

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

Philadelphia Water Department Proposed Changes in Rates and Charges	2026 TAP-R Reconciliation Proceeding
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**MAIN BRIEF OF THE
PHILADELPHIA WATER DEPARTMENT**

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I. INTRODUCTION

A. Statement of the Proceeding.

The Tiered Assistance Program (“TAP”) Rate Rider Surcharge Rates (“TAP-R”) set in this proceeding will become effective from September 1, 2026 to August 31, 2027, the Next Rate Period. Such rates are intended to recover (i) the discounts provided to eligible households through TAP (“TAP Discounts”) during the above period as well as (ii) any over or under-collection of the TAP Discounts from the Reconciliation Period and the Most Recent Period (September 1, 2025 through August 31, 2026).

The Philadelphia Water Department’s (“PWD” or “Department”)¹ proposals examine what is reasonable for purposes of the reconciliation process described in this brief. The Department, together with its consultants Raftelis Financial Consultants (“Raftelis” or “RFC”) and Black & Veatch Management Consulting, LLC (“Black & Veatch”), have reviewed the relevant data and created reasonable projections for purposes of the instant reconciliation proceeding. The filing is unchanged since the Advance Notice (filed February 17, 2026) and the Formal Notice (filed March 19, 2026). PWD assumptions and projections, however, have been corroborated based on actual data provided during the course of this proceeding.²

Recent History.

In weighing the evidence in this case, it is important for the Philadelphia Water, Sewer and Storm Water Rate Board (“Rate Board” or “Board”) to review the recent history of TAP-R

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

² See, Schedules PWD-7 and PWD-8.

reconciliations. That is, TAP-R surcharges established during prior proceedings, were the product of negotiated compromises (settlements) between the Water Department and the Public Advocate. Since 2023, the Department's originally proposed rates as well as the underlying assumptions, were closer to reality than the negotiated settlement.³ In other words, the Department's actual experience proved to be closer to its original proposals. On the other hand, the Advocate's proposals in each prior proceeding understated PWD needs and recommended TAP-R surcharges well below those needed to cover TAP costs. In each of these prior proceedings (going back to 2023), the Department faced increasing enrollment and increasing base rates which logically pointed to an overall increase in the discounts provided to TAP customers.⁴ As clearly demonstrated in the record of this proceeding, the same circumstances driving TAP costs higher, are presented once again. PWD would like to move away from the chronic under-recovery of TAP costs with a decision based on the most credible evidence in this case. To that end, PWD urges the Rate Board to approve its proposals which more realistically project TAP Discounts for the Next Rate Period and reconcile the actual TAP-R revenue with actual TAP Discounts from the prior and current rate periods.

Current TAP-R Proceeding.

The Department's proposed TAP-R Rates are set forth in the [Advance Notice](#) and [Formal Notice](#). As stated previously, the Department's position has not changed from its original TAP-R filing. The Department started with its experience in the recent past (from September 2025 through December 2025) and projected **modest growth in TAP participation for the future**

³ See, PWD Rebuttal Statement 1 at 23-26.

⁴ *Id.*

(i.e., after December 2025) of 0.25%. That modest growth (after December 2025) reflects the belief that there are households who are eligible but have not yet enrolled in TAP. Recent actual data from January 2026 through March 2026 support the trend of continued modest growth after December 2025. Such data suggests that the Department’s proposals are understated. This point is supported by the fact that, in the short term, (i) PWD continues to work with IDEA⁵ in auto-enrolling eligible households in TAP and, in the longer term, (ii) customers may seek enrollment on their own; and (iii) Community Legal Services and others are encouraging the passage of legislation that would expand eligibility for TAP.

Despite the foregoing, the Public Advocate (“Advocate” or “PA”) rejects the modest growth projected by the Department (0.25% monthly) after March 2026. Instead, the Advocate, through the testimony of its witness, Lafayette Morgan, uses historical data to set limits on the future participation of eligible households in TAP.⁶ It argues that, from March 2026 through the end of the Next Rate Period (August 2027), **participation will be flat and that other factors will be trending down.** To support its arguments, the Advocate uses, as a starting point, the TAP participation level in March 2026 (production data, filed [April 15, 2026](#)) and holds participation flat for 17 months (March 2026 through August 31, 2027). It holds nothing else flat and uses backward-looking 12-month averages (April 2025 through March 2026) to calculate other metrics (e.g., average monthly usage per TAP participant, average monthly TAP discount).

⁵ The Office of Integrated Data for Evidence and Action (IDEA) is a unit within the City’s Managing Director’s Office. IDEA consistently provides pre-qualified candidate customers to PWD monthly, resulting in new enrollments and additional participation monthly. This is in addition to customer-initiated applications that result in new enrollments.

⁶ Advocate’s Response to Department Information Request PWD-TAP-I-6 (April 27, 2026).

Please note that after mechanically applying the above metrics, the Advocate appears to be oblivious to everything else. Most notably, the Advocate ignores trends in recent data (September 2025 through March 2026) compared to older data (April 2025 through August 2025). And it gives no consideration whatsoever to the potential number of households who are eligible,⁷ but have not yet enrolled in TAP.

A comparison of current TAP-R rates with the proposals of the Department and the Advocate are set forth in Table 1 below.

Table 1: Current TAP-R Rates and the Proposed TAP-R Rates			
	Current	Advocate's Proposal	Department's Proposal
Source:	2025 TAP Rate Determination	Advocate Testimony (as corrected, May 13, 2026)	Formal Notice
Water TAP-R Surcharge	\$3.59 /MCF	\$4.99 / MCF	\$5.65 /MCF
Wastewater TAP-R Surcharge	\$5.07 /MCF	\$6.95 / MCF	\$7.90 /MCF

The proposed TAP-R rates (shown above) are based on numerous projections and assumptions. The data and assumptions can be found in the Rate Rider Reporting Model and the TAP-R Reconciliation Model, which were submitted by the Department as Schedules PWD-1

⁷ The Advocate objected to an information request related to potential number of TAP eligible households. Advocate's Response to Department Information Request PWD-TAP-I-12 (April 27, 2026). This objection were sustained on May 1, 2026.

and PWD-5 (original, filed February 17, 2026). The differences in the projections and assumptions are summarized in Table 2 below.

Table 2: Comparisons of data, projections and assumptions			
	March 2026 Only	Advocate's Proposals (Sept 2026 to Aug 2027)	Department's Proposals (Sept 2026 to Aug 2027)
Source	PWD-5 Updated (production data, April 15, 2026)	Advocate Testimony (as corrected, May 13, 2026)	Formal Notice PWD-5 (Feb. 17, 2026)
C-Factor: Total Billing Loss (TAP Discount)	\$4,518,643	\$ 48,814,756	\$53,006,249
E-Factor: Recovery of Past Under Collection	n/a	(\$10,525,726)	(\$14,109,978)
I-Factor: Interest on Past Under Collection	n/a	(\$176,346)	(\$223,063)
S-Factor: Projected Non-TAP Water Sales	375,751	5,135,239	5,135,239
S-Factor: Projected Non-TAP Wastewater Sales	375,462	4,854,886	4,854,886
Net Recoverable Costs (C) - E +I		\$59,516,828	\$67,339,291
Average number of TAP Participants (per month)	68,405	68,405	70,318
Average Discount (\$) per month per TAP Participant	\$66.06	\$59.47	\$62.82

Total TAP Water Consumption (cf)	464,349		5,366,160	5,574,417
Average Monthly Water Consumption (cf) per TAP Participant	679 cf		654 cf	661 cf

The TAP-R rates proposed by the Department (i) provide a fair, just and reasonable TAP-R reconciliation adjustment; (ii) are supported by the record; (iii) are in compliance with all applicable ordinances; and (iv) are in the best interests of the Department and its customers.

In contrast, the Advocate’s proposed rates are unreasonable. They are based on the theory that historic TAP participation levels indicate that zero growth should be anticipated for the Next Rate Period. PWD submits that such theory is untethered to reality, as the level of TAP participation is reasonably expected to modestly grow in the Next Rate Period (September 1, 2026 through August 31, 2027). PWD projected modest growth is supported by actual data (January - March 2026) presented in this proceeding. As explained below, annual adjustment issues related to the projected number of TAP Participants, the projected Average Discount per TAP Participant, Projected Usage per TAP Participant and the estimated net over-under recovery of the TAP-R surcharge are key metrics to be decided in this proceeding.

Adopting the Advocate’s proposals would create undue uncertainty and risk for the Department. It would create an under-recovery in the Next Rate Period that, in turn, would force

future ratepayers (post August 31, 2027) to bear the burden of paying for costs of the TAP Discount that should have been recovered through the current reconciliation proceeding.⁸

B. Procedural History.

On February 17, 2026, the Department filed an [Advance Notice](#)⁹ with Philadelphia City Council (“City Council”) and the Rate Board of its request to implement the annual TAP-R reconciliation adjustment to revise related water, sewer, and fire service connection quantity charges. [Formal Notice](#)¹⁰ of the proposed reconciliation adjustments was filed with the Department of Records on March 19, 2026 and the Rate Board. The Formal Notice consisted of a proposed Reconciliation Statement, schedules (Schedules PWD-1 through 6) and exhibits (PWD Exhibits 1A and 1B) setting forth the calculations of the reconciliation and proposed rates and charges. The proposed TAP-R rates and charges are proposed to become effective for the period September 1, 2026 to August 31, 2027 (“Next Rate Period”).

Both the [Advance Notice](#) and the [Formal Notice](#) contained supporting schedules and exhibits as required by Sections II.A.2 and II.C.1 of the Rate Board’s [Regulations](#). In addition, the Department provided participants with [estimated typical bill impacts](#) as well as excel copies

⁸ This year’s reconciliation proceeding is also complicated by the errors and inconsistencies identified by PWD in the Public Advocate’s testimony. See, PWD Rebuttal Statement 1 at 29-31 and Schedule PWD-11. None of these errors was refuted. In fact, Mr. Morgan testified that he had made a “good faith” effort to correct errors identified in his testimony. See, PA Statement 1 - Errata. But plainly, no adjustment whatsoever was made to his E-Factor recommendation (compare errata numbers to stricken table) and the table on page 10 of PA Statement 1 was not corrected (showing errors in summary of average level of TAP Participants by month. The above errors (many of which remain) and the absence of clearly explained bases for Mr. Morgan’s recommendations erode the credibility of the Advocate’s position, as explained in this brief.

⁹ Advance notice is required under Philadelphia Code, § 13-101(7), and Section II.A.2(a) of the Rate Board’s [Regulations](#).

¹⁰ Formal notice is required under Philadelphia Code, § 13-101((7)-(8) and Section II.A.2(b) of the Rate Board’s [Regulations](#).

of (1) [2026 TAP Rider Reconciliation Workbook](#) and (2) [Schedule PWD-5](#) (original, February 17, 2026), the Rate Rider Reporting Model 2026.

The general public was notified of the proceedings, hearing dates, and participation and comment deadlines through information made available on the Rate Board’s website.¹¹ The Rate Board published legal notices in three Philadelphia newspapers. In addition, the participants to PWD’s [2025 TAP-R reconciliation proceeding](#) were notified by e-mail of this proceeding and provided an opportunity to participate in the 2026 proceeding.

Participants in the instant proceeding (in addition to the Department) include the Public Advocate (Community Legal Services, selected by the Rate Board to represent the concerns of residential consumers and other small users as a class); the Water Revenue Bureau (“Water Revenue Bureau” or “WRB”);¹² the Philadelphia Large Users Group (“PLUG”), an ad hoc group of large commercial and industrial customers; and one individual (*pro se*) customer, Lance Haver.

An on-the-record [prehearing conference](#) to address preliminary procedural issues was held via Zoom (a video teleconferencing platform) in this proceeding on April 2, 2026, following the deadline to register as a participant as of right per Section I(m) of the Rate Board’s [Regulations](#). All participants were invited to attend. 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 Conference Order](#) dated April 16, 2026.

¹¹ 2026 TAP-R Reconciliation Proceeding, [Board Notices and Public Outreach](#).

¹² The Water Revenue Bureau, which is part of the City’s Department of Revenue, provides all billing and collection functions for the Water Department, and administers PWD’s customer assistance programs, including TAP.

Information requests were propounded between the Participants. These documents and the respective responses were posted on the Rate Board's [website](#), listed as [Information Requests](#). During the course of the proceeding, the [2026 Rate Rider Reconciliation Workbook](#) (Schedule PWD-1) and the Rate Rider Reporting Model ([Schedule PWD-5](#)) were filed on April 15, 2026 with production data for January 2026 through March 2026.¹³

Using the aforesaid production data through March 2026, the Advocate submitted the [direct testimony of Lafayette K. Morgan, Jr.](#) (Exeter Associates, Inc.) on April 17, 2026, which contained Mr. Morgan's recommendation, Schedules LKM-TAP-1 through LKM-TAP-6 and a related Appendix. The Department presented rebuttal testimony (PWD Rebuttal Statement 1 filed on April 30, 2026) that addressed Mr. Morgan's recommendations and identified errors and inconsistencies in his testimony. In doing so, the Department presented Schedules PWD-7 through PWD-11 in addition to narrative testimony. No other participant filed direct or rebuttal testimony in accordance with the [schedule](#).

Separate public input and technical review hearings were held in this proceeding. Members of the public were also encouraged to send [written comments](#) to the Rate Board.

On May 7, 2026, a hybrid Public Input Hearing was held (in person and virtually) to hear from members of the public. The Department explained its proposal at the aforesaid hearing and posted a [Public Presentation](#) summarizing TAP, the TAP-R surcharge rates and the proposed reconciliation adjustment for inspection at the Rate Board website.¹⁴ The Public Advocate

¹³ The Rate Rider Reconciliation Workbook and Rate Rider Reporting Model were later updated with static data. The restatement of production data with static data was anticipated and addressed by the Hearing Officer's Discovery Order dated April 13, 2026.

¹⁴ The Department also circulated the Public Presentation to the Service List for this proceeding.

explained its proposed reconciliation adjustments at the public input hearing. Mr. Haver articulated his criticisms of TAP and the proposed TAP-R adjustments. Members of the public were given the opportunity to present verbal comments or questions. The public was also encouraged to submit written comments.

On May 14, 2026, a hybrid technical hearing was held (in person and virtually). The Department, Public Advocate, PLUG, and Mr. Haver participated in the technical hearing. The cross-examination of PWD's witness panel (consisting of Raftelis and Black & Veatch) was conducted by the Advocate, PLUG and Mr. Haver. The Department and Mr. Haver cross-examined the Advocate's witness, Lafayette Morgan. The Department presented PWD Hearing Exhibits 1 through 4. The Advocate presented PA Hearing Exhibit 1. The stenographic transcripts of the public input and technical hearings are being posted on the Rate Board's website.

Separate reports describing outreach efforts to notify the public of the TAP-R proceeding have been filed by the Department and the Advocate.

As directed by the Hearing Officer, Main Briefs are due on May 22, 2026. The Department's Main Brief argues in support of the TAP-R rates proposed in the [Advance Notice](#) and the [Formal Notice](#). The Department's position is that the Department's proposed TAP-R rates (i) provide a fair, just and reasonable TAP-R reconciliation adjustment; (ii) are supported by the record; (iii) are in compliance with all applicable ordinances; and (iv) are in the best interests of the Department and its customers.

II. LEGAL STANDARDS

City Council has mandated that water, wastewater and stormwater rates reflect the cost of service to ensure that the rates for each customer class are reasonable,¹⁵ equitably apportioned,¹⁶ and nondiscriminatory.¹⁷ It has also mandated “special rates” for eligible charities¹⁸ and for income-based bills for eligible residential customers.¹⁹

The discounts or revenue loss associated with providing income based bills to TAP participants are recovered via the TAP-R rates. The TAP-R rates must be fair and reasonable and consistent with the Philadelphia Home Rule Charter (“Charter”)²⁰ and with relevant ordinances²¹ and regulations.²² The governing legal standards are discussed more fully in the Department’s Brief in the 2021 General Rate Proceeding,²³ which is incorporated herein by reference.

This proceeding solely concerns TAP-R rates, which are adjusted each year. Consistent with the foregoing and the Rate Board’s 2018 General Rate Determination²⁴ (which sets forth the basis for calculating and adjusting the TAP-R rates), PWD reviews and proposes adjustments to

¹⁵ See, Philadelphia Code § 13-101(4)(d).

¹⁶ See, Philadelphia Code § 13-101(4)(c).

¹⁷ See, Philadelphia Code § 13-101(4)(d).

¹⁸ See, Philadelphia Code § 13-101(4)(e).

¹⁹ See, Philadelphia Code § 19-1605.

²⁰ Sections 5-800 and 5-801 of the Charter.

²¹ 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).

²² 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).

²³ <https://www.phila.gov/media/20210513093206/Brief-May-11-2021.pdf>.

²⁴ <https://www.phila.gov/media/20180713144736/2018-RATE-DETERMINATION-TIMESTAMPED.pdf>.

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.²⁵

The program and rider²⁶ 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 than projected. The TAP-R surcharge is charged to customers who do not receive the discount.²⁷

The TAP-R equation (formula) has four primary components: The C-Factor for the recovery of the Projected Total Billing Loss (TAP Discount); the E-Factor for the recovery of any under- collection or for the return of any over collection; the I-Factor for the interest applied to under/over collection; and the S-Factor for the projected Non-TAP customer sales that will pay the TAP-R surcharges. 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

²⁵ 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, 2024 and 2025 TAP-R annual reconciliation proceedings.

²⁶ The terms "rider" or "tariff" refer to Water Department Rates and Charges, 10.0 (Provisions for recovery of TAP costs).

²⁷ 2021 TAP-R Determination, at 1.

from application of the TAP discount, in order to permit annual reconciliation if they are greater or less than projected.²⁸

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.²⁹

III. TAP-R ANNUAL ADJUSTMENT

This proceeding is a TAP-R reconciliation or annual adjustment. It is not a general rate case. The TAP-R primarily recovers the TAP Discounts provided to the TAP Participants. It also adjusts for any under-collection and returns any over collection of TAP Discounts in a given annual period. TAP-R does not recover "other" TAP costs (defined in 2018 Rate Determination). Those "other" costs are recovered through general base rates.

C-Factor: Projections for Next Rate Period

This proceeding makes **projections** of the TAP Discounts (TAP Billing Losses), also known as the C-Factor, for the Next Rate Period (September 1, 2026 to August 31, 2027).³⁰ The C-Factor is calculated as the projected monthly number of TAP participants for the Next Rate Period multiplied by the average discount per TAP participant.³¹ This factor represents the

²⁸ 2021 TAP-R Adjustment Proceeding, Hearing Officer Report, at 4-5.

²⁹ *Id.* See also the 2021 general rate case Rate Determination which addressed two unsettled issues relating to TAP arrearage forgiveness.

³⁰ PWD Rebuttal Statement 1 at 18.

³¹ This math is done in the BV Rate Rider Reconciliation Workbook on the "Assumptions and Input" Tab. The average monthly discount (cell c9) is multiplied by 12 and the average number of participants (cell c13) to calculate the product (cell c15), "Estimated Total Discount." The average discount comes from Raftelis' Rate Rider Reporting Model. The average discount for each period is shown on the "TRR Summary" Tab, which is generated from the data for water and wastewater on the accompanying Tabs. For TAP participants, the data is based on usage and bill discounts for TAP participants.

projected TAP billing losses in the Next Rate Period (which is also referred to as the Projected Period). Projections for 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 PWD-5](#) (original, February 17, 2026).³²

In the instant reconciliation proceeding, it is an important goal to make projections that will reasonably reflect what the Department is likely to experience in the Next Rate Period (September 2026 through August 2027). That goal may not be perfectly achieved, but it should not be disregarded because projections that are too low or too high have consequences for the Department and its customers. The above discussion relates to the C-Factor (projection of billing losses). As explained below, an equally important goal is to reasonably reflect experienced and estimated over/under recovery of TAP discounts for purposes of calculating the E-Factor.

E-Factor: Reconciliation of actual TAP Discounts with TAP-R Surcharge Revenues

The E-Factor represents the net over or under-collection of the TAP-R surcharge amount for the Most Recent Period (September 1, 2025 through August 31, 2026).³³ The E-Factor compares the TAP discounts net of the TAP-R surcharges from TAP customers against actual TAP-R revenues from non-TAP customers. Due to billing system constraints, TAP discounts net of the TAP-R surcharges from TAP participants are compared against estimated TAP-R

³² [Schedule PWD-5](#) (original, February 17, 2026) contains actual data through December 2025. As part of responses to Information Requests, PWD-5 was updated with production data for January 2026 through March 2026. Scheduled PWD-5 (production data, filed [April 15, 2026](#)). The production data was subject to restatement, as acknowledged by the Hearing Officer in her Order dated April 13, 2026. After restatement, static actual data for January 2026 through March 2026 was provided of record and is shown in [Schedule PWD-7](#) (static data, filed on April 28, 2026).

³³ PWD Rebuttal Statement 1 at 18.

revenues³⁴ collected from non-TAP customers. In addition, the E-Factor reconciles over/under collection for the period April 2025 to August 2025 that were estimated during the prior proceeding with actual experience.

Regarding the Most Recent Period, TAP-R rates did not sufficiently recover TAP-R costs. TAP-R rates established during the last proceeding assumed that average monthly participation would be 60,634. That was too low. The Department has experienced an average participation level of 65,546 (from September 2025 to March 2026). The difference of roughly 5,000 participants monthly as well as other factors (e.g., the average discount used in setting TAP-R rates was also understated) are contributing to an under-recovery of TAP costs.

Avoiding under-collection or over-collection of costs is important since they both have consequences. With under-collection, customers must pay more later. Under-collection also means that the Department must rely on other funds to pay its expenses. With over-collection, customers must pay more now and would realize a reduced future TAP-R via reconciliation recognizing the over-collection (with interest) later. Neither over nor under-collection is a desirable outcome.

Artificially low TAP-R surcharges, such as those proposed by the Advocate, make the interests of current customers paramount over future customers (who will have to shoulder an additional burden including interest as a result of an under recovery of today's TAP costs). Low TAP-R surcharges also prioritize current customer interests over the long-term interests of the Department (which must rely on today's cash reserves to cover TAP costs not being paid by

³⁴ TAP-R surcharge revenues cannot be tracked separately and are therefore estimated based upon actual billing data for TAP and non-TAP customers.

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 TAP-R "rate period" (September to August). That goal may not be perfectly achieved, but it should not be disregarded to the detriment of future customers and the Department.

This is the third consecutive TAP-R proceeding in which TAP-R rates have not fully recovered the net recoverable costs.³⁵ Under-recovery is a growing problem. As stated in PWD Rebuttal Statement 1, the E-Factor in this filing represents over 18% of the net recoverable costs both in the Department's and Mr. Morgan's calculations. Comparing the E-Factor in this proceeding to the net recoverable costs from the settlement in the 2025 TAP-R proceeding, the E-Factor represents over 24% of the net recoverable costs."³⁶

During the technical hearing, the Advocate challenged the Department's reconciliation adjustments. More specifically, the Advocate asserted that the Total Discount (C-Factor) inappropriately includes TAP-R Surcharges. Based on that assertion, the Advocate further argued that the Department's calculated E-Factor was too high by an undetermined amount.³⁷ Please note that neither PA Statement 1 nor Schedules LKM-TAP-1 through LKM-TAP-6, the

³⁵ PWD Rebuttal Statement 1 at 21.

³⁶ PWD Rebuttal Statement 1 at 22.

³⁷ The Advocate indicated that simple math was involved, but refused to perform its own math. The Department disagreed with simple math. The Advocate's request for a Transcript Request was withdrawn. Technical Hearing Transcript (May 14, 2026) at 119.

Advocate's errata or revised testimony addressed this issue. Rather, this argument was raised by the Advocate as an afterthought to "shore up" its otherwise weak presentation in this case.³⁸

The Advocate's embedded cost argument is misleading. As explained by Black & Veatch during the Technical Hearing, the calculation of the C-Factor is prospective and any surcharge amounts included in prior months are less than what customers will see in base rate increases for the next rate period (beginning September 1, 2026). Black & Veatch also explained that the Department's calculation of experienced and estimated net over/under-recovery reflects TAP discounts (credits) net of TAP-R surcharges to TAP customers.³⁹ In other words, the Department removes any portion of TAP discounts associated with the TAP-R surcharge within the calculation of the E-Factor, i.e., the over/under-recovery. As can be plainly seen in reviewing the record (Schedule PWD-1, Tables 3-W and 3-WW column 4), the TAP-R surcharge is removed from the discounts. The PA argument is unfounded (a red herring).

Tables 3-W and 3-WW (referenced above) start with the "Total Actual TAP Discount (Credits)," which is the amount required to reduce normal, (typical) residential bill amounts (showing the full costs, regardless of income) to the amounts that the TAP participants are "asked-to-pay." Total TAP-R billed to TAP participants is then removed from the Total Actual TAP Discounts and the collection factor is applied to the Net TAP Discount resulting in the

³⁸ Mr. Ballenger indicated that this argument was a "revelation" from his review of discovery responses. Nonetheless, Mr. Morgan failed to address this issue in PA Statement 1 (prepared after the bulk of discovery was completed), the errata/revisions to the Advocate's testimony (filed on May 13) or any statement by Mr. Morgan at the technical hearing. See, Technical Hearing Transcript (May 14, 2026) at 50-51

³⁹ See, Schedule PWD-1, Tables 3-W and 3-WW.

“Adjusted Total Actual TAP Discount (Credits).”⁴⁰ The over/under-recovery is based on comparisons of the Adjusted Total.⁴¹

Under-recovery of TAP costs is evident in the instant record.

Under-recovery in this proceeding is related to several factors including:

- (1) Actual TAP discounts experienced by the Department are higher than those used in establishing the TAP-R surcharge for the current rate period of September 1, 2025 through August 31, 2026. This result is related to the combination of higher enrollment levels and higher average discounts;
- (2) Current TAP-R surcharge rates do not generate sufficient revenues, beyond covering net TAP Discounts, to address the under-recovery from the prior reconciliation filing. As noted on Page 22 lines 23 to 25 and Page 23 lines 1 to 6 of PWD Rebuttal Statement 1, TAP-R surcharge revenues, on average, would need to result in a positive balance of \$301,378.50 for water and \$412,926.12 for sewer each month in order to cover both current net TAP discounts and under recovery from the prior period. Actual experience, as presented in Column 8 of Tables 3-W and 3-WW in Schedule PWD-8 shows that the average under-recovery per month is (\$156,203.50)

⁴⁰ To be clear, this proceeding will establish TAP-R rates for the period of September 1, 2026 through August 31, 2027. During the next TAP-R adjustment, the revenues generated from these TAP-R rates will be compared against the actual discounts, net of TAP-R surcharges, provided to TAP customers for reconciliation purposes.

Whether or not the average discount includes TAP-R surcharges associated with TAP customer is a non-issue for several reasons:

1. Base rates starting September 1st will increase more than the small portion of the TAP-R surcharges that are included in the average TAP discount for the prior period (especially those from prior to August 2025) Total TAP Discounts in the next rate period.
2. Overall TAP Discounts are anticipated to increase due to both ongoing increases in enrollment and the above mentioned increase in base rates.
3. The E-Factor calculations net out the TAP-R surcharge from the discounts, so that TAP-R revenues are only compared against the discounts attributable to TAP customer bills for which they would otherwise be responsible. It bears emphasizing that actual discounts net of surcharges are compared to the actual TAP-R revenues. This is entirely the point of reconciliation. This approach and calculation methodology have been in place since the very first reconciliation proceeding.

During the next TAP-R proceeding, the TAP-R revenues will also be compared against the revenue requirements including the under and over-collection associated with the prior rate period and to see whether the TAP-R revenues are sufficient, beyond those needed to cover discounts, to cover those historically under recovered amounts that still need to be addressed.

⁴¹ Please note that because the reconciliation process happens annually, TAP Discounts are always adjusted out (removed). There is no embedding or compounding of any sort.

for Water and (\$175,473.59) for sewer. Ongoing under-recovery is also plainly seen by reviewing the calculations submitted by the Water Department in either its Formal Notice or rebuttal statements. As indicated by Schedule PWD-8, with the addition of more actual data for January 2026 to March 2026, the E-Factor shows an increase compared to the formal notice filing (see also Table 2 of PWD Rebuttal Statement 1 on page 17, column headers PWD-1 and PWD-8). Meaning as more actual data has become available, PWD's experience shows increased under-recovery compared to earlier estimates. Since PWD did not update its requested TAP-R rates to address the increase in E-Factor, the Department's proposal as originally filed is reasonable (albeit understated).

Continuing the status quo is not reasonable for the Next Rate Period.

The existing TAP-R surcharges (status quo) were established by the Rate Board's approval of the settlement of the 2025 TAP-R Reconciliation Proceeding. That settlement was a compromise. With the benefit of hindsight, we know that the agreed-upon projections in that settlement under-recovered TAP costs in the Most Recent Period (September 2025 to August 2026). That means that existing TAP-R surcharges did not provide sufficient revenues to pay the TAP Discounts (TAP Billing Losses) in the above period. And it bears emphasis that such under-recovery of revenues has consequences for both the Department and its customers.

Mr. Haver questioned how much the TAP-R surcharge has increased over the past 6 years. Mr. Haver and others contend that there should be a "zero increase" in the TAP-R surcharge in this proceeding.⁴² However, under Mr. Haver's approach, insufficient TAP-R revenues would be recovered to pay for the TAP discounts. He contends that the City or others should pay the shortfall (TAP discounts). But neither the Rate Board nor the Department can make others pay or donate money for TAP.

⁴² Several written comments were submitted to the Rate Board requesting a zero increase. See, Public Input Written Comments (J. Thomas; M. Marcarelli).

To be sure, in establishing TAP and the associated TAP-R cost recovery mechanism, the intention was (and is) that PWD revenues would support this program. Moreover, the Charter and Rate Ordinance require that the Department's operations be self-sustaining. In short, a rate adjustment is required in this instance to correct for the current under-recovery of the TAP-R surcharge and to allow for sufficient recovery of future TAP discounts given projections for the Next Rate Period. Also note that it would be confiscatory toward the Department to blindly reject any rate adjustment that would increase the TAP-R surcharge for the Next Rate Period (as recommended by Mr. Haver), since such approach would not even allow PWD to catch-up for the past under-recovery — which was significant. The Department needs to be made whole and have new TAP-R rates in place to allow it to reasonably recover experienced under-collection and prospective TAP discounts for the Next Rate Period.

A. Annual Adjustment Issues

The proposed annual adjustment was disputed by the written testimony on behalf of the Advocate. The disputes are discussed below. There are also certain areas of agreement between the Department and the Advocate, which are summarized below in Section III.A.4.

PLUG and Mr. Haver did not file written testimony proposing TAP-R Rates. Nor did they file written testimony explaining their projections and assumptions for proposed TAP-R Rates. The Department reserves the right to respond to any annual adjustment issues raised by the Non-Advocate Participants in their respective Main Briefs, if any.

1. Projected Number of TAP Participants

The projected number of TAP Participants impacts the C-Factor. The C-Factor is calculated as the **projected** monthly number of TAP Participants for the Next Rate Period (September 2026 through August 2027) multiplied by the average discount per TAP Participant.

The last month of actual data available for TAP participants in this proceeding is March 2026, as shown in Table 3. Participation for the remainder of the Most Recent Period (April 2026 through August 2026) must be projected for purposes of establishing the E-Factor in this proceeding, since actual data was not available for those months before or at the date of the Technical Hearing (in May 2026). Participation must also be projected for the Next Rate Period.

Table 3: Actual Number of TAP Participants	
Rate Period Month - Year	TAP Participants (Actual)
Prior Rate Period (April - August 2025)	
April 2025	64,762
May 2025	65,114
June 2025	65,257
July 2025	65,853
August 2025	66,393
Most Recent Period (months for which actual data is available)	
September 2025	66,827
October 2025	67,155

November 2025	56,281
December 2025	67,815
January 2026*	67,690
February 2026*	64,640
March 2026*	68,413
Data Source: Schedule PWD-5 (original, February 17, 2026) – unless otherwise noted by an asterisk (*)	
* Schedule PWD-7 (static reporting data for January to March 2026, April 30, 2026)	

The Department and the Advocate disagree as to the **projected** number of TAP Participants for the Next Rate Period (September 2026 to August 2027), as shown in Table 4. None of the other Participants (PLUG and Mr. Haver) made projections of the number of TAP Participants for the Next Rate Period.

Table 4: Comparison of Projected TAP Participation		
Rate Period Month - Year	Advocate Projections	Department Projections
Most Recent Period (remainder of period for which projections were needed in absence of actual data).		
April 2026	68,405	68,496
May 2026	68,405	68,667
June 2026	68,405	68,839
July 2026	68,405	69,011
August 2026	68,405	69,183

Next Next Rate Period (September 2026 through August 2027)		
September 2026	68,405	69,356
October 2026	68,405	69,530
November 2026	68,405	69,703
December 2026	68,405	69,878
January 2027	68,405	70,052
February 2027	68,405	70,227
March 2027	68,405	70,403
April 2027	68,405	70,579
May 2027	68,405	70,756
June 2027	68,405	70,932
July 2027	68,405	71,110
August 2027	68,405	71,288
Projected Average for Next Rate Period	68,405	70,318
Data Used for Projections	March 2026	September 2026 to December 2026
Data Source:	Schedule PWD-5 (production data, April 15, 2026)	Schedule PWD-5 (original, February 17, 2026)

The Department's position on the average monthly number of TAP Participants is reasonable.

The Department supports 70,318 as a reasonable projection of the average number of TAP Participants for the Next Rate Period. The Department projected modest monthly growth

after December 2025 (of 0.25%) which would add an average of 174 Participants each month. Recent data from January 2026 through March 2026 support the trend of modest growth after December 2025.⁴³ In fact, actual TAP participation increased by an average of 178 customers per month between September 2024 through March 2026 — which closely approximates the Department’s projection.⁴⁴ In view of the foregoing and projections provided with the Advance Notice and Formal Notice in this proceeding, the Department believes that its projection of TAP Participation for the Next Rate Period is reasonable and corroborated by actual data.

The Advocate’s position on the average monthly number of TAP Participants is unreasonable.

The Department disagrees with the Advocate’s projections of the average number of TAP Participants in the Next Rate Period. The Advocate essentially maintains that TAP participation will be constant for 17 months, as shown in Table 4. In essence, the Advocate looked at TAP participation in March 2026 (production data, filed [April 15, 2026](#)) and held that level of participation (68,405) flat for the remaining part of the Most Recent Period (April-August 2026) and all of Next Rate Period (September 2026 to August 2027).⁴⁵

Mr. Morgan’s testimony does not explain how his 68,405 level of TAP participation was chosen. Mr. Morgan testimony does not state that he is using the level of TAP participation for March 2026. Given that he used the same level of participation as shown in the production data for March 2026, it appears that is the source for his projection. But the production data was

⁴³ [Schedule PWD-7](#) (static reporting data for January to March 2026, April 30, 2026).

⁴⁴ The Department’s responses to PA-TAP 4-1 and PA-TAP 4-2 (May 11, 2026).

⁴⁵ This approach is different than the 12-month backward-looking average, which Mr. Morgan uses to support other recommendations in this proceeding. Mr. Morgan’s projection is 2,890 TAP Participants higher than the 12-month backward-looking average. Advocate’s response to PWD-TAP-1-9.

subject to review and restatement, as noted in the Hearing Officer’s discovery order dated April 13, 2026. The Department has now completed its restatement of the production data and static data was provided in a supplemental discovery response on April 28, 2026.⁴⁶ Please note that with reference to the static data referenced above, the level of participation was higher — 68,413 for March 2026. Mr. Morgan did not change his opinion based on the Department’s restatement for March. The Department, the Hearing Officer and the Rate Board are, therefore, left to wonder why 68,405 was chosen by Mr. Morgan. We are also left to wonder why 68,405 is reasonably reflective of what the Department is likely to experience in the Next Rate Period.

Mr. Morgan’s testimony does not explain why participation, on average, will not change over the next 17 month period (April 2026 to August 2027). The trend in TAP participation referenced in PWD Rebuttal Statement 1, supports continued modest growth after December 2025. Mr. Morgan’s testimony does not reference any trends. His testimony does not explain why he projects that the level of participation will remain the same over the next 17 month period. Nor does his testimony explain why Mr. Morgan projects that participation will be flat after March 2026.

During the technical hearing, the Advocate emphasized that Mr. Morgan’s projections are higher than the 12-month backward-looking average.⁴⁷ Mr. Morgan, during the technical hearing, acknowledged that he is holding participation steady (at 68,405) and emphasized that it is higher than the 12-month backward-looking average.⁴⁸ In light of the foregoing, Mr. Morgan reasoned

⁴⁶ See, PWD supplemental response to PA-TAP-2-1 and related attachment (dated April 28, 2026). This updated data set is also appended to PWD Rebuttal Statement 1.

⁴⁷ Technical Hearing Transcript (May 14, 2026) at 87-89. See also Advocate’s response to PWD-TAP-1-9.

⁴⁸ Technical Hearing Transcript (May 14, 2026) at 88.

that his projections, therefore, represent “growth.” He is mistaken, however. His explanation actually acknowledged that growth had occurred before March 2026. Mr. Morgan does not project that growth will occur after March 2026.

The comparison between Mr. Morgan’s projection of TAP Participation and the prior 12-month average of TAP Participation shows that TAP participation **is trending higher over time**. But it does not show that Mr. Morgan’s projections show any increase growth after March 2026. The Department projected growth beyond March 2026. Mr. Morgan did not. Mr. Morgan keeps the TAP participation level the same for 17 months, as shown in Table 2. Mr. Morgan keeps TAP participation level for the remaining months of the Most Recent Period (April 2026 to August 2026) and the Next Rate Period, so there is no on-going or future growth in TAP participation in Mr. Morgan’s projections.

During the technical hearing, Mr. Morgan was critical of the calculated compound growth rate, as referenced in PWD Rebuttal Statement 1, because participation can fluctuate (go up or go down) from month to month. Fluctuations, however, do not necessarily negate an upward trend. This can be readily seen in the data presented of record. That is, Mr. Morgan points to a decrease in participation from October 2025 to November 2025, as shown in Table 3. He fails to acknowledge that the gains from November 2025 to December 2025 eliminated the decrease. This same pattern occurred between January 2026 to February 2026 to March 2026, as shown in Table 3. Taking the foregoing into account, the above periods demonstrate an upward trend.

In contrast with the Department’s position, Mr. Morgan’s projections do not show any changes from April 2026 to August 2027. Mr. Morgan’s projections of TAP Participation are constant for 17 months, as shown in Table 4. Mr. Morgan does not use any data driven trend to

support his zero growth projection. That is likely due to the fact that the data supports the Department's projections of modest growth (of 0.25%) per month, as explained in the Department's response to PA-TAP 4-1 through PA-TAP 4-3.

To justify his projections for April 2026 to August 2027, Mr. Morgan quipped that the Department envisions "a time" when TAP participation would level off (i.e., be steady).⁴⁹ Mr. Morgan's projections appear to indicate that such a time began in March 2026. He offers no explanation for his chosen time for the initiation of steady participation. The actual data presented in this record run counter to his projection of zero growth immediately preceding and during the Next Rate Period. Simply stated, the actual data indicate that modest growth (approximately 0.25% per month or slightly above) will continue from December 2025 to August 2027 and would add about 2,875 TAP Participants.

Conclusion on the average monthly number of TAP Participants

The Department's position is that its projection of **70,318** 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.

2. Projected Average Discount Per TAP Participant

The projected TAP Billing Loss is the Total Discount provided to TAP Participants. This is a key metric in this proceeding. The C-Factor (or Total Discount) is the product of the average

⁴⁹ Technical Hearing Transcript (May 14, 2026) at 87-88.

number of TAP Participants, 12 months, and the average discount per TAP Participant, as described in a previous section of this brief.⁵⁰

In addition to the disagreement regarding the average number of TAP Participants, the Department and the Advocate also disagree on the projected average discount per TAP Participants and the resulting Total Discount (TAP Billing Loss) for the Next Rate Period (September 2026 through August 2027), as shown in Table 5 (below). None of the other Participants made projections regarding the average discount per TAP Participant for the Next Rate Period.

Table 5: Projected TAP Billing Loss (Total Discount) and Average Discount Per Participant for Next Rate Period		
Participant	Advocate PA Statement 1 (as corrected, May 13, 2026)	Department Formal Notice Schedule PWD-5 (Feb. 17, 2026)
Projected Total Discount	\$48,814,756	\$53,006,249
Projected Average Discount Per Participant	\$59.47	\$62.82
Time Period of Data	April 2026 to March 2026	September 2026 to December 2026

⁵⁰ See discussion *infra.* at page 13 (C-Factor).

The historic (past) average monthly bill discount per TAP Participant is based on actual data. The actual average monthly bill discount has varied over time, as shown in Table 6 below.

Table 6: Actual Average Monthly TAP Discount	
Rate Period Month - Year	Average TAP Discount (Actual)
Reconciled Period (April 2025 through August 2025)	
April 2025	\$48.31
May 2025	\$49.82
June 2025	\$53.43
July 2025	\$53.55
August 2025	\$56.88
Most Recent Period (September 2026 through August 2027)	
September 2026	\$59.81
October 2026	\$67.69
November 2026	\$58.33
December 2026	\$64.68
January 2026*	\$69.63
February 2026*	\$64.17
March 2026*	\$66.10
Data Source: Schedule PWD-5 (original, February 17, 2026) – unless otherwise noted by an asterisk (*)	
* Schedule PWD-7 (static reporting data for January to March 2026, April 30, 2026)	

The Department's average monthly TAP Discount is reasonable.

The Department supports the projected average monthly discount per TAP Participant of \$62.82 and the resulting Total Discount in the Next Rate Period of \$53,006,249 as a reasonable projection. That projection is based on the trend of continued modest growth after December 2025.

The Department submits that its projection of billing losses for the Next Rate Period is reasonable as more recent data supports its projection. That is, after adjusting for the most recently available data (September 2025 through March 2026), the average monthly discount per TAP Participant would increase to \$64.50 and the resulting Total Discount would increase to \$54,498,092.⁵¹ The foregoing projections are higher than the Department's average monthly TAP discount and projected TAP billing losses set forth in the Advance Notice and Formal Notice. In addition, please observe that the Department's projection does not include the upcoming general base rate increase effective September 1, 2026. Adjusting the discounts for the upcoming different base rates (future rate impacts) would **add more than \$4.8 million** to the projected Total Discounts (TAP Billing Loss) for the Next Rate Period. Note that this amount is less than the estimated \$4.4 million of TAP-R included in the Department's estimated C-Factor.

The table below shows the estimated FY 2027 increase in base rates not reflected in the C-Factor (\$4.8 million) and provides for comparative purposes the estimated TAP-R included in the C-Factor (\$4.4 million).

⁵¹ PWD Rebuttal Statement 1 at 14, 17.

Simple Math			
Estimated Future Increase for FY 2027 Due to Base Rates			
(1)	Typical Residential Bill* Sept 1, 2026 to Aug 31, 2027	\$116.63	
(2)	Typical Residential Bill* Sept 1, 2025 to Aug 31, 2026	\$110.91	
(3)	Change in Typical Bill Due to Base Rates Effective Sept 1, 2026 (Base Rates only)	\$5.72	(3) = (1) – (2)
(4)	Estimated Bills Per Month For FY 2027	70,318	
(5)	Estimated Future Increase Per Month Due to Base Rates Effective Sept 1, 2026	\$402,219	(5) = (3) * (4)
(6)	Total Estimated Future Increase for FY 2027 Due to Base Rates Effective Sept 1, 2026 Not Included in Current C-Factor	\$4,826,628	(6) = (5) * 12
Estimated TAP-R Included in Current C-Factor			
(7)	TAP-R included in Typical Residential Bill* Sept 1, 2025 to Aug 31, 2026	\$5.20	(\$3.59/Mcf + \$5.07/Mcf) x 0.6 Mcf
(8)	Estimated Bills Per Month For FY 2027	70,318	
(9)	Estimated TAPR Included in Current C-Factor	\$4,384,498.	9 = (7) x (8) x 12
<p>*Based on 6 CCF, 2025 General Rate Proceeding, Compliance Filing, C-Tables (July 31, 2025). The Typical Bill effective Sept 1, 2025 reflects the Base and TAPR rates effective Sept 1, 2025. The Typical Bill effective Sept 1, 2026 reflects the Base rates effective Sept 1, 2026 and the TAP-R rates effective Sept 1, 2025.</p>			

Mr. Morgan believes this proceeding is data driven.⁵² In his written testimony and during the technical hearing, Mr. Morgan was critical of the Department's use of 4 months of data (from September 2025 to December 2025) to make projections.⁵³

Mr. Morgan asserts that the Department's projections are not "representative" of what the Department will experience in the Next Rate Period. However, Mr. Morgan cited no data and made no comparisons to support that assertion. To give a better representation of what the Department will experience in the Next Rate Period, Mr. Morgan says that he looked at the same months as the Department did in the 2026 TAP-R filing (submitted February 17, 2026) plus 3 months from January 2026 to March 2026 plus the 5 months before the current rate period (April 2025 to August 2025).⁵⁴

But Mr. Morgan made no effort to show why his projections (based on 12-months of data April 2025 to March 2026) are more representative of what Department will experience in the Next Rate Period than the Department's projections (based on the most recent data at the time of the TAP-R filing — September 2025 to December 2025). Nor is any effort made to show why his projections using 12-months of data are more representative of what the Department will experience in the Next Rate Period than the Department's projections using the 7 now-most recent months (September 2025 to March 2026).

⁵² Technical Hearing Transcript (May 14, 2026) at 107.

⁵³ Technical Hearing Transcript (May 14, 2026) at 97-98.

⁵⁴ As a part of discovery responses and Rebuttal Testimony, PWD also indicated that actual data from January through March 2026 corroborated its projections set forth in the Advance Notice and Formal Notice. See, Schedules PWD-7 and PWD-8.

Mr. Morgan's projection of TAP billing losses also does not include any adjustments for prior lower base rates (April 2025 to August 2025) or for upcoming higher base rates (after September 1, 2026). Mr. Morgan acknowledged, during the technical hearing, that different rates could impact his projection of TAP billing losses.⁵⁵ But Mr. Morgan did not perform any calculations or make any adjustments for any rate differences. The impacts of the different general base rates are significant, as discussed below.

The Department disagrees with the use of a backward-looking 12-month average to make forward-looking projections of the average monthly TAP Discount in the Next Rate Period.

The Department submits that it is unreasonable to use a backward-looking 12-month average (April 2025 through March 2026) to make projections for the Next Rate Period (without adjustment to offset lower base rates prior to September 1, 2025). According to Mr. Morgan's workpapers, the backward-looking 12-month Total Discount is **\$46,752,531**⁵⁶ resulting in an average monthly discount of \$59.47, using a monthly average of 65,515 participants.⁵⁷ Based on the static copy of the TAP-R Reporting Model, the backward-looking 12-month Total Discount is \$46,757,068⁵⁸ resulting in an average monthly discount of \$59.47, using a monthly average of 65,517 participants.⁵⁹

⁵⁵ Technical Hearing Transcript (May 14, 2026) at 99.

⁵⁶ Mr. Morgan's workpapers were provided in PA response to PWD-TAP-1-1, Attachment PWD-TAP-1-1(a) is Mr. Morgan's modified version of the Rate Rider Reporting Model. Mr. Morgan's TRR-Summary shows \$46,752,531 as the Total TAP Discount from April 2025 to March 2026.

⁵⁷ Advocate's Response to PWD-TAP-I-1(a) (April 27, 2026).

⁵⁸ PWD supplemental response to PA-TAP-2-1.

⁵⁹ *Id.*

The backward-looking 12-month average encompasses different effective general base rates. The base rates from the older period (April 2025 through August 2025) and the recent period (September 2025 through March 2026) are not the same.⁶⁰ Adjusting the Total Discounts from January 2025 to August 2025 for the change in general base rates would add approximately \$5.1 million⁶¹ to the Advocate's projection for the Next Rate Period. That is a change of about \$659,946 per month. Correcting the Advocate's projections for April 2025 to August 2025 for the past rate increase would increase its Total Discount by \$3,254,147.26 so the Total Discount would be \$52,068,903.26. That would equate to an average discount of about \$66.17, using a monthly average of 65,517 participants.

During the technical hearing, Mr. Morgan stated his disagreement with the above PWD calculations to adjust his recommendation. However, he never provided a clear rationale as to why his projections were reasonable. Nor did he perform his own calculations to adjust for his use of a backward-looking period during which lower base rates were in effect (prior to September 1, 2025).⁶²

The Advocate's average monthly TAP discount per TAP Participant is unreasonable.

The Department disagrees with the Advocate's projections of a Total Discount and average monthly TAP Discount in the Next Rate Period (September 2026 through August 2027).

⁶⁰ Advocate's Response to Department Information Request PWD-TAP-I-8 (April 27, 2026); Water, Wastewater and Stormwater Rates and Related Charges increased beginning September 1, 2025, per the [Rate Determination](#) in the [2025 General Rate Proceeding](#).

⁶¹ Department's responses to PA-TAP 4-4 (May 11, 2026).

⁶² Technical Hearing Transcript (May 14, 2026) at 97-100.

The Advocate recommends an average discount of \$59.47 and a resulting Total Discount of \$48,814,756, using 68,405 participants. That is different from the 12-month backward-looking average, which is discussed above.

It is not reasonable to adopt the Advocate's projection of the average discount per TAP Participant and the resulting Total Discount (\$48,814,756) for the following reasons:

First, Mr. Morgan's testimony does not explain how he projects the average discount per TAP Participant of \$59.47 and the resulting TAP Discount of \$48,814,756. Note that Mr. Morgan's Total Discount is not same as the 12-month backward-looking average, which is \$46,752,531 and is shown in Mr. Morgan's workpapers.⁶³

Mathematically, it looks like Mr. Morgan took the \$59.47 from the 12-Month average discount, multiplied that by 12, and multiplied that by his (unexplained) number of projected participants to reach \$48,814,756. But neither his testimony nor his workpapers tell us that. In view of the above, the Department, the Hearing Officer and the Rate Board are, therefore, left to wonder why an average discount per TAP Participant of \$59.47 is reasonably reflective of what the Department is likely to experience in the Next Rate Period.

Second, Mr. Morgan's testimony does not explain why the discount per TAP Participant should be \$59.47 and why that discount, on average, will not change over the next 17 month period (April 2026 to August 2027). The trend, discussed above, supports continued modest growth after December 2025. Mr. Morgan's calculated average (of \$59.47) uses data from a prior rate period (April 2025 to August 2025) that was not adjusted to reflect current rates (effective

⁶³ See, footnote 56.

September 1, 2025), as discussed above. Nor was Mr. Morgan’s calculated average adjusted for the upcoming change in rates (to become effective September 1, 2026).

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 \$62.82 and resulting C-Factor of **\$53,006,249** will result in a fair, 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.

3. Projected Usage Per TAP Participant

The projected water and sewer usage levels are underlying factors that impact the discount provided and the resulting TAP-R surcharges.⁶⁴ Projected usage per TAP Participant for the unreconciled portion of the current rate period and the Next Rate Period is disputed, as shown in Table 2. Both of those projections are below the highest level experienced between April 2025 and March 2026. But, usage over the last 8 months (from August 2025 through March 2026) has been higher than the average monthly usage proposed by the Advocate. Usage in the Most Recent Period to date (September 2025 to March 2026) shows an average usage of **669 cf**.⁶⁵ That is slightly higher than the Department’s proposed average monthly usage (of 661 cf) for the Next Rate Period. The aforesaid actual average monthly usage also indicates that the

⁶⁴ See, e.g., [2024 TAP-R Hearing Officer Report](#) at 7.

⁶⁵ Schedule PWD-7 (static reporting data for January to March 2026, April 30, 2026).

Advocate's proposed average monthly usage (of 654 cf) is too low in the circumstances presented.

4. Areas of Agreement

The S-Factor has not been disputed by the Participants

None of the Participants filed written testimony explicitly disagreeing with the Department's S-Factor, which represents the projected Non-TAP customer sales volumes in thousands of cubic feet (MCF) of the Non-TAP customers for the Next Rate Period, Fiscal Year 2027. It forms the basis for the uniform surcharges that the Non-TAP customer sales that will pay (per MCF) in Fiscal Year 2027. Table 2 above shows that the Advocate's projections used the same projected sales volumes for water and wastewater as the Department's projections.

The interest rate for the I-Factor has not been disputed by the Participants.

None of the Participants filed written testimony disagreeing with the Department's interest rate used to calculate for the I-Factor. The I-Factor is the interest on over/under collection amounts (which are the E-Factor). The Department used an interest rate of 3.47%, which is based upon the 1-year interest rate for constant maturity U.S. Treasury Securities as published in the Federal Reserve Statistical Release H.15 (519) on January 2, 2026. There is a difference in the projected I-Factors due to the different E-Factors projected by the Department and the Advocate. Those differences are based on the respective E-Factors. They are not based on the interest rate applied to the E-Factors.

B. Additional Issues Raised By The Participants And The Public

The Department responds to the public comment as well as the additional criticisms of PLUG and Mr. Haver as follows:

1. Additional TAP-R Background

City Council has mandated that water, wastewater and stormwater rates reflect the cost of service and to ensure that the rates for each customer class are reasonable,⁶⁶ equitably apportioned,⁶⁷ and nondiscriminatory.⁶⁸ It has also mandated “special rates” for eligible charities⁶⁹ and for income-based bills for eligible residential customers.⁷⁰

The parameters for TAP were established by City Council and the Rate Board. In 2015, City Council passed an ordinance requiring the establishment of an assistance program that would allow low-income customers to pay reduced rates based upon a percentage of their household income. In 2016, the Rate Board established TAP, which is an assistance program that allows income-eligible customers **as well as customers experiencing a hardship** to pay reduced bills based on a percentage of their income.⁷¹ TAP Participants receive a fixed monthly bill based on a percentage of their annual household income. The formula for cost recovery associated with TAP-R was approved by Rate Board in 2018.

⁶⁶ See, Philadelphia Code § 13-101(4)(d).

⁶⁷ See, Philadelphia Code § 13-101(4)(c).

⁶⁸ See, Philadelphia Code § 13-101(4)(d)

⁶⁹ See, Philadelphia Code § 13-101(4)(e).

⁷⁰ See, Philadelphia Code § 19-1605.

⁷¹ <https://cap.phila.gov/>

TAP is supported by a Rate Rider (“TAP-R”). TAP-R is a regulatory surcharge intended to recover lost revenue as authorized under the Department’s regulations. The surcharge is discrete and is considered apart from the Department’s other expenses. In fact, the formula sets forth the basis for calculating and adjusting the TAP-R surcharge. Specifically, Section 2.1 of the Department’s regulations regarding rates provides, in part, that:

In addition to the service charge, the quantity charge portion of each bill is determined by applying the quantity charge set forth below to all water use. In addition, the quantity charge will also include a Tiered Assistance Program (TAP) Rate Rider Surcharge, as set forth in Section 10.

The TAP-R surcharges are applied to customers, both residential and non-residential, who do not receive the discount.⁷² The TAP-R surcharges are uniform charges, paid by the non-TAP customers, that are expressed in a dollar amount per thousand cubic feet (MCF) since they relate to the quantity of service (water or wastewater) provided. Section 10.0 of the Department’s regulations describes the formula for the recovery of TAP costs. Section 206.0 of the Department’s regulations describes the program itself.

It is an accepted industry practice to use surcharges to fund customer assistance programs. That practice is followed across Pennsylvania: “Various forms of automatic adjustment clauses have been included in fixed utility tariffs in Pennsylvania for over 50 years.”⁷³ This includes surcharges for universal service (customer assistance) programs.⁷⁴

⁷² 2021 TAP-R Determination, at 1.

⁷³ James H. Cawley & Norman J. Kennard, A Guide to Utility Ratemaking at 88 (2018 ed.)). https://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf.

⁷⁴ *Id.* at 98.

2. Application of the TAP-R Surcharges

Both PLUG and Mr. Haver are critical of the application of TAP-R surcharges to customers who do not receive the discount, albeit for different reasons.

Mr. Haver is critical of the uniform application of the TAP-R surcharges. He suggests that rather than being uniform, the surcharges should be progressive so that the surcharge increases as the customer's income rises.⁷⁵

During the technical hearing, Mr. Haver questioned whether considerations of the affordability of the TAP Surcharges for moderate income residential customers (who are not income-eligible for TAP) is given any weight in this proceeding.⁷⁶ Through a Transcript Request, Mr. Haver emphasizes that rates have increased over the last 6 years (from the 2020 TAP-R Reconciliation Proceeding through this TAP-R Reconciliation Proceeding).⁷⁷

Mr. Haver argues that the uniform application is unfair to moderate income residential customers, who are not income-eligible for TAP, to pay the same surcharges as wealthy residential customers.⁷⁸ He ignores the fact that Hardship (as defined in the IWRAP Ordinance and related regulations) can make residential customers eligible for TAP (as shown in the WRB

⁷⁵ Technical Hearing Transcript (May 14, 2026) at 71-72; Public Input Hearing Transcript (May 7, 2026) at 15; Haver ([Set 1](#)) at Requests 10 to 15 and the Department's Objections and Partial Responses [thereto](#).

⁷⁶ Technical Hearing Transcript (May 14, 2026) at 61-62. Mr. Haver also questioned whether Mr. Morgan's testimony discussed the affordability of the TAP Surcharges for moderate income residential (who are not income-eligible for TAP).

⁷⁷ Department's response to Transcript Request #1 Haver.

⁷⁸ Technical Hearing Transcript (May 14, 2026) at 61-62. Public Input Hearing Transcript (May 7, 2026) at 15.

water customer assistance application).⁷⁹ Mr. Haver also ignores the requirements for reasonable, equitably apportioned and non-discriminatory rates.

The Department submits that none of the above-described criticisms should be considered or adopted by the Rate Board, since they are beyond the limited scope of this adjustment proceeding.

3. External Funding for TAP

Mr. Haver is critical of the existence of the TAP-R surcharge because the surcharge increases the financial burden on Philadelphians using water and wastewater services. He states that rates have risen, and many cannot afford to pay. He frames this issue as “who pays” for the program.⁸⁰

Mr. Haver is critical of how TAP is funded. Mr. Haver suggests that cost of TAP should be borne by the City’s General Fund or (unidentified) foundations.⁸¹ Mr. Haver argues that every effort should be made to secure external funding before requesting rate relief (via a surcharge). Mr. Haver is ignoring the fact that the Department operates primarily through its Water Fund (an enterprise fund), rather than the City's General Fund. In the past, the Department has not received funds from the City for TAP or otherwise. The Department does not anticipate that such funds will be forthcoming for Fiscal Year 2027. Nor does the Department anticipate that millions in external funding will be given (granted) by (unidentified) foundations for Fiscal Year 2027.

⁷⁹ <https://cap.phila.gov/>.

⁸⁰ Public Input Hearing Transcript (May 7, 2026) at 14.

⁸¹ Public Input Hearing Transcript (May 7, 2026) at 17; Haver ([Set 1](#)) at Requests 10 to 15 and the Department’s Objections and Partial Responses [thereto](#).

Through a Transcript Request, Mr. Haver suggests that one-tenth of 1.0% of the City's proposed⁸² Operating Budget for Fiscal Year 2027 would be enough to pay the Total Discounts (projected by the Department for Fiscal Year 2027).⁸³ He is wrong as confirmed by TR-2. Approximately 1.058% of the City's proposed budget would cover the costs for TAP.⁸⁴ However, this fact does not mean that the City will act as Mr. Haver desires. The Department is not aware of any part of the City's proposed Operating Budget that would obtain and transfer funds to the Department, in the next Fiscal Year, to pay the TAP Discount. Consequently, the Department must proceed with efforts to recover funds to pay for the Total Discount from the Department's customers consistent with the TAP-R reconciliation process.

Mr. Haver has also suggested the cost of TAP should be borne or supported in part by non-customers. During the technical hearing, Mr. Haver questioned whether persons or entities who are not customers should pay part of the cost of the TAP Discount.⁸⁵ Mr. Haver also asked if non-customers are asked to pay the TAP-R Surcharges to lessen poverty in Philadelphia.⁸⁶ It was explained that the TAP-R surcharges are uniform charges, paid by the Department's customers who are non-TAP customers, based on the quantity of service (water or wastewater) provided by the Department. There is no mechanism in place to charge fees to non-customers who are not receiving service from the Department.

⁸² The City's deadline to approve its final operating budget for Fiscal Year 2027 is June 30, prior to the start of that Fiscal Year on July 1.

⁸³ Department's response to Transcript Request #2 of Haver.

⁸⁴ *Id.*

⁸⁵ Technical Hearing Transcript (May 14, 2026) at 74-75.

⁸⁶ Technical Hearing Transcript (May 14, 2026) at 75.

The Department submits that none of the above-described criticisms should be considered or adopted by the Rate Board, since they are beyond the limited scope of this adjustment proceeding. The proposed changes are not viable, in most instances without action by City Council or a third party (external funding). The City’s Charter provides (in part) that the Department should be fully funded by PWD customers,⁸⁷ not by tax revenues. This issue was discussed in the 2023 General Rate Proceeding and did not result in changes to the structure of TAP-R.

4. Public Participation

During the technical hearing, Mr. Haver questioned the importance of the public comment and public input (collectively “public participation”) in this proceeding.⁸⁸ The Department makes its proposal (Advance Notice) to start the proceeding. That proposal is based on math and the Department’s need to recover funds to pay for the upcoming TAP Discounts that will be given in the Next Rate Period and to recover funds for TAP Discounts previously provided but not fully paid for through the TAP-R Surcharge revenues. Public participation comes after the Department has made its proposal.

Mr. Haver is also critical of the level of participation at public input hearings, which was less than recent TAP-R reconciliation proceedings. He posits that a specific number of participants at a public input hearing is required to demonstrate that outreach was “successful” or

⁸⁷ Charter at Section 5-801.

⁸⁸ Technical Hearing Transcript (May 14, 2026) at 69, 109.

“acceptable.” The assumption is wrong, and was discussed in the 2023 General Rate Proceeding and did not result in changes to the structure of TAP-R.

Event attendance is an outcome. A “low” participation level at an event does not necessarily imply lack of outreach or lack of knowledge of the event. “Low” participation could imply the informed choice not to participate in the event or a lack of interest in the proceeding. For example, a customer may have chosen to submit written comments as opposed to appearing at a public input hearing. In addition, it should be noted that ratepayers may be more willing to participate in a public input proceeding where the applicable general base rates are being increased — as opposed to changes in the program designed to help eligible customers pay their bills.

Mr. Haver implies that (given the Rate Board’s administration of public hearings and outreach related to same) public input and public participation “do not matter” to the Rate Board. In taking this position, he overlooks the well-established procedures for public input and comment on proposed water rates and charges.⁸⁹ Mr. Haver also ignores the Hearing Officer’s explanation that public input and participation are an integral part of the Rate Board’s review of the changes to the Department’s rates.

Mr. Haver also questioned the use of virtual hearings. That issue was raised at the pre-hearing conference. In a pre-hearing order, the Hearing Officer established hybrid hearings that allowed both in-person and virtual participation. Mr. Haver contested this determination arguing, among other things, that in-person hearings (as opposed to hybrid hearings) were preferred. Mr.

⁸⁹ Rate Ordinance, § 13-101(3)(e); Board Regulations at §§ II.A.1(b), II.C.

Haver filed a Motion to Reverse the Hearing Officer’s ruling on April 6, 2026. The Rate Board rejected Mr. Haver’s Motion on May 13, 2026.

The Department submits that the above-described criticisms should be rejected by the Board. The Rate Board regulations address the administration of the hearing process and related outreach. The directives of the Hearing Officer were consistent with the aforesaid regulations and hearing procedures to be followed by the participants in this proceeding were clearly communicated. Moreover, outreach efforts for the public input hearings (as undertaken by the Department and Public Advocate) were extensive in this case — exceeding the requirements in the applicable regulations.

5. Cost and Administration of the TAP Program

Mr. Haver criticizes the structure of TAP, the administration of TAP and the formula adopted to calculate the TAP-R surcharge. Specifically, Mr. Haver questions (1) the “total” cost of the program;⁹⁰ (2) the cost of enrolling customers in TAP;⁹¹ (3) cost recovery under the TAP-R Rider;⁹² (4) the Department’s procurement of services;⁹³ (5) the efficiency of PWD’s operations;⁹⁴ and (6) rate equity and affordability regarding TAP.⁹⁵ Mr. Haver raised similar

⁹⁰ Public Input Hearing Transcript (May 7, 2026) at 16; Haver ([Set 1](#)) at Requests 1 to 2 and the Department’s Objections and Partial Responses [thereto](#).

⁹¹ Public Input Hearing Transcript (May 7, 2026) at 16; Haver ([Set 1](#)) at Requests 1 to 2 and the Department’s Objections and Partial Responses [thereto](#).

⁹² Haver ([Set 1](#)) at Requests 1 to 2 and the Department’s Objections and Partial Responses [thereto](#).

⁹³ Haver ([Set 1](#)) at Requests 3 to 9 and the Department’s Objections and Partial Responses [thereto](#).

⁹⁴ Haver ([Set 1](#)) at Requests 1 to 9 and the Department’s Objections and Partial Responses [thereto](#).

⁹⁵ Haver ([Set 1](#)) at Requests 16 to 20 and the Department’s Objections and Partial Responses [thereto](#).

criticisms in the 2022 TAP-R proceeding⁹⁶ and the 2024 TAP-R proceeding.⁹⁷ None of the above criticisms is appropriately considered within the limited scope of a TAP-R reconciliation proceeding.

6. Ethics and Integrity

The Rate Board has limited jurisdiction.⁹⁸ That jurisdiction is limited to “fixing and regulating rates and charges.”⁹⁹ The Rate Board’s jurisdiction does not include authority to investigate, administer or enforce public integrity laws or ethical codes. The refusal to recognize this fact by Mr. Haver constitutes a determined effort to ignore reality, since Mr. Haver raised similar ethical criticisms as part of the 2022 TAP-R proceeding.¹⁰⁰

Mr. Haver is critical of the Advocate’s performance. He also questions whether the Public Advocate represents the interest of the Small User Customers. He argues that the Advocate is not representing residential customers. The same or similar criticisms have been made by Mr. Haver and were rejected by the Rate Board in previous proceedings.

The Department submits that none of the above-described issues regarding the investigation, administration, or enforcement of public integrity laws or ethical codes should be

⁹⁶ 2022 TAP-R Reconciliation Proceeding ([Link](#)).

⁹⁷ 2024 TAP-R Reconciliation Proceeding, ([Link](#)).

⁹⁸ The Rate Board’s jurisdiction is discussed more fully in the Department’s Brief in the 2021 General Rate Proceeding, which was already incorporated herein, *see* footnote 19 and the accompanying text.

⁹⁹ *See*, Philadelphia Code §13-101(3).

¹⁰⁰ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2022-annual-rate-adjustment/>.

considered or adopted by the Rate Board, since they are (a) beyond the limited jurisdiction of the Rate Board; and (b) beyond the limited scope of this adjustment proceeding.

7. Non-TAP Issue: Charity Water Rates and Charges

One public comment made during the proceeding related to charitable discount rates. The Water Revenue Bureau and the Philadelphia Water Department offer a 25% discount on water bills through the Charity Water Rates and Charges Discount Program. The program is generally available to charities, places of religious worship, non-profit hospitals, schools, and universities. ([Link](#)).

The public comment questioned whether eliminating (or reducing) the Charity Water Rates and Charges Discount Program would increase affordability for residential customers.¹⁰¹ In the instant context, the Rate Board should be aware that Charity Water Rates and Charges are accounted for within TAP-R revenues. Such revenues are based on, among other things, monthly billed volumes. The E-Factor and S-Factor calculation take into account the discounts provided to charities by adjusting the billed volumes to account for this reduced level of revenues. The Department submits that eliminating (or reducing) the Charity Water Rates and Charges Discount Program should not be considered or adopted by the Rate Board, since that change is beyond the limited scope of this adjustment proceeding and would require legislative action by City Council.

¹⁰¹ Public Input Hearing Transcript (May 7, 2026) at 20-21.

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, 2026; (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 Formal Notice for service rendered on and after September 1, 2026.

Respectfully submitted,

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