

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Tuesday, July 17, 2018
Laurel, Maryland**

Chair T. Eloise Foster called the meeting to order at 11:04 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 Foster, Commissioners Fausto R. Bayonet, Howard A. Denis, Chris Lawson and Thomasina V. Rogers, were present at the meeting, reflecting the presence of a quorum. Also in attendance were WSSC General Manager/CEO (GM/CEO) Carla A. Reid, General Counsel Amanda Stakem Conn, Corporate Secretary Sheila R. Finlayson, Esq., who recorded the minutes of the meeting, Chief Financial Officer (CFO) Joseph F. Beach and Rate Structure Setting Expert Chris Woodcock.

Commissioner Omar M. Boulware was absent from the meeting.

OPEN SESSION

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

Agenda Approval. Commissioner Lawson moved to adopt the Commission's Special Public Meeting Agenda of July 17, 2018, as drafted. Commissioner Denis seconded the motion. The motion carried with five affirmative votes; one absent.

Purpose of Special Meeting. Chair Foster stated the purpose of the special meeting, as follows:

[Chair Foster] The purpose of this meeting today is for management to brief and discuss with Commissioners their final recommendation on what they believe a new rate structure for WSSC should look like. And as we have done in the past, we want to give our customers and other stakeholders an opportunity to provide their input and of course, any feedback they may have on this very important recommendation.

This is the sixth special meeting that has been held on the rate structure issue and it highlights our commitment to transparency as we conclude what has been a thoughtful and deliberative process to select a more modern and more resilient rate structure. Commissioner Rogers, once again, I would like to recognize your leadership. And as I said last month, you researched, studied and became our resident expert on rate setting issues for water organizations. Your open and collaborative process really set the stage for the deep dive that we took into the details of the rate structure setting process. So, thanks again for your leadership, it has brought us to the point where a final decision on the rate setting structure appears to be on the horizon. I also want to acknowledge the support and guidance we have received from our General Manager Carla Reid along with the fiscal expertise provided by our Chief Financial Officer Joe Beach.

Today's management recommendation has been in the works for years. And on behalf of my fellow Commissioners, I'd like to extend special kudos to the entire management team for all of their hard work on this project. You spent countless hours preparing briefing materials. You initiated an extensive public outreach campaign. Upon demand, you were available to meet with stakeholders, and throughout this process, your efforts were flawless. So thank you very much for your efforts.

Before I ask management to discuss their recommendation, I thought I would spend just a few minutes reflecting on the journey that was taken for us to reach this point. As you may recall, this process was initiated by the creation of a bi-county infrastructure funding work group and a stakeholder representative group. And based upon their recommendations, a comprehensive analysis of the WSSC rate structure began in 2016. Before that work could be completed, in March of 2017, the Maryland Public Service Commission directed WSSC to develop a new rate structure because they found our current structure was preferential to low-usage customers. Now, WSSC certainly recognized that our 25+ year old rate structure was long overdue for updating and as a result, we had already begun that process in a manner that was consistent with industry standards and industry practices. And, to assist us with the technical aspects of rate development, nationally renowned rate structure experts and Maryland water conservation authorities were hired. Their services were invaluable in helping WSSC to complete a cost of services study in April 2017, to helping us evaluate public policy considerations, and in assessing the impact of alternative rate structures on our customers' bills, among many other tasks.

Throughout our review process, public outreach has been a priority for us and since spring of 2017, WSSC has held or participated in more than 30 public hearings. These hearings were attended by more than 1500 customers and generated more than 300 public comments on the rate structure that's under review. Following this exercise, in December of 2017, those rate structure alternatives were sent to the Montgomery County and Prince George's County Executives and also to the County Council members. And subsequently, WSSC staff briefed the appropriate Montgomery County and Prince George's County Councilmembers.

Based on the extensive analysis and outreach that has been devoted to the development of a new rate structure, my fellow Commissioners and I are looking forward to hearing management's recommendation about the new rate structure and proposed implementation date."

Rate Structure Recommendation Briefing. The Chair then recognized GM/CEO Carla Reid, CFO Joseph Beach and Rate Structure Setting Expert Chris Woodcock to walk through management’s recommendation. The GM provided additional background information.

Management Recommendation. Next, Messrs. Woodcock and Beach reported from a power point presentation - “Recommended Rate Structure, Special Commission Meeting, July 17, 2018” contained in the advance materials and displayed at the meeting. The full briefing can be found in the written memorandum to Commissioners of June 28, 2018 “Recommended Rate Structure,” power point presentation and corresponding segment of the archived meeting video and all are referred to for that purpose.

Recommended Rate Structure (contained on pages 7, 8 and 23 of power point presentation):

Type of Rate Structure	Options	Gallons Per Day	Example Rate per 1,000 Gallons
3 Tier Inclining	Option A	0-80	\$10.66
		81-165	\$13.43
		>165	\$17.61
3 Tier Inclining	Option B	0-165	\$10.41
		166-275	\$13.89
		>275	\$19.96
4 Tier Inclining	Option A	0-80	\$10.66
		81-165	\$12.25
		166-275	\$14.86
		>275	\$18.74

Note: The rates in the table above are illustrative only and based on FY18 revenue requirements. Final rates for FY20, when the new rate structure will take effect, will be adopted in June 2019.

In summary, after careful consideration of the record and information to date, management recommended combined water/sewer rate structure alternative 4A in the above graph for the Commission’s official consideration/vote at the July 18 regular meeting:

- 4-tier inclining block rate structure, Alternative 4A

Such management proposed/recommended rate structure alternative 4A meets the Commission’s top policy priorities of rate stability, revenue stability, conservation and affordability. It

also significantly simplifies the rate structure, results in more equitable recovery of costs by charging for consumption within each tier of use and better aligns costs with rates.

Following management's presentation and Commissioner questions, Commissioners again thanked management and the experts for their excellent work.

The Commission to consider and vote on management's recommendation for the new rate structure at [tomorrow's] July 18, 2018 regular meeting of the Commission.

Public Comments. Avi Halpert, VP, Corporate Real Estate, United Therapeutics Corporation, located in Montgomery County, provided prepared comments to the Commission on management's proposed rate structure, reading from a letter dated July 17, 2018 distributed to Commissioners at the meeting. Such letter is incorporated herein by reference. In summary, Mr. Halpert believes the uniform rate alternative is the best structure. Mr. Halpert's full comments can be viewed under the corresponding segment of the archived meeting video.

ADJOURNMENT

There being no additional business, the Chair called for a motion to adjourn, to which Commissioner Lawson moved to adjourn the meeting. Commissioner Denis seconded the motion. The motion carried with five affirmative votes, one absent.

At 12:26 p.m., the meeting was declared, adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary