

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Tuesday, August 15, 2017
Laurel, Maryland**

Chair Thomasina V. Rogers called the meeting to order at 10:08 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/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 F. Beach and Rate Structure Setting Experts Chris Woodcock, William (Bill) Stannard and Harold Smith of Raftelis Financial Consultants, Inc. and Jay Sakai of 4Tenets Consulting.

OPEN SESSION

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

Agenda Approval. Commissioner Denis moved to adopt the Commission's Special Public Meeting Agenda of August 15, 2017, as drafted. Commissioner Lawson 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] To continue the process of securing the expert testimony and input as we move forward in developing a new rate structure for WSSC; the first new revision of the rate structure in 25 years. We've already had two special meetings and today's is the third in a series.

In the interim, I wanted to have the time, take the time with my fellow Commissioners to discuss what we've heard here-to-for and to decide whether there are issues that need to be addressed and whether we are ready to move forward. We have expressed concerns during the course of the previous two special meetings; but, as a collegial body, we have not taken time to discuss what our feelings are and what needs to be done.

The Chair then took an opportunity to discuss collegial decision-making and how the Courts have defined it (citing the Chief Judge of the United States Court of Appeals for the District of Columbia):

[Chair Rogers] Collegiality - does not mean, whether we get along as friends (although we do). And it doesn't mean that we strive for unanimity in decision-making (because we don't, we endorse robust discussion and disagreement). But, rather, collegiality is a process that helps to create the conditions for principled agreement, by allowing all the point of views to be aired and considered... And so, while we are looking at the various proposals and the various recommendations, we have not taken the time to do what we need to do by way of collegial decision-making - which, is to have a discussion among ourselves as to our level of satisfaction with the process and with the way things have been presented to us.

*We are going to take that time off the top this morning... And, the number one question for me, has been Readiness - **[W]hether or not we feel comfortable with the information that has been presented; the options that have been presented; and, the methodology.***

So, Today, we're going to have this discussion in public... [to which all Commissioners were in agreement].

Commission Discussion. The Commission discussion ensued, as follows, with each Commissioner providing the following commentary (as requested by the Chair):

Commissioner Foster: We've received a lot of information and materials on how a new rate structure for WSSC should look; however, believes further work may be necessary in terms of readiness:

- Consultants should provide spreadsheet that gives us information on rate structures and affordability programs for water utilities comparable in size to WSSC and where climate conditions are similar to weather conditions in this region - suggested 5 to 8 similar utilities that have had these rate structures in place for 5 years or more;*
- Commissioners should be able to review spreadsheet / information easily; should not contain information on utilities that have rate structures that are unique and not consistent w/WSSC's goals;*
- Consultants then to work with our staff/management team to identify which of these rate structures and programs come closest to meeting the policy priorities/considerations that we've outlined and set forth;*
- Commission should be focused on putting into place a rate structure that is based on existing rate structures that have proven successful and represent best practices and best in class; not interested in re-inventing the wheel (expecting consultants to point out "best in class" structures for utilities with similar communities and suggest modifications that would best fit WSSC - rate structures and affordability programs do not have to come from same water utilities).*

Commissioner Boulware: At last meeting, raised issue of affordability and whether or not WSSC has an affordability problem:

- *This has not been fully addressed to my satisfaction yet - we have not scratched the surface on the affordability issue;*
- *Would like better understanding of how our ratepayers feel about our current rates in terms of affordability;*
- *Appreciate information received on poverty levels within each County; it's helpful, but not enough for me to feel comfortable or ready to make decision on future rate structure.*

Chair Rogers: We talked about some of the things that also impinge on readiness. Would like to see more information about things that affect agency in its normal practice/ordinary course of business such as new billing system roll-out - needs to be integral part of our move forward.

- *We're anticipating rolling out new billing system in 2019 after we [would have] put new rate structure in place;*
- *It is Commission's responsibility/job to make sure we've looked at things that are on the foreseeable horizon - not satisfied that this has been done;*
- *Cited AWWA Opflow Issue (July 2017) - "[T]he challenge for utilities today is three-fold: earn enough revenue to repair broken pipes, keep water affordable for the poor, and do so while selling less of their product. Those challenges intersect in a utility's rates. The adjustments that utilities - from Austin and Atlanta to Denver, Philadelphia and San Antonio - are making are evidence that old formulas are inadequate to meet changing financial and social pressures, be they outdated infrastructure, water scarcity, or affordability."*
- *It is not a list of things from which we choose and prioritize [referencing the policy considerations prioritization exercise requested of Commissioners by consultants at 8/3/17 special meeting]; it's a little more complex than this. It's how these things all intersect... or, if not all of them, certainly the things we've indicated are important and necessary to preserve the values of the Commission;*
- *Re: Question of Affordability - hard to address at low end of income spectrum due to renters [referenced Portland Affordability Program which grappled with same issues and*

concluded they needed to do a deeper dive] ... Portland] looked at different options and conducted pilot programs. Have we done enough of a deep dive on the question of renters and are we standing pat on the notion that this is a difficult problem and we should not or don't need to do anymore?

- *Commissioners need to move forward with recommendations from management to send our best judgment to not only the elected officials but members of the public (our consumers) ... Have we done the due diligence; are there questions that we are currently in a position to answer (have we done our homework)? Not comfortable that we currently have the type of information before us that would equip us to answer these questions... We need to know the best in the industry... We need to know which utilities are comparably situated... to do our best work here.*

- *How are our customer's comments/feedback/input reflected in the recommendations as we go forward? We are going to be asked at the next meeting to choose options - how has customer feedback been factored into the options?*

Commissioner Boulware: Public engagement - must make sure we do our due diligence. Curious to know how customers would rank policy considerations... Would hope management would reach out to our customers via CFC or random sampling of ratepayers from both jurisdictions.

Commissioner Denis: Very comfortable with where we came out on policy priorities last time but open to other conclusions...

- *Would be interested in seeing how our experts rank the policy considerations and receiving their recommendations on what they see as the most appropriate... and go from there;*

- *Referenced current discolored water issues due to increased rain/inclement weather conditions - GM in recent press briefing, recommended that customers go to local laundromats to wash clothes [if experiencing DW issue]. How can we incentivize certain groups of customers, such as laundromats that play such a useful and important role in our community - balancing of the equities (between conservation, affordability, rate stability, etc.);*

believe in conservation ethic and laundromats play a key role... Since we can't base our rate structure on customer classes - we must do our due diligence and best job in working around this challenge... Look forward to hearing more from our experts on what they think our proper course should be in conjunction with staff, elected officials in both counties.

Commissioner Foster: Based on past practice/history re current rate structure - decision that we make could be in place for another 25 years... Must be diligent - consider all options.

- *Would like consultants to look at unintended consequences of proposals being presented for consideration and provide possible solutions around this.*

Chair Rogers: Public Advocate - raised notion of having an advocate along with consultants/experts and it was rejected. Referenced Portland process... When they established workgroup to look at issues around affordability - the input/work of a non-profit, low-income assistance advocate was used. We have raw input from customers; [however] not comfortable that we're in a position to research and understand demographic information and how we reach populations... Recommends that an advocate be at the table in addition to cost-of-service and rate structure experts.

Chair Rogers: Affordability Program. Portland, in developing its affordability program in the context of its overall water program, established criteria for assessing an affordability program - e.g., ease of understanding, minimization of rate impacts, revenue stability, ease of administration and some others... These are legitimate questions to be asked about an affordability program; however, these were asked of us in the context of designing a rate structure...

- *Are these appropriate policy issues/factors for designing a rate structure?*
- *Sees them as operational and administrative necessities*
- *Have we received full airing on the policy issues?*

Chair Rogers - Other Considerations for Commissioners:

- *Are we ready?*
- *What do we expect from our experts?*
- *What do we expect from management?*
- *We need the input of management via some form of recommendation(s) of how to proceed?*
- *It is the job of Commissioners to make sure that we have the input from all of the experts... and, recommendations from management on how we move forward... We're not experts on rate structures...*

Commissioner Denis - Do we need additional staffing at the Commissioner level? Perhaps on temporary/ad hoc basis...

Chair Rogers: Commissioners' role is policy; don't have the expertise on-hand to address the policy issues or to ensure that we as a Commission are properly addressing the policy issues.

Commissioner Lawson: Stakeholder Readiness. Concerned about this and what our ratepayers/elected officials are expecting? Are we going to adhere to timeline established by management?

Commissioners Rogers/Foster: Sensitive to time constraints but can't rush to judgment. Must move ahead as best we can but be constructive at same time. Must be comfortable with our decision and that we've put into place a new rate structure that withstands the test of time.

- *Public engagement key - keep our ratepayers and elected officials appropriately engaged in process; re-engage them now that we've received more information from our experts, staff...*
- *Primary goal - put into place a rate structure that is built on best practices; that we can defend and articulate; and, that our ratepayers will support and feel that we have done right by them.*

Commissioner Denis: Public Service Commission determined that our rate structure is unreasonable... We need reasonable amount of time to fix it... (believes we're taking the right steps to do this).

Commissioner Bayonet: Affordability. Concerned about lower consumption users and how new rate structure will affect them... Stressed - should be fair to all groups.

Chair Rogers: Must receive materials from management in a timely manner [referencing materials that Commissioners received this morning right before the meeting that they had not seen prior to meeting start time].

Following Commission discussion, the Chair requested that the Corporate Secretary put together a listing of the concerns expressed here today so that the Commission can have a discussion with management and the experts about whether and how these concerns will be addressed as we move forward.

The Chair then asked of Commissioners, whether there was any need for the Commission to move forward with hearing from the experts and management [today] on the recommended rate structure options they had planned to present to Commissioners, to which Commissioners generally agreed to take a step back to consult with management following the meeting to allow the General Manager (and her team) and the consultants to review and address the concerns raised by Commissioners today.

The Chair reiterated, following the General Manager's request that the Commission avoid any unnecessary delays and keep the process moving, citing time is of the essence, that the Commission is committed to moving the process along as thoroughly and expeditiously as possible.

Public Comments. Mr. Ron Wineholt, Vice President of Government Affairs, of the Apartment and Office Building Association for Metropolitan Washington (AOBA), was present, on behalf of AOBA, which represents members that own and operate apartments and

office buildings in the Metropolitan Washington area, to request that the Commission not consider the adoption of a rate structure that further increases rates for the top high volume users by cross-subsidization of rates.

There were no other comments from members of the public.

ADJOURNMENT

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

At 11:18 a.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary