

- 1           ○ An average monthly usage per TAP participant of 661 cf.
- 2           ○ An average number of TAP participants for the next rate period of 70,318.
- 3           ○ The estimated Total TAP Discount of \$53,006,249.

4           After reviewing the supporting calculations and the related documentation used to  
5 derive the values identified above, I find that the Department has overstated each of the  
6 factors. In so doing, PWD produces unreasonable proposed TAP-R rates for the next plan  
7 year.

8           After reviewing PWD's filing, I have concluded that the calculation methods are  
9 generally consistent with the approach used in previous TAP-R filings. However, I have a  
10 concern about a key assumption that ultimately impacts several factors used in the  
11 calculation TAP-R rate. The primary area of my concern relates to the Department's choice  
12 of a period of only four months as the basis on which to determine the projections for the  
13 next rate year. The period from which the average monthly discount per TAP participant  
14 is derived is directly influenced by not only the length of the period, but also by the specific  
15 months that are used. Those months may not be representative of customer consumption  
16 habits throughout a 12-month period.

17           Another concern I have is the assumption of the number of participants during the  
18 next TAP-R plan year. The number of participants has a direct impact on the projected  
19 TAP billing loss which, in essence, is a projection of the lost revenue that the TAP-R rate  
20 is supposed to recover.

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

22 **A.**           Based upon my review of PWD's filing, I am recommending a Water TAP-R rate of ~~\$4.86~~  
23 \$4.99 per thousand cubic feet (MCF) of water usage and a Wastewater TAP-R rate of  
24 ~~\$6.80~~ \$6.98 per thousand cubic feet (MCF). The Public Advocate recommended rates  
25 reflect a decrease of ~~\$0.79~~ \$0.66 per thousand cubic feet (MCF) from PWD's proposed

1 Water TAP-R rate and a decrease of ~~\$1.10~~ \$0.92 per thousand cubic feet (MCF) from  
 2 PWD's proposed Wastewater TAP-R rate. These are the rates that result after reflecting  
 3 the changes to PWD's calculations that I recommend. Based on my recommended TAP-  
 4 R rate, a typical residential customer with a 5/8" meter using .43 MCF per month will pay  
 5 ~~combined TAP-R rates of \$5.01~~, combined increase in TAP-R rates of \$3.00, or an  
 6 increase of \$1.29 per month.

<b>Philadelphia Water Department Summary Public Advocate Proposed 2026 TAP-R Surcharge Rates</b>			
Description	Total Amount	Water Amount	Wastewater Amount
C = Projected TAP Billing Loss	<del>\$ 47,276,081</del>	<del>\$ 20,328,715</del>	<del>\$ 26,947,366</del>
E = Experienced & Estimated Net Over/Under Collection	<del>\$(10,525,726)</del>	<del>\$(4,567,191)</del>	<del>\$(5,958,535)</del>
I = Interest on Experienced & Estimated Net Over/Under Collection	<del>\$(176,346)</del>	<del>\$(76,834)</del>	<del>\$(99,512)</del>
Net Recoverable Costs: (C) - (E + I)	<del>\$ 57,978,155</del>	<del>\$ 24,972,740</del>	<del>\$ 33,005,415</del>
S = Projected Non-TAP Sales for Next Rate Period (MCF)		<u>5,135,239</u>	<u>4,854,886</u>
Public Advocate Recommended TAP-R Surcharge/MCF		\$ 4.86	\$ 6.80
PWD Proposed TAP-R Surcharge/MCF		\$ 5.65	\$ 7.90
<b>Public Advocate Recommended Decrease/MCF</b>		<u><del>\$(0.79)</del></u>	<u><del>\$(1.10)</del></u>

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<b>Philadelphia Water Department Summary Public Advocate Proposed 2026 TAP-R Surcharge Rates</b>			
Description	Total Amount	Water Amount	Wastewater Amount
C = Projected TAP Billing Loss	\$ 48,814,756	\$ 20,990,345	\$ 27,824,411
E = Experienced & Estimated Net Over/Under Collection	\$ (10,525,726)	\$ (4,567,191)	\$ (5,958,535)
I = Interest on Experienced & Estimated Net Over/Under Collection	\$ (176,346)	\$ (76,834)	\$ (99,512)
Net Recoverable Costs: (C) - (E + I)	\$ 59,516,828	\$ 25,634,371	\$ 33,882,457
S = Projected Non-TAP Sales for Next Rate Period (MCF)		<u>5,135,239</u>	<u>4,854,886</u>
Public Advocate Recommended TAP-R Surcharge/MCF		\$ 4.99	\$ 6.98
PWD Proposed TAP-R Surcharge/MCF		<u>\$ 5.65</u>	<u>\$ 7.90</u>
<b>Public Advocate Recommended Decrease/MCF</b>		<b>\$ (0.66)</b>	<b>\$ (0.92)</b>

2 **Q.** PLEASE EXPLAIN HOW YOU DERIVED YOUR RECOMMENDED TAP-R  
3 RATES.

4 A. The derivation of my recommended TAP-R rate is based on using a longer period (12  
5 months) to calculate the key factors used in the TAP-R formula. This has resulted in a  
6 revised average monthly discount per TAP participant and the average monthly usage per  
7 TAP participant. The average number of TAP participants for the next rate period and the  
8 estimated total TAP Discount has also changed.

9 Later in this testimony, I will explain more fully why I find the four-month period  
10 inadequate for projecting the key factors (such as the average monthly discount per TAP  
11 participant, the average monthly usage per TAP participant, etc.) for the next rate period.

12 **III. PWD'S REQUESTED INCREASE IN TAP RATES**

13 **Q. WHAT IS THE TAP-R RECONCILIATION EQUATION?**

14 A. The TAP-R Reconciliation equation is:

$$\text{TAP-R} = \frac{(\text{C})-(\text{E}+\text{I})}{\text{S}}$$

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