proceeding](#) used the collection factor established in the [2021 General Rate Proceeding](#). The [Formal Notice](#) for the 2022 TAP-R Reconciliation Proceeding states that the collection factor was 97.32 percent for that reconciliation.
- The [2023 TAP-R Reconciliation Proceeding](#) used the collection factor established in the [2021 General Rate Proceeding](#). The [Formal Notice](#) for the 2023 TAP-R Reconciliation Proceeding states that the collection factor was 97.32 percent for that reconciliation, not the 96.99 percent established in the 2023 General Rate Proceeding.
- The [2024 TAP-R Reconciliation Proceeding](#) used the collection factors established in the [2023 General Rate Proceeding](#). The [Formal Notice](#) for the 2024 TAP-R Reconciliation Proceeding states that the collection factor was 96.99 percent for that reconciliation.

The Department's position is that using the collection factor established in PWD's [2023 General Rate Proceeding](#) will be used for purposes of reconciliation in this TAP proceeding and the collection factor will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers. In addition, the

Department's position is that using the collection factor established in PWD's 2025 general rate proceeding is appropriate for purposes of reconciliation in future TAP proceedings (i.e., the 2026 TAP-R Reconciliation Proceeding) unless and until changed in a future base rate proceeding — and will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers.

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**5. Projected Cost Allocation: Water and Wastewater.**

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The cost allocation between the water and wastewater utilities is data driven. The cost allocation between the water and wastewater utilities is used primarily in the C-Factor. The Total TAP Costs are recovered via both the Water TAP-R and Sewer TAP-R surcharge. This means that TAP costs are allocated between the water and wastewater utilities. That is done using the proportion of the water and wastewater retail net revenue.

In this proceeding, the Department and the Advocate initially disagreed on the allocation for the Next Rate Period (September 2025 to August 2026).

The Department used the allocation of 42% for water and 58% for wastewater, consistent with its last general rate proceeding. That allocation was used to keep this reconciliation as simple as possible. Consistent with past practice, the Department intended to start using the cost allocation that will be approved in the 2025 General Rate Proceeding in the 2026 TAP-R Reconciliation Proceeding.



The Advocate disagreed. Mr. Morgan recommended that the allocation for this TAP proceeding be the same as the allocation that will be determined in the Department pending 2025 general rate proceeding. In the 2025 general rate proceeding, the Department recommends an allocation of 43% for water and 57% for wastewater. The Advocate did not make any recommendation on the cost allocation in the 2025 general rate proceeding. The Rate Board has not adopted the Department's recommendation on the allocation between water and wastewater, as of this writing.

The Department filed written [rebuttal testimony](#) on May 2, 2025, among other things, that generally agreed with the Advocate's recommendation that the water/wastewater cost allocation determinations made in the [current 2025 General Rate Proceeding](#) could be reflected in the TAP-R determination in this proceeding. That general agreement was made subject to clarifications in the rebuttal testimony.

In that testimony, the Department agreed to use the allocation of 43% for water and 57% for wastewater in this 2025 TAP-R Reconciliation Proceeding. That same allocation will then also be used to allocate the TAP discounts reconciled in the 2026 TAP-R Reconciliation Proceeding.

The Department and the Advocate stipulated a resolution of this issue, as stated in the Stipulation (summarized below).

[The Department and the Advocate stipulate that:] ... The cost allocation proposed by PWD in the 2025 General Rate Proceeding will be used for purposes of allocating costs associated with the "C" factor to water and sewer in this TAP proceeding and future (i.e., 2026) TAP-R Rate Reconciliation Proceedings, unless and

until PWD proposes different cost allocation in a subsequent General Rate Proceeding.

The above stipulated resolution **requires action** in this 2025 TAP-R Reconciliation Proceeding. The Stipulation assumes that the Department's recommended cost allocation of 43% for water and 57% for wastewater will be approved by the Rate Board, since no party has (so far) opposed the Department's cost allocation in the 2025 General Rate Proceeding. The Stipulation provides for use of the allocation of 43% for water and 57% for wastewater in this 2025 TAP-R Reconciliation Proceeding. The change to an allocation of 43% for water and 57% for wastewater adds to the complexity of this proceeding because impact of the stipulated change is not reflected in the respective proposals of the Department and the Public Advocate.

The impact of the different cost allocation between the utilities is about \$0.08 on average.<sup>35</sup> See, Table 1 above. Prior to the technical hearing, the Advocate did not calculate the potential impact on the Advocate's proposed surcharges by changing the cost allocations from 42% to 43% for water and from 58% to 57% for wastewater. For the Department's Amended Proposal, the impact on the proposed surcharges by changing the cost allocations from 42% to 43% for water and from 58% to 57% for wastewater are summarized in Table 1 above. Additional details on the changes resulting from the said different cost allocation are included in Appendix B.

The Department's position is that use of the cost allocations of 43% for water and 57% for wastewater in the 2025 TAP-R Reconciliation Proceeding will result in a fair, just and reasonable TAP-R reconciliation adjustment and will result in rates that are supported by the

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<sup>35</sup> The impact of the updated allocation on the Department's position increases the Water TAP-R rate by \$0.09 per MCF and reduces the Sewer TAP-R rate by \$0.07 per MCF.

record, are in compliance with all applicable ordinances, and are in the best interest of the Department and its customers.

Assuming the Stipulation is accepted by the Rate Board, the final surcharge rates using the stipulated cost allocation will need to be calculated before or in the Department's upcoming compliance filing – unless the Rate Board accepts the Department's Amended Proposal. As explained above, the impact of the Department's Amended Proposal has already been calculated by the Department and is included in Appendix B.

**B. Annual Adjustment Issues Raised by Other Participants**

None of the other Participants (i.e., PLUG, Mr. Haver and Mr. Skiendzielewski) filed written testimony to raise issues with the annual adjustment for FY 2025. The Department reserves the right to respond to issues raised by the Other Participants in their Main Briefs, if any.

**IV. CONCLUSION**

For all of the reasons stated in this Brief (together with the facts and information contained in the record), the Department respectfully requests that the Hearing Officer recommend that (1) the Rate Board find that the rates and charges proposed by the Department are supported by the record, are in compliance with the Rate Ordinance and other applicable requirements and therefore should be permitted to be placed in effect for service rendered on and after September 1, 2025; (2) the Rate Board reject any remaining issues, proposals, modifications and/or adjustments by the other participants hereto; and (3) the Rate Board authorize the

Department to file revised TAP-R rates and charges as contained in the Department's primary proposal for service rendered on and after September 1, 2025.

Respectfully submitted,

*/s/ Andre C. Dasent*

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Andre C. Dasent, Esquire  
Commerce Square  
2001 Market Street, 25th Floor  
Philadelphia, Pennsylvania 19103  
(267) 624-3503

Neal Sellers, Esquire  
Alexandra Athanasiadis, Esquire  
Philadelphia Law Department  
1515 Arch Street, 17<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19102

Carl R. Shultz, Esquire  
Renaldo Hicks, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8<sup>th</sup> Floor  
Harrisburg, Pennsylvania 17101

Dated: May 19, 2025

Counsel to Philadelphia Water Department

<u>TAP-R Reconciliation Calculation Comparison</u>						
<u>Line No.</u>	<u>Factor</u>	(1) <u>Current</u> <u>2024 TAP-R Settlement</u>	(2) <u>Public Advocate</u> <u>LKM Direct Testimony</u> <u>April 2025</u>	(3) <u>Updated Actuals</u> <u>Thru March 2025</u>	(4) <u>Department</u> <u>Original Filing</u> <u>Feb 2025</u>	(5) <u>Department</u> <u>Rebuttal Filing</u> <u>Updated April 2025</u>
		Sept 2024 to Aug 2025	Sept 2024 to Nov 2024	12 Month Avg Assumptions Apr 2024 to Mar 2025	Sept 2024 to Nov 2024	Sept 2024 to Mar 2025
1	Water TAP-R Surcharge (\$/MCF)	\$ 3.08	\$ 2.93	\$ 3.44	\$ 3.87	\$ 4.17
2	Sewer TAP-R Surcharge (\$/MCF)	\$ 4.40	\$ 4.30	\$ 5.02	\$ 5.67	\$ 6.10
3	Estimated TAP Participants - Next Rate Period	55,974	56,041	58,796	60,827	64,283
4	Average Monthly Discount - Most Recent Period (\$)	\$ 40.00	\$ 47.26	\$ 48.95	\$ 54.62	\$ 53.50
5	Average Monthly Usage - Most Recent Period (cf)	700	653	647	679	654
6	C = Projected TAP Billing Loss	\$ 26,867,587	\$ 31,779,486	\$ 34,535,798	\$ 39,866,915	\$ 41,272,090
7	E = Experienced & Estimated Net Over/Under Collection	\$ (11,479,830)	\$ (5,472,556)	\$ (8,387,623)	\$ (9,211,476)	\$ (10,889,526)
8	I = Interest on Experienced & Estimated Net Over/Under Collection	\$ (422,998)	\$ (121,242)	\$ (184,034)	\$ (185,822)	\$ (208,912)
9	Net Recoverable Costs: (C) - (E + I)	\$ 38,770,415	\$ 37,373,285	\$ 43,107,455	\$ 49,264,213	\$ 52,370,528
10	S = Projected Non-TAP Water Sales for Next Rate Period (MCF)	5,353,292	5,345,617	5,274,429	5,345,617	5,274,429
11	S = Projected Non-TAP Sewer Sales for Next Rate Period (MCF)	5,071,007	5,040,140	4,976,897	5,040,140	4,976,897

Source(s): 2024 TAP-R Settlement

LKM-TAP-1

Updated Actuals  
Thru March 2025BV-1  
Based on RFC-3BV-6  
Based on RFC-4

**Note:** Updated Actuals Thru March 2025 assumes use of 12-month average participation, discount, and usage for TAP customers, as well as Non-TAP billed volumes (i.e. sales).

**Table 1 - Calculation of TAP Rider Rates Effective September 01, 2025 (FY 2026)**

		<b>TOTAL</b>	<b>Water</b>	<b>Wastewater</b>
		<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
(1)	C = Projected TAP Billing Loss <sup>a</sup>	\$ 41,272,090	\$ 17,746,999	\$ 23,525,091
(2)	E = Experienced & Estimated Net Over/Under Collection <sup>b</sup>	\$ (10,964,767)	\$ (4,622,455)	\$ (6,342,312)
(3)	I = Interest on Experienced & Estimated Net Over/Under Collection <sup>c</sup>	\$ (210,901)	\$ (88,981)	\$ (121,920)
(4)	Net Recoverable Costs <sup>d</sup> : (C) - (E + I)	\$ 52,447,758	\$ 22,458,435	\$ 29,989,323
(5)	S = Projected Non-TAP Sales for Next Rate Period (MCF) <sup>e</sup>		5,274,429	4,976,897
(6)	<b>TAP-R Surcharge<sup>f</sup>: (4)/(5)</b>		<b>\$ 4.26 /MCF</b>	<b>\$ 6.03 /MCF</b>

Notes: <sup>a</sup> Recoverable TAP Billing Loss for the Next Rate Period. Refer to Table 2 for additional information.

<sup>b</sup> Actual TAP Discounts versus TAP Revenue Collection for the Most Recent Period. Refer to Tables 3-W and 3-WW for further information.

<sup>c</sup> Simple Annual Interest on Net Over/Under Collection for the Most Recent Period. Refer to Tables 4-W and 4-WW for further information. Interest rate of 4.17% as of January 02, 2025.

<sup>d</sup> Net Recoverable Costs.

<sup>e</sup> Estimated water and sewer sales for Non-TAP Customers for the Next Rate Period based upon the average monthly Non-TAP sales volume for the 12 month period of April 2024 to March 2025. Next Rate Period is assumed to be September 01, 2025 to August 31, 2026.

<sup>f</sup> TAP-R Surcharge for the Next Rate Period.