

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

Friday, June 30, 2017  
Laurel, Maryland

Chair Thomasina V. Rogers called the meeting to order at 10:02 a.m. in the Auditorium of the Washington Suburban Sanitary Commission (hereinafter "WSSC") Richard G. Hocevar ("RGH") Building, 14501 Sweitzer Lane, Laurel, Maryland, 20707, with due notice having been given to all members of the Commission and the public. In addition to Chair Rogers, Commissioners Fausto R. Bayonet, Omar M. Boulware, Howard A. Denis, T. Eloise Foster and Chris Lawson, were present at the meeting, reflecting the presence of a quorum. Also in attendance were WSSC General Manager and Chief Executive Officer Carla A. Reid, General Counsel Amanda Stakem Conn, Corporate Secretary Sheila R. Finlayson, Esq., who recorded the minutes of the meeting, Chief Financial Officer Joseph Beach and Rate Structure Setting Experts Chris Woodcock, William (Bill) Stannard and Harold Smith of Raftelis Financial Consultants, Inc., and Pamela Lemoine of Black & Veatch.

**OPEN SESSION**

**Pledge of Allegiance.** Chair Rogers opened the meeting by welcoming everyone and asking Commissioner Denis to lead the pledge of allegiance.

**Agenda Approval.** Commissioner Foster moved to adopt the Commission's Special Public Meeting Agenda of June 30, 2017, as drafted. Commissioner Boulware seconded the motion. The motion carried unanimously with six affirmative votes.

**Purpose of Special Meeting.** Chair Rogers stated the purpose of the special meeting which she described as follows: We [The Commission] will hear from and interact with expert consultants in the field of rate structure design as we design our new rate structure which will take effect and be implemented with the

Fiscal Year (FY) 2019 budget. Our [WSSC's] current 16-tier rate structure has been in place for 25 years and is showing signs of age. In 2010, we undertook an extensive examination of our outdated rate structure for the purpose of building financial resiliency and to assess future financial needs while at the same time balancing revenue stability. Customer affordability and conservation were also key. We have engaged in extensive outreach with our stakeholders and have held numerous public hearings to inform our stakeholders of alternative options being considered and to obtain their input and hear their concerns. Today, we will be hearing from Chris Woodcock and his team of renowned experts on the rate setting process as well as Pamela Lemoine of Black & Veatch.

The Chair then recognized WSSC CFO Joseph Beach to introduce the panel. Mr. Beach provided an overview of what was expected to be covered at [today's] session with the rate experts and related objectives:

- 1) Review our efforts with both Counties since last June in identifying and analyzing alternative rate structures;
- 2) Provide an in-depth review of the steps and principles of rate setting;
- 3) Present the findings from WSSC's cost-of-service analysis conducted by Black & Veatch;
- 4) Discuss the next steps in the rate setting process; and
- 5) Receive comments from the public.

Workshop Objectives:

- 1) Understand the Rate Setting process;
- 2) Understand the Findings of WSSC's Cost of Service Study;
- 3) Develop Timeline for Adoption and Implementation of the Rates.

Mr. Beach then formally introduced the work session presenters, noting that management has assembled a very experienced and impressive team of utility rate setting experts (full bios provided in meeting materials and incorporated herein by reference):

- Chris Woodcock - President of Woodcock Associates; an acknowledged expert in rate consulting throughout the world; involved in more than 500 municipal and private water and wastewater rate, financial and management studies. Background in Economics. Former Chair and Longest Standing Member of AWWA's Rates and Charges Committee, worked on all of AWWA's rates-related manuals of practice. Served as expert witness on rate-related matters in numerous jurisdictions throughout the country.
- Bill Stannard - Chairman of Raftelis Financial Consultants; 40 years of experience providing consulting services to investor and municipally-owned utilities covering management operations, economic and financial matters. Extensive experience includes comprehensive revenue requirements and cost of service studies. Served as expert witness in rate litigation matters in federal and state courts, arbitration panels and state public service commissions.
- Harold Smith - Vice President of Raftelis Financial Consultants; Nationally-recognized expert in water and wastewater, finance, management and pricing. For over 25 years, advised municipal water and waste water utilities throughout U.S., focusing on financial, management and public policy requirements.
- Pamela Lemoine - Principal Consultant with Black & Veatch, more than 30 years of experience in the conduct of strategic financial planning, cost of service and rate design studies.
- Jay Sakai - 4Tenents Consulting - Maryland water conservation expert.

Mr. Beach and the experts then walked through a power point presentation provided to Commissioners in advance and incorporated herein by reference. Specific details can be found in the meeting presentation and corresponding segment of the archived meeting video.

In summary, Mr. Beach shared management's proposed timeline for the WSSC Rate Structure Review Process along with the Rate Structure Review Goals which include, ensuring process is open

and transparent with rate proposals developed that will meet both the Commission's and customers' objectives.

Mr. Woodcock followed with a presentation and workshop on the rate setting process ("Rate Setting 101") which included the 5 steps of rate setting and related policy considerations (noted below) for designing a rate structure that generates sufficient revenue; accomplishes WSSC's and customers' objectives; is consistent with accepted rate making principles and is legally defensible.

Five Steps of Rate Setting Process:

- 1) Identify Financial and Policy Considerations
- 2) Identify Revenue Requirements and Demand Projections
- 3) Allocate Costs
- 4) Design Rate Structure
- 5) Assess Effectiveness in Addressing Policy Considerations

Policy Considerations:

- Affordability
- Conservation/Demand Management
- Cost-Based Rates
- Ease of Implementation
- Easy to Understand and Update
- Minimize Customer Impacts
- Rate Stability
- Revenue Stability

Further detail relating to each step and related policy considerations can be found in the meeting presentation materials and corresponding segment of the archived meeting video and both are referred to for this purpose.

Following the principles of rate setting briefing, Ms. Lemoine of Black & Veatch walked through WSSC's Cost of Service Study, conducted by Black & Veatch, breaking down the water system cost of service and sewer system cost of service analyses. Specific

details related to the Black & Veatch presentation can be found in the meeting materials and corresponding segment of the archived meeting video.

**Wrap Up.** Following the presentations and related discussions, the Chair thanked the panel of experts. Next special meeting to be conducted will involve a deeper dive into policy considerations discussed at today's meeting.

**Public Comments.** The Chair asked if there were any members of the public who would like to address the Commission, to which there were none.

**ADJOURNMENT**

**There being no additional business, the Chair called for a motion to adjourn, to which Commissioner Foster moved to adjourn the meeting. Commissioner Boulware seconded the motion. The motion carried unanimously with six affirmative votes.**

**At 1:21 p.m., the meeting was declared adjourned.**

Respectfully submitted,

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Sheila R. Finlayson, Esq.  
Corporate Secretary