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I. INTRODUCTION

On February 17, 2026, the Philadelphia Water Department (“PWD” or “Department”) submitted its Advance Notice of Proposed Changes in Rates and Charges for the Annual Adjustment of Tiered Assistance Program (“TAP”) Rate Rider Surcharge Rates (“TAP-R”) to the Philadelphia Water, Sewer and Storm Water Rate Board (“Board”). On March 19, 2026, PWD submitted its Formal Notice of Changes in Rates and Charges to implement the annual TAP-R adjustment. Through the March 19, 2026, filing, PWD proposes a TAP-R water rate of \$5.65 per thousand cubic feet (“MCF”) and a TAP-R sewer rate of \$7.90 per MCF effective September 1, 2026. By way of comparison, the current TAP-R water rate is \$3.59 per MCF, and the current TAP-R sewer rate is \$5.07 per MCF.

Pursuant to its Regulations, the Board appointed Kathryn Sophy as the Hearing Officer to preside over formal proceedings concerning the TAP-R adjustment. In accordance with the Regulations, the Hearing Officer established a schedule for litigated proceedings, including intervention, testimony, technical hearings, and briefs. Consistent with the approved schedule, the Philadelphia Large Users Group (“PLUG”)¹ intervened in the proceeding on March 26, 2026. Additional intervenors include Community Legal Services (“Public Advocate”) and *pro se* intervenor Lance Haver.

Between February 18, 2026, and May 4, 2026, PLUG, the Public Advocate, and Mr. Haver propounded discovery upon PWD. Mr. Haver also propounded discovery upon the Public Advocate. The Public Advocate submitted Direct Testimony on March 22, 2026. PLUG did not submit Direct Testimony. PWD submitted Rebuttal Testimony on April 30, 2026. On May 13, 2026, the Public Advocate submitted errata to its Direct Testimony.

¹ PLUG is an ad hoc group of Large Commercial & Industrial (“C&I”) customers comprised of, for the purposes of this proceeding: AdvanSix, Inc.; Drexel University; Temple University; and Jefferson.

The Hearing Officer presided over a technical hearing on May 14, 2026, at which PWD and the Public Advocate offered witnesses for cross-examination.

Pursuant to the approved procedural schedule, PLUG hereby submits this Main Brief addressing select issues from PWD's filing, other parties' testimony, and the technical hearing.

II. BACKGROUND & SUMMARY OF ARGUMENT

PLUG is an ad hoc group of institutional and industrial large water users in the City of Philadelphia. PLUG members are some of Philadelphia's prominent employers and economic drivers, who rely on consistent, affordable utility services to conduct business and serve their constituencies. As large customers that rely on high volumes of water service for their businesses, PLUG members are substantially affected by the price of PWD services. As a result, PLUG has been an active and constructive participant in PWD rate proceedings over several decades.

As an introductory comment, PLUG wishes to express concern with the substantial and growing costs of the TAP program. TAP-R costs have expanded at an extraordinary rate. Following the launch of the program, the first TAP-R rates implemented on September 1, 2019, were \$0.71 per MCF for water and \$1.16 per MCF for sewer.² As recently as the September 2023 to August 2024 fiscal year, TAP-R rates were \$0.15 per MCF for water and \$0.24 per MCF for sewer.³ However, PWD's proposed rates in this proceeding, as set forth in its Formal Notice, are \$5.65 per MCF for water and \$7.90 per MCF for sewer. This is a single-year increase of approximately 57% for water and 56% for sewer over current rates. See Table 1 below for TAP-R rates by fiscal year.

² *Proposed Adjustments to the Tiered Assistance Program (TAP) Rate Rider Surcharge Rates (TAP-R) of the City of Philadelphia Water Department, 2019 Rate Determination*, at 14 (Jun. 28, 2019), available at https://www.phila.gov/media/20190716113315/2019-TapR_-RateReport-Determination.pdf.

³ *In the Matter of the Philadelphia Water Department's Proposed Changes in Rates and Related Charges, 2023 TAP-R Reconciliation Proceeding – FY 2024, Rate Determination* at 3 (Jun. 21, 2023), available at <https://www.phila.gov/media/20230623150128/2023-TAP-R-Rate-Determination-2023-06-22.pdf>.

Table 1. TAP-R Historic Rates.⁴

Rates (MCF)	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Proposed 2026-27
Water	\$0.71	\$0.57	\$0.69	\$1.03	\$0.15	\$3.08	\$3.59	\$5.65
Sewer	\$1.16	\$0.78	\$1.09	\$1.63	\$0.24	\$4.40	\$5.07	\$7.90
Combined	\$1.87	\$1.35	\$1.78	\$2.66	\$0.39	\$7.48	\$8.66	\$13.55
% Increase (Decrease) over Prior Yr.	n/a	(28%)	32%	49%	(85%)	1918%	16%	56%

As evidenced by the historical data in Table 1, the steep price increases are not limited to a single year. TAP-R cost increases have been driven primarily by substantial enrollment numbers into the TAP program. PWD continues to partner with the City of Philadelphia’s Office for Integrated Data for Evidence and Action (“IDEA”) to identify customers eligible for TAP based on their participation in other means-tested assistance programs.⁵ This partnership with IDEA provides pre-qualified candidates to PWD for enrollment in TAP and has contributed to steady and substantial expansion of TAP enrollment, which in turn drives up costs. While PLUG members

⁴ Rates are stated per thousand cubic feet. See *Proposed Adjustments to the Tiered Assistance Program (TAP) Rate Rider Surcharge Rates (TAP-R) of the City of Philadelphia Water Department*, 2019 Rate Determination, at 14 (Jun. 28, 2019), available at https://www.phila.gov/media/20190716113315/2019-TapR_-RateReport-Determination.pdf; *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2020 TAP Rider Rate Adjustment*, 2020 Rate Determination, at 1-2 (Aug. 20, 2020), available at <https://www.phila.gov/media/20200807152432/2020FinalRateFiledDetermination.pdf>; *Philadelphia Water Department’s Proposed Changes in Water and Sewer Rates and Related Charges, 2021 TAP Rider Rate Adjustment*, 2021 Rate Determination, at 1-2 (June 16, 2021), available at <https://www.phila.gov/media/20210621091842/2021-TAP-R-Rate-Determination-as-filed-with-Records-Dept-20210616.pdf>; *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2022 TAP Rider Rate Adjustment*, 2022 Rate Determination, at 5-6 (Jun. 15, 2022), available at <https://www.phila.gov/media/20220622164352/2022-TAP-R-determination-06-15.pdf>; *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2023 TAP-R Reconciliation Proceeding – FY 2024*, 2023 Rate Determination, at 3 (Jun. 22, 2023), available at <https://www.phila.gov/media/20230623150128/2023-TAP-R-Rate-Determination-2023-06-22.pdf>; *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2024 TAP-R Reconciliation Proceeding – FY 2025*, 2024 Rate Determination, at 3 (Jun. 26, 2024), available at <https://www.phila.gov/media/20240702112838/board-determination-2024-06-26.pdf>; and *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2025 TAP-R Reconciliation Proceeding – FY 2026*, 2025 Rate Determination at 5 (Jul. 23, 2025), available at <https://www.phila.gov/media/20250723175120/7.23.25-TAP-R-Determination.pdf>.

⁵ PWD Rebuttal Statement 1 at 9.

appreciate the purpose and benefit of the TAP program, PLUG respectfully requests that the Board consider the significant cost spikes that have occurred and seek ways to responsibly manage cost increases.

In this Main Brief, PLUG addresses several discrete issues related to TAP-R calculations and cost increases. PLUG requests that the Board act as follows:

1. The Board should accept the recommendations set forth in the Public Advocate’s Direct Testimony and modify PWD’s proposed TAP-R water and sewer rates as set forth therein.
2. The Board should disallow PWD’s practice of including TAP-R surcharges in its calculation of TAP discount amounts in current and future TAP-R adjustment proceedings.
3. The Board should take steps to ensure that costs are manageable and large users’ needs are appropriately balanced with the needs of the community.

Each of these matters is addressed in detail below.⁶

III. ARGUMENT

A. The Board should accept the recommendations set forth in the Public Advocate’s Direct Testimony and modify PWD’s proposed TAP-R water and sewer rates accordingly.

In this proceeding, PWD’s proposed TAP-R calculation was based on a four-month history from September 2025 to December 2025. In Direct Testimony, the Public Advocate’s witness, Lafayette K. Morgan, Jr., testified that using a four-month period to project annual usage may not be reasonable.⁷ Mr. Morgan argued that PWD’s four-month period provided a “limited view of the various factors” that are used to derive the TAP-R rates and ignored factors such as growth in the number of participants.⁸

⁶ Silence on any matter shall not be construed as support thereof. PLUG reserves all rights to address additional issues through exceptions as may be appropriate, following review of the Hearing Officer’s Report.

⁷ Public Advocate Direct Testimony of LaFayette K. Morgan, Jr. (“PA Direct”) at 8.

⁸ *Id.*

As an alternative to PWD’s four-month look, Mr. Morgan analyzed an annual data set, which included more up-to-date data (April 2025 through March 2026). From this data set, Mr. Morgan calculated an average monthly discount of \$59.47 per TAP participant (vs. PWD’s number of \$62.82), an average monthly usage per TAP participant of 654 cf (vs. PWD’s number of 661 cf), an average number of TAP participants for the next rate period of 68,405 (vs. PWD’s number of 70,318), and an Estimated Total TAP Discount of \$48,814,756 (vs. PWD’s number of \$53,006,249).⁹ Based on these updated factors, Mr. Morgan concluded that TAP-R rates proposed by PWD are overstated. Rather than a \$5.65/MCF rate for water and a \$7.90/MCF rate for sewer, as proposed by PWD, Mr. Morgan proposed \$4.99/MCF and \$6.98/MCF.¹⁰

There are multiple reasons that the Board should adopt the Public Advocate’s recommendation to use a full year of data in developing TAP-R rates. First, using a full year of data provides a better basis for analysis and projections.¹¹ Second, using a full year is consistent with common practice in utility ratemaking (which often uses a “test year”).¹² Further, the reconciliation procedures established in 2018 by agreement between PWD and the Public Advocate involved a full year of historical and estimated data.¹³

In contrast, PWD has not provided a sound basis to support use of a four-month period. As explained by Mr. Morgan, “PWD’s statement that September 2025 to December 2025 best

⁹ *Id.* at 9.

¹⁰ LMK 2026 TAP-R testimony Errata redline at 5. Mr. Morgan’s originally proposed TAP-R rates were \$4.86/MCF and \$6.80/MCF for water and sewer, respectively. *See* PA Direct at 5. Mr. Morgan updated those figures in his errata filing of May 13, 2026.

¹¹ PA Direct at 8.

¹² *See, e.g.*, 66 Pa. C.S. § 315(e).

¹³ *Water, Wastewater, and Storm Water Rates and Related Charges of the City of Philadelphia Water Department, 2018 Rate Determination*, at 82 (Jul. 12, 2018) (“PWD will use actual TAP revenues and expenses data from approximately the first 9 to 10 months of the current period, and annualized/projected revenues and expenses for the remaining months of the current period in order to estimate the full 12-month period of TAP revenue loss and surcharge revenues, which are subject to reconciliation”).

balances the current participant profile with the use of data from several months and focuses on the period in which current rates are in place is based on a limited view of the various factors that go into the derivation of the TAP-R rates.”¹⁴ PWD has not identified the aspects of the current participant profile which render four months of data appropriate for the calculation of monthly consumption data. While PWD has asserted that using four months of data is appropriate to account for the base rate increase that went into effect in September 2025, consideration of additional factors as they relate to “participant profiles” is not discussed.¹⁵ As a result, the limited months of data used do not capture seasonal consumption changes present in annual data and emphasize data reflective of rate changes over more accurate consumption patterns, without sufficient explanation.

For these reasons, PWD’s use of only four months of data to calculate TAP-R rates is unreasonable and should be rejected in favor of the Public Advocate’s method utilizing annual data. Accordingly, the Board should adopt the TAP-R rates recommended by the Public Advocate.

B. The Board should disallow PWD’s practice of including TAP-R surcharges in its calculation of TAP discount amounts in current and future TAP-R adjustment proceedings.

During the technical hearing on May 14, PWD witnesses Henrietta Locklear and David Jagt were questioned about the calculations used to develop the average discount per TAP participant, which is used to calculate the C-factor in the TAP-R reconciliation. During this questioning, it became apparent that PWD had embedded TAP-R surcharges – which TAP customers are *not* responsible for paying – within the TAP discount calculations. On the stand, the witnesses stated as follows:

Attorney Ballenger: So embedded within the discount calculations are TAP-R surcharges that TAP customers are not responsible for paying, isn’t that correct?

¹⁴ PA Direct at 8.

¹⁵ PWD Rebuttal at 14.

Ms. Locklear: That may be the case, but I'll refer to Dave and Brian as to how that's accounted for.

Mr. Jagt: I will confirm that it's in there and there are adjustments. It's – through the E-Factor analysis, the TAP-R is removed.

Attorney Ballenger: But not for purposes of the C-Factor, correct?

Mr. Jagt: No, it has never been removed from the C-Factor. But we are also one rate increase behind. So while we are reflecting the rates in effect during September 1st, 2025 to August 31st, 2026, the C-Factor is supposed to be adjusted or reflect the anticipated credits under the – during the rate period for TAP-R, at which time—

Attorney Ballenger: And you're using –

Mr. Jagt: -- would be under September 1st, 2026 to August 2027 rates. And the increase in TAP in 2025 is less than the increase in the general rates.

Attorney Ballenger: So you're suggesting that by embedding TAP-R surcharges in the discount amounts, you are more accurately recovering a discount that has not been given in a future rate period? Is that the suggestion?

Mr. Jagt: I think it's a better estimate than the previous rates, which are clearly understated.¹⁶

As seen from this exchange, PWD chose to incorporate TAP-R surcharges in the discount calculation that is part of the C-Factor calculation, even though those surcharges are not paid by TAP participants. This resulted in an inflated figure for “Average Monthly Discount – Most Recent Period,” one of the three inputs used to develop the C-Factor component of the TAP-R rates.¹⁷ When questioned about the reasoning for using this approach, PWD witness Jagt replied that this approach essentially balanced out the fact that the TAP-R calculation did not consider a future increase in base rates.

¹⁶ Technical Hearing Transcript, 37:10-24, 38:1-16 (May 14, 2026).

¹⁷ See Rate Rider Reconciliation Workbook, at Assumptions and Inputs Tab and C-Factor Tab (Feb. 17, 2026). The C-Factor is a calculation of the billing loss based upon the estimated monthly number of TAP participants for the next rate period, multiplied by the average monthly discount of TAP participants from the most recent period. See *id.*, Assumptions and Inputs Tab, Estimated TAP Total Discount (multiplying *Average Monthly Discount – Most Recent Period* (\$) times *Estimated TAP Participants – Next Rate Period* times 12).

This approach is in error. Utility ratemaking is commonly based on a “test year,” and while this is not defined with precision by the Rate Board, the reconciliation is based on areas of agreement between PWD and the Public Advocate in the 2018 Rate Determination.¹⁸ Despite this agreement, PWD has apparently developed a TAP-R component calculation that inflates the proposed C-Factor by incorporating *additional* discounts into the TAP program inputs.¹⁹

PLUG respectfully requests that the Board require PWD to reconcile the TAP-R based on actual TAP discounts, rather than grossing up the TAP-R revenue as a proxy intended to account for pending distribution rate increases. If PWD believes an adjustment should be made to the TAP-R calculation, it should propose that in future proceedings in a more transparent fashion, not indirectly as was done in this proceeding through adjusted formula inputs.

C. The Board should take steps to ensure that costs are manageable and large users’ needs are appropriately balanced with the needs of the community.

As mentioned in Section II, *supra*, PLUG’s members have been observing with concern as the TAP-R rates have rapidly escalated.²⁰ While the TAP program provides valuable benefits for qualifying customers, it must be balanced reasonably with the costs that are incurred by other customers of PWD, including industrial and institutional customers. The economics of large users’ utility use can be substantially different than that of other users. For industrial and institutional customers, small changes in the price of water can have substantial impacts on the costs of doing

¹⁸ *Water, Wastewater, and Storm Water Rates and Related Charges of the City of Philadelphia Water Department*, 2018 Rate Determination, at 81-82 (Jul. 12, 2018).

¹⁹ The reconciliation design should not include TAP-R surcharges, which are outside of the regular rate calculation and are not paid by TAP participants. On the Summary tab of the Rate Rider Reconciliation Workbook, the final TAP-R rates are determined by dividing Net Recoverable Costs (Line 4) by Projected Non-TAP Sales. Clearly, the reconciliation is designed to take the net costs of providing TAP discounts and divide them among Non-TAP participants. PWD, however, inflates the amount TAP users are discounted to begin with by providing an artificially inflated input number that does not reflect the actual amount TAP users are discounted.

²⁰ Refer to the Attachment to PWD’s Supplemental Response to PLUG-I-3 (“PLUG I-3 Response Attachment”), which shows that the TAP revenue for FY 2024 was about \$4.0 million compared to the revenue in FY 2025, which was about \$30.4 million. The PLUG I-3 Response Attachment is available at <https://www.phila.gov/media/20260504111859/PLUG-I-3-Response-Attachment.pdf>.

business. For example, for a large user purchasing 30,000 MCF of water each year from PWD, the proposed combined 2026 TAP-R rate would amount to over \$406,000 annually—compared with less than \$54,000 only five years prior.²¹

In the 2022 TAP-R Proceeding, PLUG’s Main Brief (“2022 PLUG Brief”) highlighted the concern of controlling costs. The 2022 PLUG Brief stated:

Notwithstanding the resolution of PWD’s 2022 TAP-R adjustment, PLUG remains concerned that the TAP creates substantial cost exposure for PWD’s non-TAP customers. PLUG recognizes the important policy basis for TAP, but respectfully encourages the Board to consider cost control as part of its ongoing oversight responsibility.²²

As part of that proceeding, PLUG propounded discovery requesting an accounting of the cost control measures currently in place for TAP. PWD responded by pointing towards the Board’s oversight of the TAP-R rate and the annual reconciliation process. PLUG affirmed the validity of these mechanisms as cost controls, but stated, “While these protections are valid, they do not eliminate the possibility of volatile rate escalation that could occur if TAP customer enrollment should accelerate beyond historically observed levels.”²³

This observation from 2022 has unfortunately proven to be prescient. At that time, current TAP-R rates were \$0.69/MCF for water and \$1.09/MCF for sewer—a small fraction of the rates currently proposed to begin September 1, 2026. The proposed 2026 TAP-R rates represent **819%** and **725%** increases, respectively, over the 2021 TAP-R rates that were in effect when the 2022 PLUG Brief was filed.²⁴ The 2022 PLUG Brief recommended:

²¹ 30,000 MCF x \$13.55 (2026-27 proposed combined TAP-R rate) = \$406,500, while 30,000 MCF x \$1.78 (2021-22 combined TAP-R rate) = \$53,400. See Table 1, *infra*.

²² *In Re: Philadelphia Water Department’s Annual Adjustment of Tiered Assistance Program Rate Rider Surcharge Rates – 2022 Tiered Assistance Program Rate Rider Surcharge Rates*, Main Brief of the Philadelphia Large Users Group, at 3 (Apr. 22, 2022), available at <https://www.phila.gov/media/20220425205926/PLUG-TAP-R-Main-Brief.pdf>.

²³ *Id.* at 4.

²⁴ The proposed rates in the 2022 TAP-R proceeding were \$1.23/MCF for water and \$1.95/MCF for sewer; the Board ultimately approved \$1.03/MCF for water and \$1.63/MCF for sewer. *Philadelphia Water Department’s Proposed*

Particularly if PWD’s TAP-R costs continue to escalate as anticipated, the Board should, in the appropriate future proceedings, consider additional tools that could be employed to ensure TAP-R costs remain reasonable. Reference could be made to other existing utility surcharge protections including, but not limited to, the revenue caps applied to Distribution System Improvement Charges for Pennsylvania electric utilities such as PECO Energy Company.²⁵

Today, PLUG continues to respectfully request that the Board consider these comments as it finalizes this proceeding and prepares for the next base rate proceeding. The Board should consider all reasonable means to address TAP-R costs, including rate design methodologies that allow for a conservation incentive. Currently, because the TAP program is capped based on percentage of income, there is little to no direct incentive to reduce usage by TAP participants.²⁶ While PWD customers paying for the TAP program (i.e., non-TAP customers) have incentives to reduce usage because of volumetric rates, the users who are receiving the benefit of TAP do not. Thus, the current incentive structure would logically tend to increase TAP volumes and reduce non-TAP volumes over time—gradually increasing strain on the program.

While PLUG recognizes that rate design considerations are not determined in the TAP-R proceeding, PLUG does respectfully request that the Board consider these and other means of managing costs going forward, so it can administer TAP without imposing unreasonable rate increases upon non-TAP customers.

Changes in Rates and Related Charges, 2022 TAP Rider Rate Adjustment, Proposed Reconciliation Statement Formal Notice at 1; *Philadelphia Water Department’s Proposed Changes in Rates and Related Charges, 2022 TAP Rider Rate Adjustment*, 2022 Rate Determination, at 5-6 (Jun. 15, 2022), available at <https://www.phila.gov/media/20220622164352/2022-TAP-R-determination-06-15.pdf>.

²⁵ *Id.*

²⁶ Per PWD’s response to PA-TAP 2-6, the number of high usage TAP customers that were referred for conservation outreach based on “high usage” were as follows: FY 2023 = 1,320; FY 2024 = 16,808; FY 2025 = 13,339; FY 2026 through Dec = 10,600.

IV. CONCLUSION

WHEREFORE, the Philadelphia Large Users Group respectfully requests that the Philadelphia Water, Sewer and Storm Water Rate Board:

- (1) Adjust the Philadelphia Water Department's proposed TAP-R water and sewer rates consistent with the modifications presented in the Direct Testimony of the Public Advocate.
- (2) Disallow PWD's practice of including TAP-R surcharges in its calculation of TAP discount amounts, effective immediately or, at minimum, for future TAP-R adjustment proceedings.
- (3) Consider customer protections to address the cost impacts of the TAP-R in future proceedings.

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