

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

Thursday, August 3, 2017
Laurel, Maryland

Chair Thomasina V. Rogers called the meeting to order at 10:11 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 Deputy General Manager Thomas J. Street (acting in General Manager Carla Reid's absence), General Counsel Amanda Stakem Conn, Corporate Secretary Sheila R. Finlayson, Esq., who recorded the minutes of the meeting, Customer Service Director Crystal Knight-Lee and Rate Structure Setting Experts Chris Woodcock, William (Bill) Stannard and Harold Smith of Raftelis Financial Consultants, Inc., Jay Sakai of 4Tenets Consulting and Ann Bui of Black & Veatch.

OPEN SESSION

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

Agenda Approval. Commissioner Denis moved to adopt the Commission's Special Public Meeting Agenda of August 3, 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, as follows:

[Chair Rogers] As most of you here and those viewing remotely know, the WSSC is in the process of establishing a new rate structure - one that meets its revenue needs to operate the water and waste water system consistent with its mission. It bears in repeating that mission, at every opportunity we get, as a reminder of our commitment - "We are entrusted by our community to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable and financially responsive manner."

At the last Special Meeting of the Commission on the rate structure, held on June 30, 2017, we were briefed on the immensely complex issues surrounding the cost of service methodology which has been defined thusly: [T]he process of determining the total annual revenue requirement to be recovered from each customer based on the costs of providing them service. A more useful definition of cost of service for our purposes is this: [T]he level of revenue required from user rates and charges to properly and prudently operate, maintain and develop utility infrastructure and other necessary costs of doing the business enveloped in our mission.

What we know is that rates are going up all across the country - largely to address infrastructure maintenance and replacement costs.

The purpose of this meeting today is to facilitate a discussion and further our education, if you will, of the policy issues that are consistent with the vision and values of the WSSC and how to integrate them with sound business-based decisions. Chief among them are affordability and conservation. Good public policy demands nothing less. One of the issues we hope to entertain today is how we reconcile the cost of service methodology with our core value of insuring that water is affordable to all our customers.

In that regard, I'd like to paraphrase David LaFrance, CEO of American Water Works Association, who wrote in the June issue of the AWWA Journal. He stated that there are two important issues when addressing affordability:

- 1. Determining when a real affordability problem exists;*
- and,*
- 2. Determining how to successfully implement and pay for the solution.*

Neither of these exercises is easy. But WSSC has engaged a team of experts to help us sift through these complex issues related to cost of service while preserving and advancing the values we hold as a premier water and wastewater utility.

When WSSC Management makes recommendations to us, hopefully they will reflect, and where appropriate, incorporate the concerns from the public, testimony from our experts and the best thinking and expertise from within the WSSC.

With that, I welcome the team of experts to the table.

Rate Structure Review Process Briefing. The Chair then recognized WSSC Deputy General Manager (DGM) Thomas Street to provide an introduction and overview of what is expected to be covered at today's session with management and the rate experts.

Mr. Street stated the following:

[DGM Thomas Street] Good morning, Madam Chair, and Commissioners. For the record, I am Tom Street, Deputy General Manager for Administration. I am filling in for Ms. Reid today in her absence. I am also substituting for Mr. Beach in his absence. Both regret not being here today.

With us today, are our outside experts, Mr. Chris Woodcock, Messrs. Bill Stannard and Harold Smith from Raftelis Financial Consultants, Ms. Ann Bui from Black & Veatch, and Mr. Jay Sakai

from 4Tenets Consulting. In addition, Ms. Amanda Conn, Mr. Vennard Wright, Ms. Crystal Knight-Lee, Ms. Letitia Carolina-Powell, Ms. Heather Ashbury and Mr. Danny O'Conner from our staff will either be participants in the presentations or available to answer questions.

This is the second in a series of workshops that are intended to assist you in deciding on draft alternative rate structures for water and sewer service charges for FY'19, and to propose these draft structures to the two county governments by the end of September in order to obtain their input in developing a final rate structure by June, 2018.

On June 30, you were provided an overview of non-cost policies governing bodies such as the Commission should consider when adopting water and sewer use charge rate structures. Also included in that meeting was a more detailed discussion of a study performed by our consultants Black & Veatch that establishes a cost basis for delivery of the Commission's water and sewer services to various types of customers.

Today, with the help of our experts and staff, you will explore more deeply, the non-cost policies and, by the end of the meeting, hopefully inform us which ones are most important to you and the emphasis to be placed upon each in developing draft proposed rate structures. We will also provide a quick review of our cost of service discussions from your June 30 meeting, and the rate structures that are most aligned with that policy. At your August 15 meeting, our experts and staff will review and discuss alternative structures developed based upon the guidance you have provided today.

Following that meeting, staff is hopeful that you will select one or more rate structures that we will take to the public for their input at a hearing to be held in early to mid-September. Following

that meeting, you will approve one or more rate structure options for transmittal to the county governments for their consideration. It is anticipated that these last actions will take place by the end of September.

The role of the county governments is to use methods of their choosing to obtain additional public input, and transmit their recommendations back to you for a new rate structure. The Commission has requested that we receive those recommendations by mid-November. Once you receive those recommendations, the plan is for you to adopt a specific rate structure at your December meeting which you will then take to public hearing sometime in January, 2018.

Subsequent to that hearing, the Commission will, taking into consideration all input from the public and government officials, approve a specific rate structure for inclusion in its FY'19 Proposed Budget. That proposed budget will be transmitted to the County Executives on, or before March 1. The County Executives, along with the County Councils will deliberate on the Commission's proposed budget and rate schedules and make final decisions on these matters before the end of May. The Commission will take the counties' actions into consideration and approve an FY'19 Budget and water and sewer service rate schedules that support that budget in June, 2018.

Since the last Workshop on June 30, you have been provided a number of materials to help prepare you for today's discussions. Included in those materials are white papers, and links to articles on various rationales for incorporating water conservation as part of a utility's fiscal policies. One of the articles is a paper from previous General Manager John Brusnighan that provides a good explanation on the rationale for the Commission's current rate structure (although at the time the rate structure was 100 steps, not 16.)

The materials also include information on different types of affordability programs used, or under consideration by jurisdictions around the country. Also in the materials is a summary of the Commission's current affordability programs. One important paper addresses the near-term technical and legal challenges to adopting some of the rate structure options you may be hearing about today. The experts and/or Commission staff will address how those near-term technical and legal challenges may affect your ability to consider some draft rate structures.

Staff hopes you have found these materials useful in preparing for today.

With that, I will turn the program over to Mr. Woodcock and company to lead today's discussions.

Rate Setting Policy Considerations

Pricing Policy Consideration Overview - Mr. Chris Woodcock presented this item, reporting from a power point contained in the posted advance materials and incorporated herein by reference. Specific details can be found in the presentation and corresponding segment of the archived meeting video, and both are referred to for that purpose.

In summary Mr. Woodcock provided a refresh of the June 30th briefing to Commissioners; again summarizing the following pricing policy considerations reviewed previously:

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

- Revenue Stability

Affordability - Mr. Bill Stannard of Raftelis, next presented on this item, reporting from a power point contained in the posted advance materials and incorporated herein by reference ("Addressing Utility Affordability Through Effective Customer Assistance Programs"). Specific details can be found in the presentation and corresponding segment of the archived meeting video, and both are referred to for that purpose.

In summary, Mr. Stannard presented two case studies on affordability and customer assistance programs at other utilities.

Overview of WSSC Affordability Programs - WSSC Director of Customer Service Crystal Knight-Lee briefed Commissioners on WSSC's current key customer assistance programs, walking through a power point presentation contained in the public advance materials and incorporated herein by reference (Customer Affordability and Assistance: A Current State Assessment). Specific details can be found in the presentation and corresponding segment of the archived meeting video, and both are referred to for that purpose.

There was general concern [expressed by several Commissioners] as to whether WSSC had an affordability issue, with the Chair requesting that management and the experts provide further articulation or representation of this point.

Public Comments. Following conclusion of the above three presentations and prior to taking a lunch recess, the Chair asked if there were any comments from members of the public, to which there were none.

The Chair then called for a lunch recess at 12:20 p.m.

The Special Meeting resumed in the Commissioners' Auditorium at 1:15 p.m., with all Commissioners still in attendance.

Maryland Conservation Law and Policy – Mr. Jay Sakai of 4Tenets Consulting reported on Maryland Water Conservation Policy Considerations. Power point presentation contained in the public materials and incorporated herein by reference. Specific details relating to this briefing can be found in the corresponding segment of the archived meeting video.

Public Comments. Following the afternoon presentation, the Chair again paused to receive any comments from the public, to which there were none.

Commissioner Priority Policy Ranking. Commissioners participated in an exercise, per the DGM and experts' request, where they were asked to complete a worksheet contained in the advance materials, classifying each of the eight pricing policy considerations as either "essential, very important or important" with further instructions to only rank a maximum of three considerations each as Essential or Very Important.

Upon completion of this exercise, the experts from Raftelis tabulated the Commissioners' responses, sharing that the Commission ranked the policy considerations, as follows (in the order reflecting the highest vote count):

Essential:

- Revenue Stability
- Conservation/Demand Management
- Rate Stability

Very Important:

- Ease of Implementation
- Affordability
- Easy to Understand and Update

Important:

- Cost-Based Rates
- Minimize Customer Impacts

Wrap Up. The Chair thanked the panel of experts. The DGM then reported on next steps as follows:

- Management to come back to Commissioners by 8/12/17 with Rate Structure Options based on identified essential policy considerations;
- Management to present rate structure options at the August 15, 2017 Special Commission Meeting;
- Management will request Commission to set public hearing date on or about September 13, 2017 to present the options to the public; and,
- Management is expecting that the Commission would vote to transmit the recommended rate options to the Counties at the September 20, 2017 Regular Commission Meeting.

ADJOURNMENT

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

At 2:51 p.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary