

Recommended Rate Structure Special Commission Meeting

July 17, 2018

Why Change?

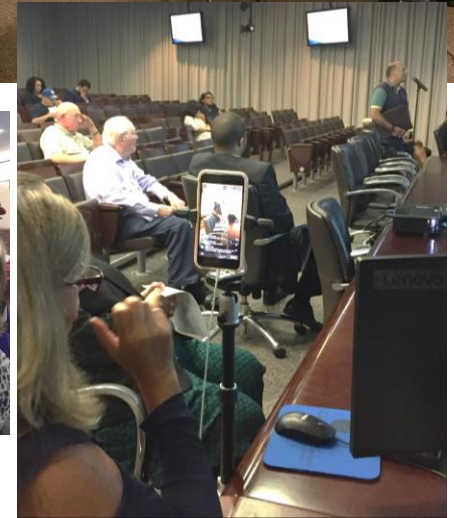
1. WSSC's current rate structure was adopted 25 years ago and good management practice dictates periodic review of rate structure alternatives.
2. The Maryland Public Service Commission (PSC) directed WSSC to develop a new rate structure. The PSC found the existing rate structure to be preferential to low-usage customers.

WSSC's FY18 Rate Structure

	Combined Water & Sewer Rates Per 1,000 Gallons
Average Daily Consumption (ADC)	Effective
Range (Gallons Per Day)	July 1, 2017
0-49	\$ 7.95
50-99	9.12
100-149	10.38
150-199	11.83
200-249	13.27
250-299	14.38
300-349	15.29
350-399	15.99
400-449	16.46
450-499	16.95
500-749	17.28
750-999	17.68
1,000-3,999	18.26
4,000-6,999	18.67
7,000-8,999	18.94
9,000 & Greater	19.36

Extensive Public Outreach

- ❖ 30+ public meetings attended by 1,500+ WSSC customers including:
 - ❖ Public Informational Meetings
 - ❖ Public Hearings
 - ❖ Special commission meetings
 - ❖ Elected official briefings
- ❖ All WSSC meetings livestreamed and seen by nearly 2,500 viewers
- ❖ 3 direct mailings to all customers
- ❖ Radio ads on key stations
- ❖ English/Spanish outreach
- ❖ Paid social media ads
- ❖ News releases/earned media
- ❖ Elected official notification
- ❖ wsscwater.com/ratestudy



Commissioners' Policy Priorities

Policy Considerations	Rank
Revenue Stability	1
Conservation/Demand Management	2
Rate Stability	2
Affordability	3
Ease of Understanding	4
Ease of Implementation	5
Minimize Customer Impacts	6
Cost Based Rates	7

Framework for Developing Rate Structure Alternatives

- ❖ Basis for rate design is 3 person household
- ❖ Typical household size in WSSC service area is 3 people
- ❖ 93% of all bills are for residential customers
- ❖ 75% of residential households are 3 or less people
- ❖ 95% of residential households are 5 or less people

Framework for Developing Rate Structure Alternatives

- ❖ **26 gallons per person per day** is based on the World Health Organization estimate of minimum sanitary needs
- ❖ **80 gallons per day** – Minimum sanitary needs for a 3 person household
- ❖ **165 gallons per day** – Based on average per person consumption of 55 gpd for a 3 person household
- ❖ **275 gallons per day** – Based on average per person consumption of 55 gpd for a 5 person household

Recommended Rate Structures

		Water & Sewer Tiers (gpd)	
Type of Rate Structure	Alternatives	Gallons Per Day	Rate per 1,000 Gallons
3 Tier Inclining	Alternative 3A	0-80	\$10.66
		81-165	\$13.43
		>165	\$17.61
3 Tier Inclining	Alternative 3B	0-165	\$10.41
		166-275	\$13.89
		>275	\$19.96
4 Tier Inclining	Alternative 4A	0-80	\$10.66
		81-165	\$12.25
		166-275	\$14.86
		>275	\$18.74

Rates are illustrative only based on FY18 revenue requirements. Final rates for FY20, when the new rate structure will take effect, will be adopted in June 2019.

Recommended Rate Structure

		Water & Sewer Tiers (gpd)	
Type of Rate Structure	Alternative	Gallons Per Day	Rate per 1,000 Gallons
4 Tier Inclining	Alternative 4A	0-80	\$10.66
		81-165	\$12.25
		166-275	\$14.86
		>275	\$18.74

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Policy Priority: Revenue Stability

- ▶ Alternative 4A will provide a more predictable revenue stream compared to the current rate structure.
- ▶ Revenue stability is crucial given WSSC's robust capital improvements program, which exceeds \$3.3 billion for FY19–24.

Policy Priority: Conservation

- ▶ The inclining tier structure of Alternative 4A sends a clear conservation message to customers.
 - Conservation is a high priority of the Commissioners, was strongly supported by customers, and is legislatively mandated.

Policy Priority: Simplifies, Stability, Cost Alignment

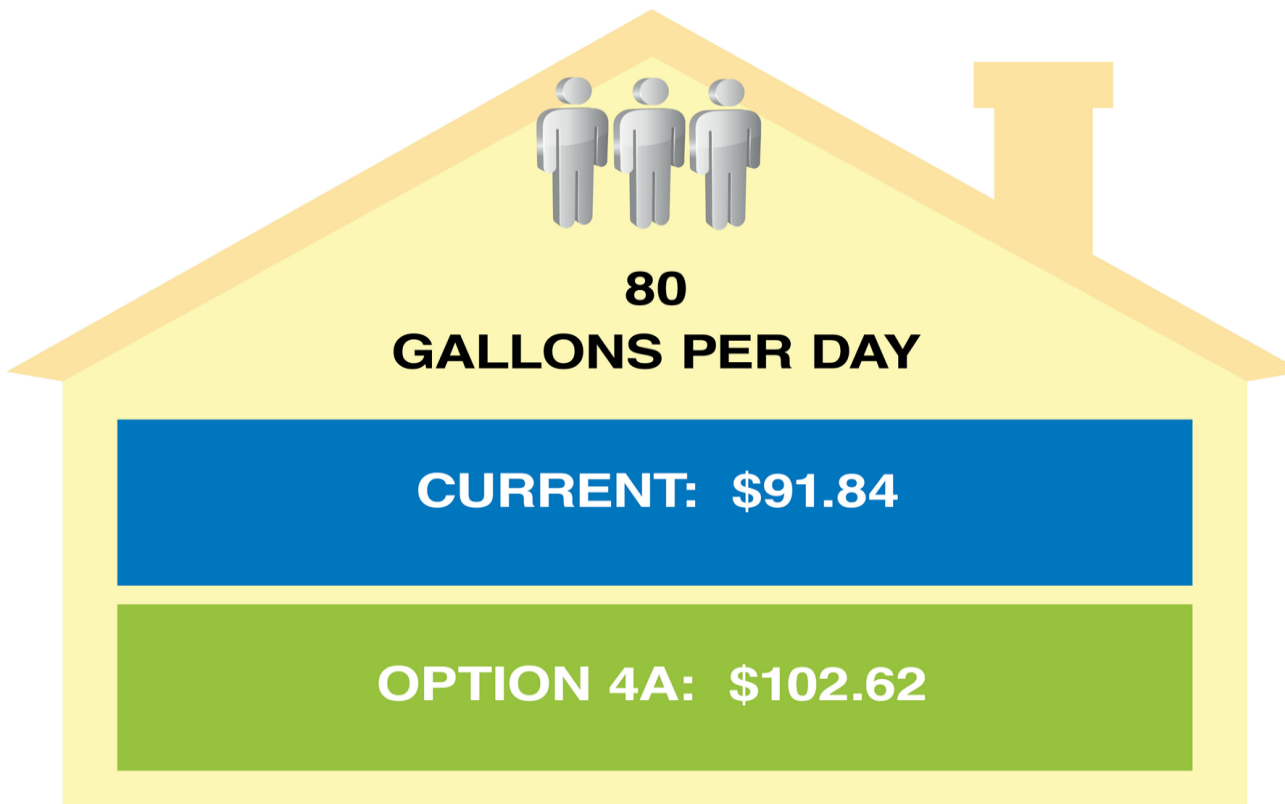
- ▶ Significantly simplifies the rate structure
- ▶ Maintains rate stability with inclining tier rates
- ▶ Results in more equitable recovery of costs by charging for consumption within each tier of use rather than at the highest tier.
- ▶ Better aligns costs with rates

Policy Priority: Affordability

- ▶ Customer affordability was a top policy priority
- ▶ Alternative 4A best addresses customer affordability
 - Especially when compared to the uniform rate for our most vulnerable low and fixed income customers.
- ▶ Estimated quarterly bill for 3 person residential households *declines* by nearly \$5 /quarter

WSSC Management's Recommended Rate Structure (4A) Quarterly Bill Impacts

RATE STRUCTURE EXPECTED TO TAKE EFFECT ON JULY 1, 2019 · RATE STRUCTURE IS REVENUE NEUTRAL



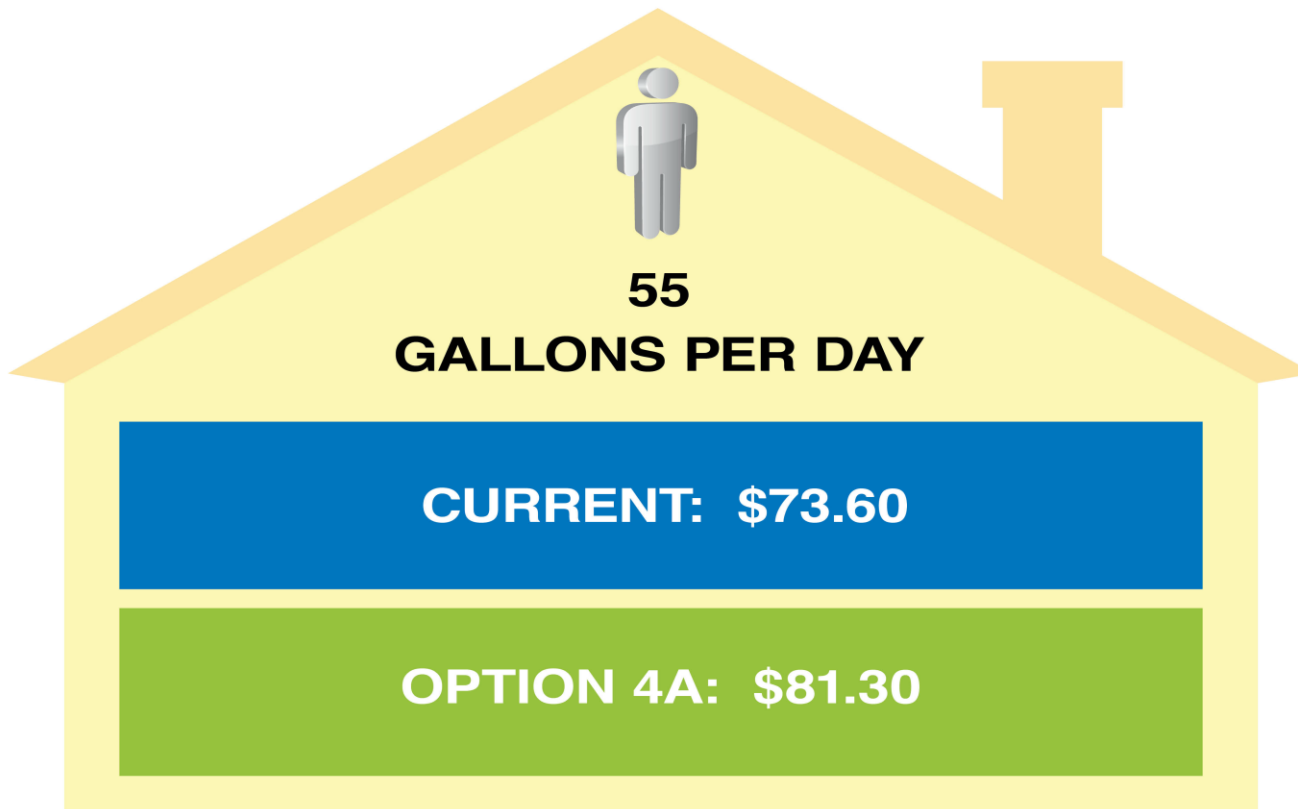
80 gallons per day is based on World Health Organization estimate of 26 gallons per person per day (minimum sanitary needs) for a 3 person household

Note: The bill impacts are illustrative only and based on FY18 revenue requirements. Final bill impacts will depend on final rates for FY20, which will be adopted in June 2019.

These amounts are based on a 3/4" meter.

WSSC Management's Recommended Rate Structure (4A) Quarterly Bill Impacts

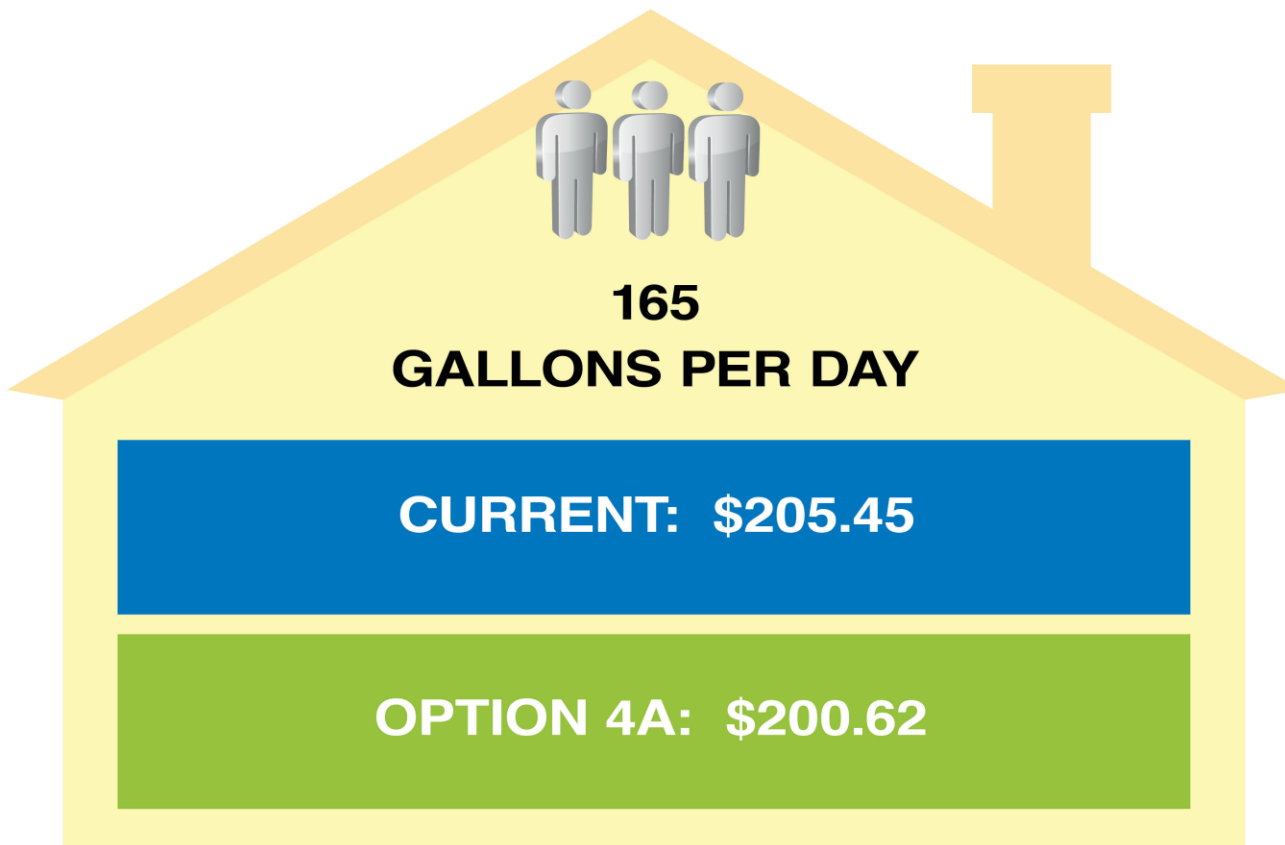
RATE STRUCTURE EXPECTED TO TAKE EFFECT ON JULY 1, 2019 · RATE STRUCTURE IS REVENUE NEUTRAL



The average per person consumption in the WSSC service area is 55 gallons per day

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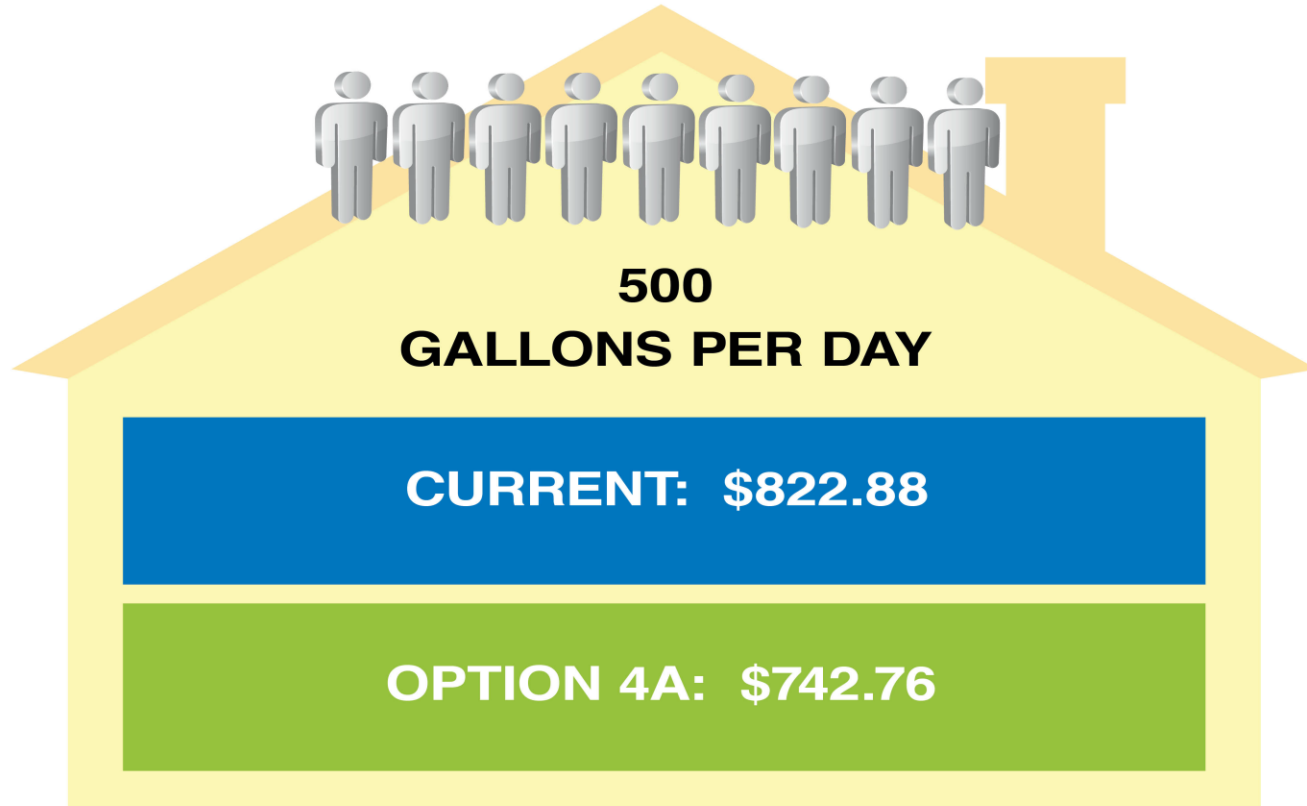
165 gallons per day is based on the average per person consumption of 55 gallons per day for a 3 person household

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These amounts are based on a 3/4" meter.

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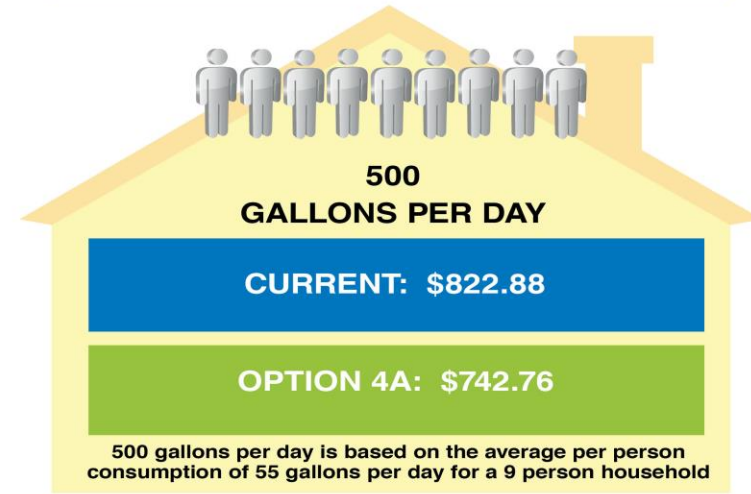
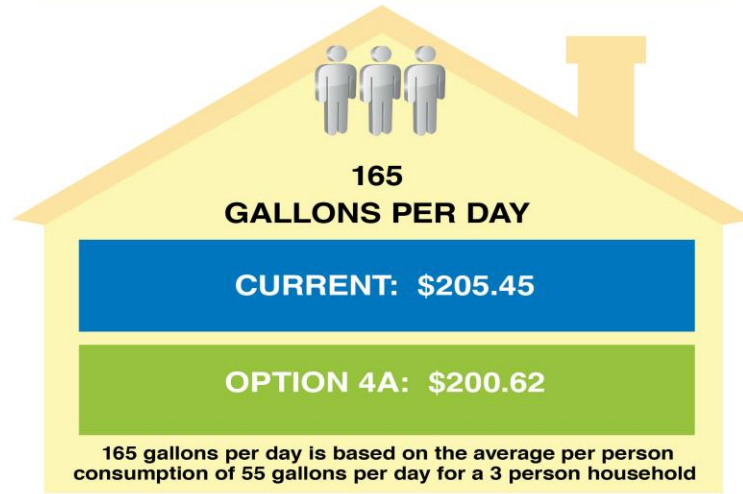
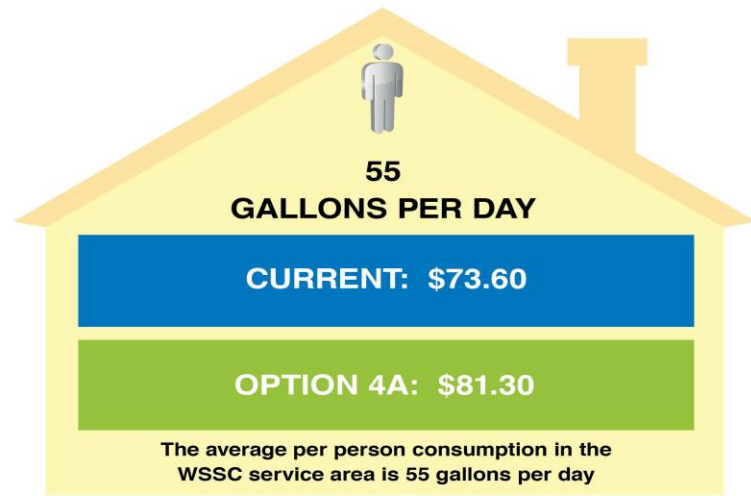
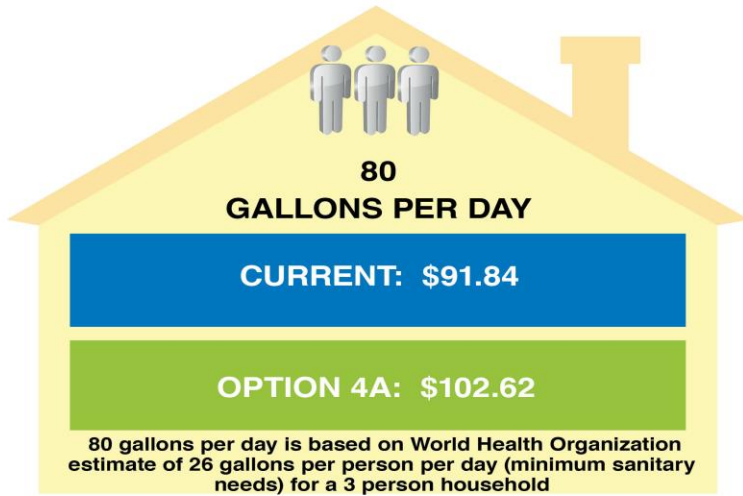
500 gallons per day is based on the average per person consumption of 55 gallons per day for a 9 person household

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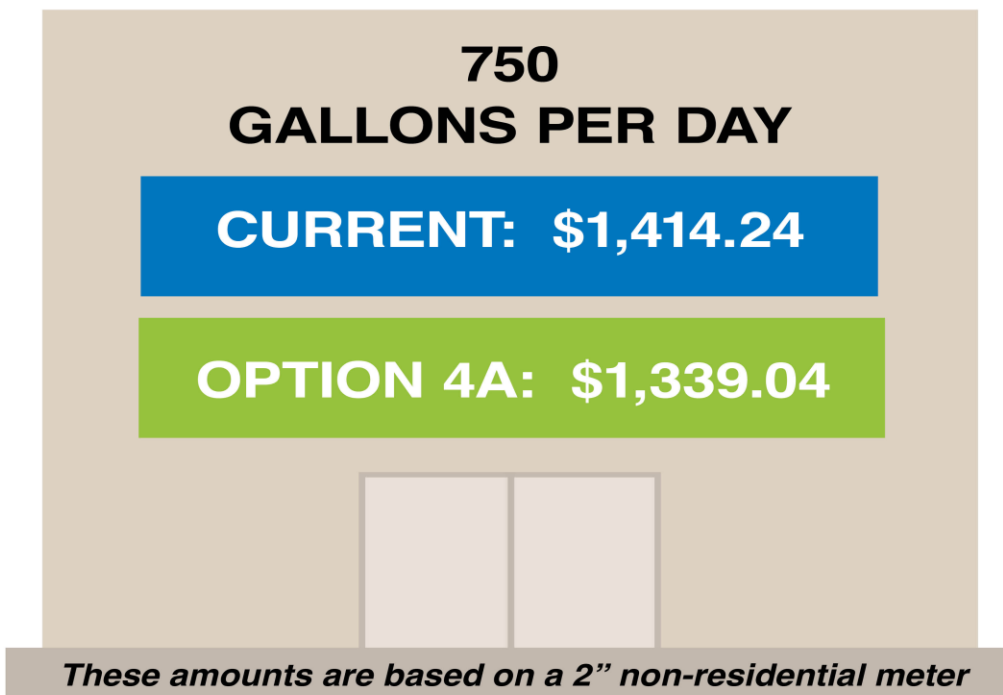


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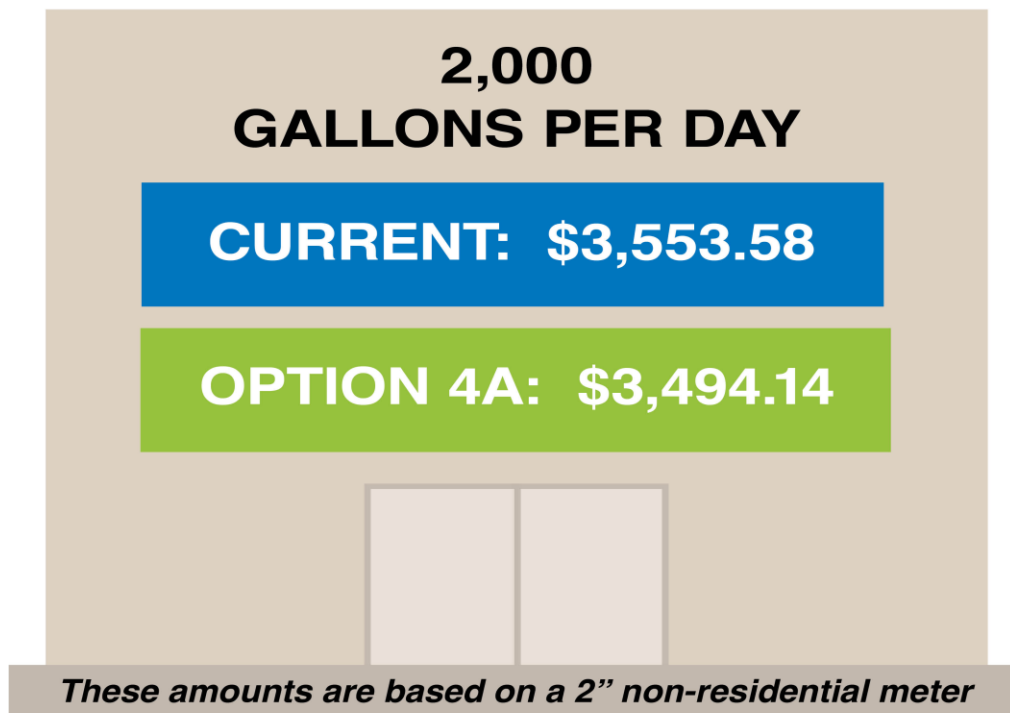
Examples:

- Salons • Dry Cleaners • Car Dealers

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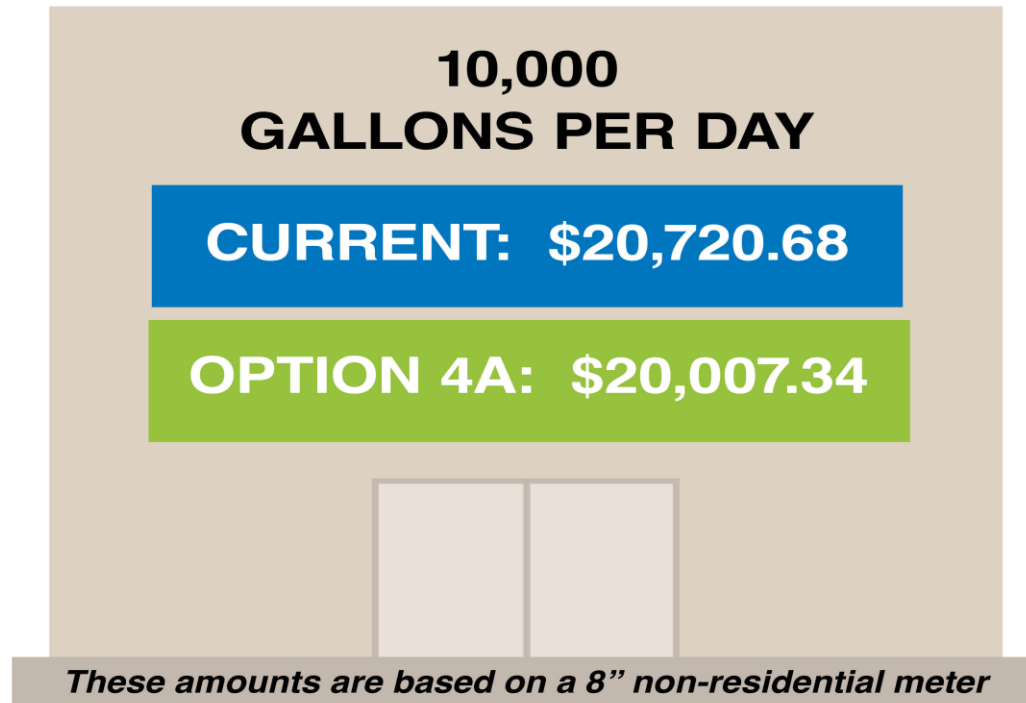
Examples:

- Large Restaurants
- Large Churches
- Small Shopping Centers

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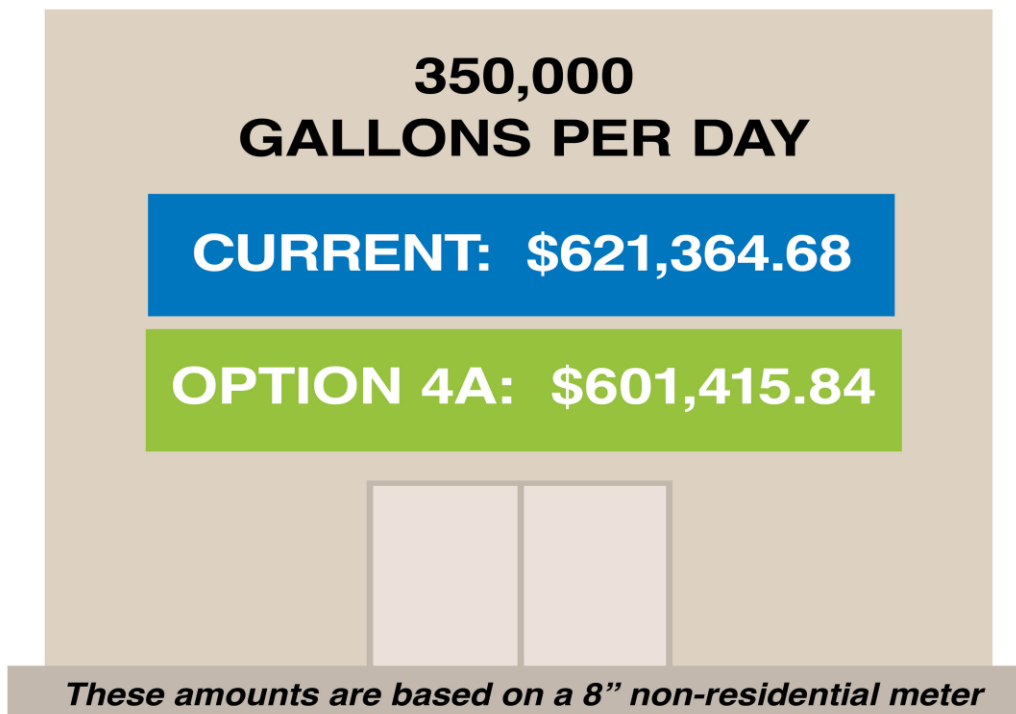
Examples:

- Very Large Office Buildings
- Community Pools
- Large Hotels

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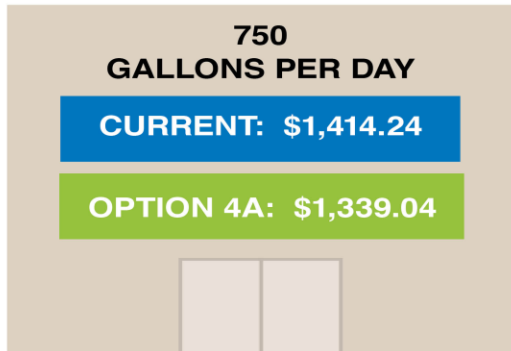
Examples:

- **Water Intensive Manufacturing (Bottling Plants, Ice Production, Pharmaceuticals)**
- **Universities • Government Facilities**

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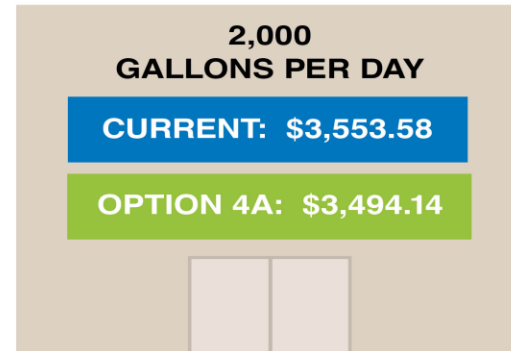
RATE STRUCTURE EXPECTED TO TAKE EFFECT ON JULY 1, 2019 · RATE STRUCTURE IS REVENUE NEUTRAL



These amounts are based on a 2" non-residential meter

Examples:

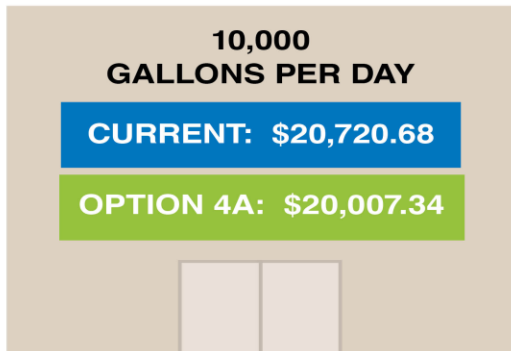
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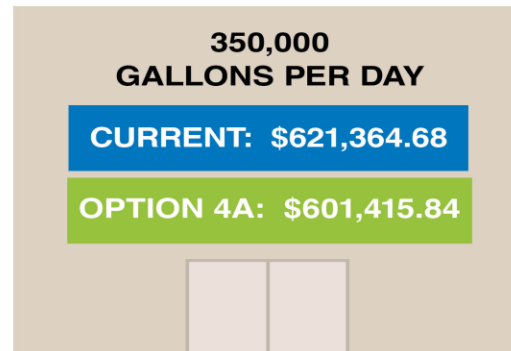
- Large Restaurants • Large Churches
- Small Shopping Centers



These amounts are based on a 8" non-residential meter

Examples:

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- Community Pools • Large Hotels



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