

Customer Affordability Program Briefing



**Customer Service Department Briefing
Commission Meeting**
May 15, 2019

Agenda

1. Background
2. Goals and Objectives
3. Best Practices and Program Gaps
4. Affordability Program Enhancements
5. Next Steps

All people need access to the basics—
water, food, shelter—in order to participate fully in
society. When these basic conditions are met, our
communities and our economy thrive.
– US Water Alliance

Background

- **Affordability** was identified as one of the top policy priorities identified by the Commissioners in their 2018 rate structure discussions
- WSSC has been working with regional and national affordability consultants to significantly enhance existing programs in conjunction with the new rate structure
- Findings presented to GM/CEO and key internal stakeholders

Affordability Program Goals and Objectives

★ = Focus Areas

Goal 1

Enhance assistance and billing options provided to low-income residential customers

Obj. 1.1



Identify target groups/population for affordability programs

Obj. 1.2



Develop, implement, and communicate new programs

Obj. 1.3



Develop partnerships with community organizations

Goal 2

Improve annual fundraising and voluntary contributions for programs

Obj. 2.1

Identify annual fundraising goals for assistance programs

Obj. 2.2

Identify dedicated funding sources and plan fundraising

Obj. 2.3

Increase voluntary contributions to Water Fund

Goal 3

Reduce the total amount owed by active residential customers

Obj. 3.1



Increase number of customers receiving assistance from WSSC or our partners

Obj. 3.2

Reduce number of customers with arrearages >\$700

Obj. 3.3



Reduce number of delinquent accounts owing > \$700

Goal 4

Adopt legislation to expand Customer Assistance Programs

Obj. 4.1

Work directly with affordable housing, apartment, & landlord associations

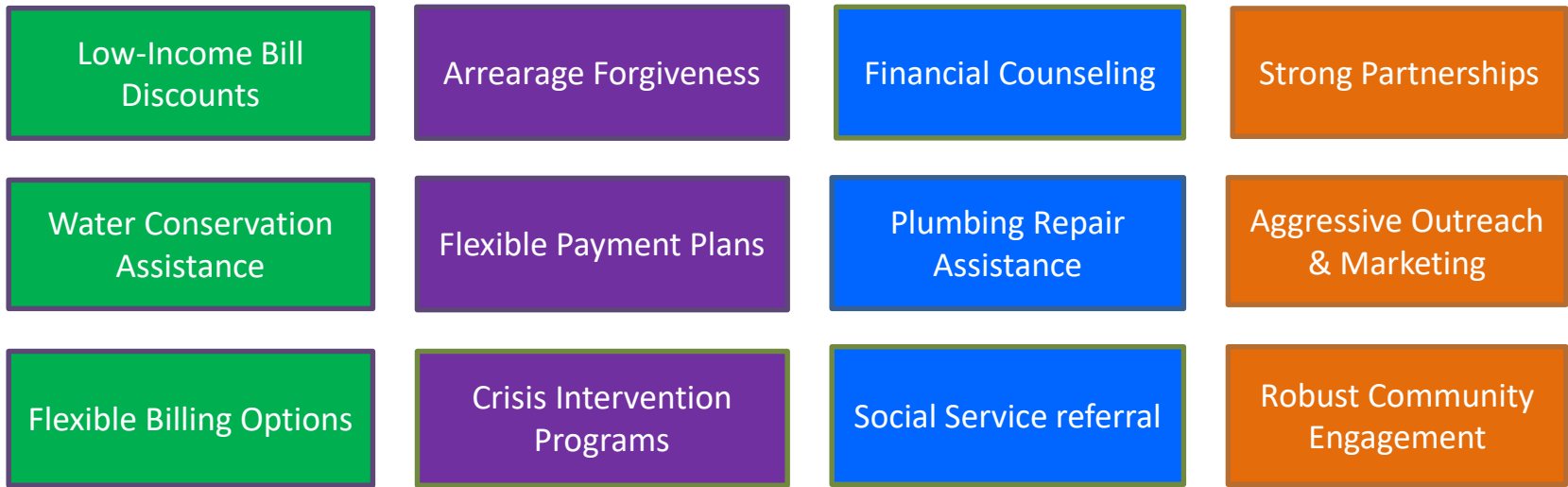
Obj. 4.2



Advocate for assistance programs that benefit **hard-to-reach** customers such as renters

National Best Practices

Best Practice Affordability Program Model






Support Processes: Communications
Performance Monitoring

Information Technology
Continuous Improvement

Program Gaps

Best Practice Element	WSSC Program	Current Gap
Low Income Bill Discount	CAP Program	Moderate Gap
Water Conservation Assistance		Significant Gap
Flexible Billing Options	EZ Pay, GoGreen	Significant Gap
Arrearage Forgiveness		Significant Gap
Flexible Payment Plans	Payment Arrangements	Significant Gap
Crisis Intervention	Water Fund	Moderate Gap
Financial Counseling		Significant Gap
Plumbing Repair Assistance	HomeServe, Homeserve Cares	Significant Gap
Social Service Referral		Significant Gap
Strong Partnerships	Salvation Army, Maryland Office of Home Energy Programs	Low Gap
Aggressive Marketing & Outreach	Blue Tie Ball	Moderate Gap
Robust Community Engagement		Low Gap
Support Processes		Moderate Gap

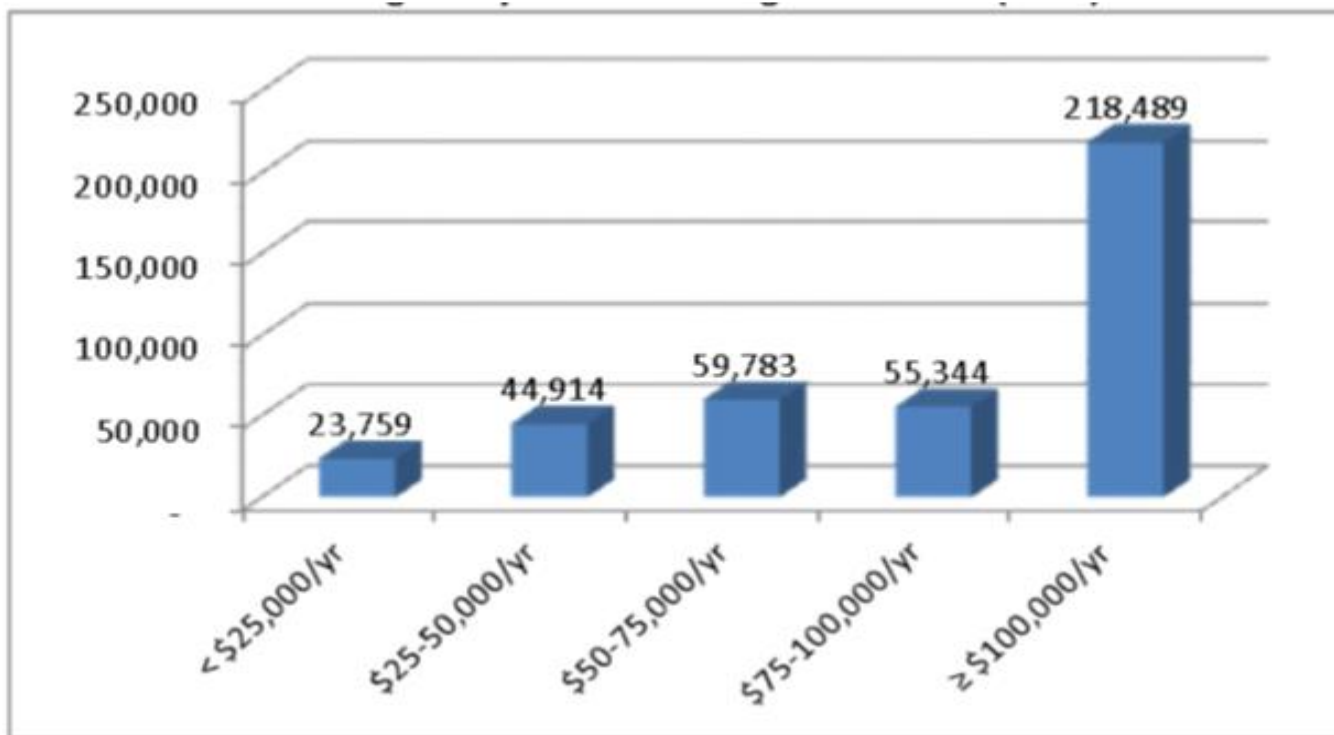
Notes: Our agreement with HomeServe is ending May 16, 2019. The new Pipe Replacement Loan Program will be effective July 1, 2019.

Low Gap	
Moderate Gap	
Significant Gap	

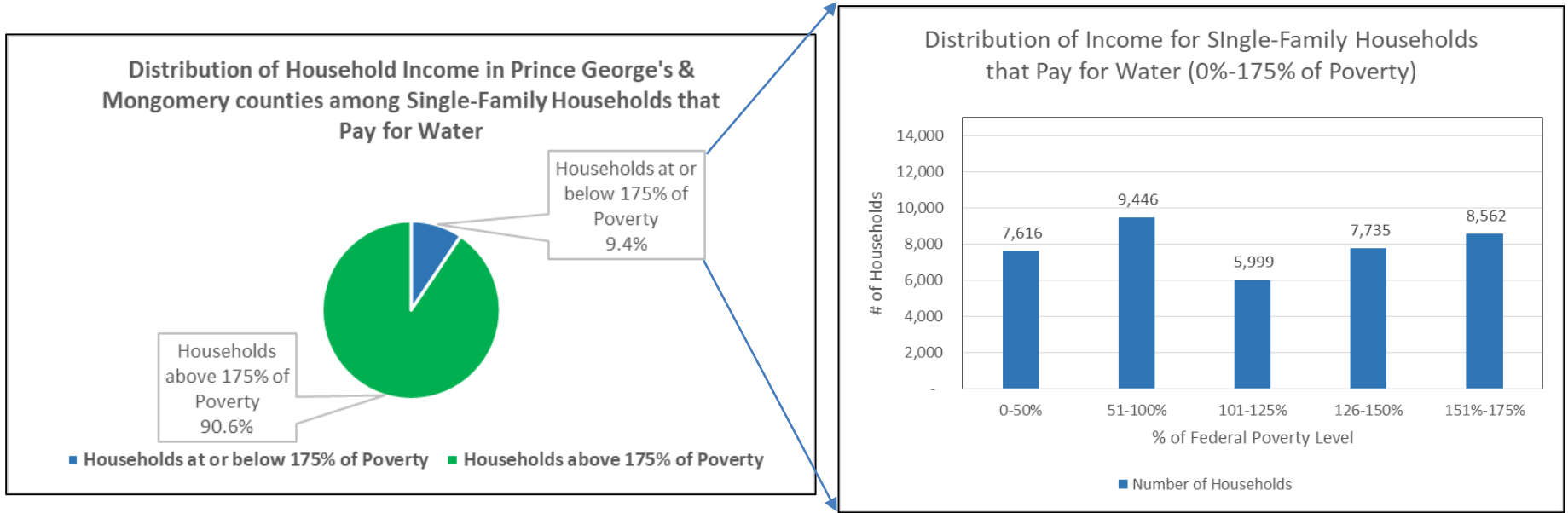


Customers In Need – 24,000 Low-Income, Single-Family Households

Distribution of Household Incomes in Single-Family Buildings in Montgomery & Prince George's counties (2015)



CAP Program Universe: 35-40,000 WSSC Customers with Incomes < 175% of Poverty



Source: Analysis of U.S. census micro data (2012 - 2016) for Prince George's and Montgomery Counties

Overview of Enhancements - Short-Term

1. Offer Leakage Forgiveness for Eligible Low-Income Customers (qualified for Customer Assistance)
2. Enhance Water Fund Grant from \$300 to **\$500**
3. Offer Water Conservation Assistance
 - Free conservation kits to enhance education
 - One free property inspection for CAP customers (annual)
4. Expand Customer Assistance Program (CAP) to 200% (still under consideration)

(1)-Water Leakage Forgiveness

- Program allows CAP customers to receive leak adjustment of up to 100% of the excess usage.
- Objective is to reduce the rate of delinquency and non-payment caused by plumbing problems.
- Over 2,000 CAP customers had evidence of high-usage patterns over the past 4 years with as much as \$1.6M in excess charges potentially eligible for adjustment.
- Program cost: \$212,000 in first year.

Case Study: Mr. & Mrs. Thomas are CAP customers who experienced a leak resulting in a \$4,300 bill; current Regulations authorizes credit of 50% of excess; however, the customer was not able to afford remaining \$2,200 balance.

(2)-Water Fund Grant Increase

- Increases Water Fund Grant from \$300 to **\$500**.
- WSSC is approving an increase in the administrative fee for the Salvation Army from 10% to 12%.
- Program cost: Admin fee is dependent upon total balance; total costs expected to be approximately \$58,560 in FY2020

(3) – Water Conservation

- Offer up to 1000 free conservation kits at community meetings and upon customer request.
 - Objective is to increase awareness of the value of water and cost savings opportunities
 - Conservation was the #2 policy priority of the Commissioners during rate structure discussions, is legislatively mandated, and is supported by customers
 - Kits are low cost and easy to use
- Offer one free property inspection in a 12-month period to CAP customers upon request.
- Program cost: \$21,000 annually for 1000 kits

(4) – Payment Arrangements

- Expand payment arrangements to CAP customers to provide additional time to pay high bills due to leaks.
- Objective is to enable customers to pay based on what they can afford (ability to pay) resulting in fewer customers in collection and broken payment plans.
- Payment arrangements can be offered beyond the 24-months that are stipulated in the Billing and Collecting Water and Sewer Use Charges Regulation (currently pending Commission approval).
- Program Cost: No cost

(5) – Expand Eligibility for CAP

- Expands CAP eligibility to households earning **200%** of poverty or less (current eligibility is 175% of federal poverty limit).
- Will allow up to 10,000 more customers to qualify.
- Raises income limit to \$42,660 from \$37,328 for a family of three.
- Program cost: \$200,000 in first year
- **This recommendation is still under consideration as WSSC must identify who and how applicants will be qualified and enrolled.**

Financial Impact Summary

Customer Assistance/Affordability Program Option	1st Year Projected Costs	3rd Year Projected Costs	5th Year Projected Costs
Leakage Adjustment Regulation Change	\$212,000	\$212,000	\$212,000
Water Fund Program	\$58,560	\$30,000	\$30,000
Water Conservation Kit Pilot	\$21,000	\$42,000	\$62,000
One Plumbing Inspection for CAP Customers w/12mo	\$12,000	\$15,000	\$18,750
Extended Payment Plans	No Cost	No Cost	No Cost
Total	\$303,560	\$299,000	\$322,750

Projected costs for the Water Conservation Initiative assume an increase to 2000/units in year 3 and 3000 units in year 5.

The Water Fund is funded by external donations. WSSC pays the Salvation Army a 10% administrative fee that is projected to increase to 12%. The amount of the fee will vary depending upon the Water Fund balance.

Short-Term Roadmap (FY20)

Summary of FY2020 Overall Affordability Program Enhancements

HELP WITH YOUR WATER AND SEWER BILLS

WSSC can help make your water and sewer bills more affordable. We've enhanced our Affordability Programs to provide financial assistance to more customers. Customers can make arrangements to significantly reduce their WSSC bills.

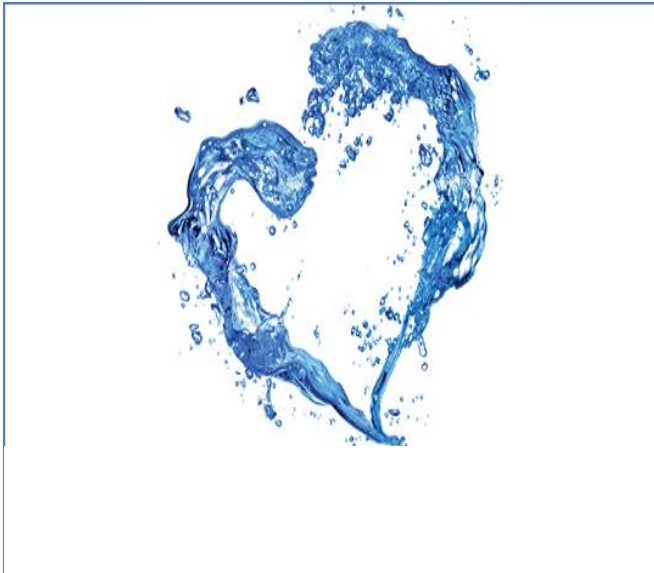
Get started now by calling - 301-206-4001

- Need help right now?** Our representatives are here to help and ready to work with you to determine a payment option that will help your situation.
Bill Adjustments are available to residential customers once every three years under certain circumstances.
Flexible Payment Options, including extended due dates and payment plans, can help when customers have an unexpected financial hardship.
- Need help repairing your water service line?** **COMING SOON!** Beginning July 1, 2019, WSSC will offer a new loan program to help customers pay for on-property water service line replacement.
Pipe Loan Program
Qualify for up to \$5,000, paid directly to a licensed plumber. Details will be available closer to the launch date.
Administered by the WSSC Federal Credit Union 301-206-8111 wsscfcu.org
- Need long-term assistance?** We'll ask you if your income might make you eligible for one of three programs that can reduce your WSSC bills in the future.
The Water Fund
Provides customers in need up to \$300, once per year. The program is administered by the Salvation Army and funded by generous donations from WSSC customers, employees and community partners.
wsscwater.com/waterfund
 - Montgomery County Salvation Army 301-535-5254
 - Prince George's County Salvation Army 301-277-6103
- Customer Assistance Program (CAP)**
Provides a credit for WSSC's fixed fees on water and sewer bills of up to \$28 per quarterly bill.
wsscwater.com/cap
Enrollment and qualification by the Office of Home Energy Programs. 800-222-6347 ohep.maryland.gov/office-of-home-energy-programs
- Bay Restoration Fund Exemption**
Waives the state-mandated Bay Restoration Fund (BRF) Fee up to \$15 per quarterly bill.
wsscwater.com/baywaiver

WSSC Where Water Matters
wsscwater.com/wssccenter | @WSSCWater | We're improving to deliver safe, seamless and satisfying water services...all day, every day.

1. Leakage Adjustment for CAP Customers
2. Water Fund Grant Increase
3. Initial Water Conservation Assistance
4. Extended Payment Arrangements
5. CAP Expansion (*under consideration*)
6. Pipe Loan Program (Finance)

Long-Term Roadmap (FY21-22)



Summary of Recommended Long-term Affordability Program Enhancements

1. CAP Expansion to **Indirect** Customers
2. Expanded Water Conservation Assistance
3. Payment Flexibility
4. Customer Wrap-Around Support
5. Additional CAP Enhancements (Bill Discounts)

Note: These recommended programs are more complex and will require billing system configuration and cross-functional planning and implementation

Customer Engagement Activities

1. Hired Customer Engagement Specialist
2. Partnering with Communications to enhance marketing materials (i.e., brochure, flyers)
3. Conducting outreach and connecting with non-profits and social service providers
4. Meeting with key program partners
5. Strategically enhancing our participation in community events, conferences, & initiatives



Short-Term Next Steps

1. Brief Commissioners

- May 2019 – Information Briefing
- June 2019 – Proposed Regulation
- July 2019 – Vote to Adopt Regulation

2. Implement Approved Programs

- July 2019 – Water Fund Grant Increase
- Sep 2019 – Other Low-Income Programs

Questions?



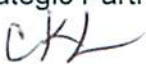


COMMISSION SUMMARY

AGENDA CATEGORY: Other Reports

ITEM NUMBER: 3.E.1 Customer Service

DATE: May 15, 2019

SUBJECT	Customer Affordability Program Briefing
SUMMARY	The purpose for this agenda item is to provide Commissioners with an update on the status of the Customer Affordability Program enhancements, best practices research, and recommendations for changes we intend to make within the first quarter of FY2020.
SPECIAL COMMENTS	We will come back to your June 2019 meeting to discuss proposed changes to the Customer Assistance Program Regulation. We plan to obtain your vote to adopt the Regulation at the July 2019 meeting.
CONTRACT NO./ REFERENCE NO.	
COSTS	N/A
AMENDMENT/ CHANGE ORDER NO. AMOUNT	N/A
MBE PARTICIPATION	N/A
PRIOR STAFF/ COMMITTEE REVIEW	Carla A. Reid, General Manager/CEO 
PRIOR STAFF/ COMMITTEE APPROVALS	Monica Johnson, Deputy General Manager, Strategic Partnerships  Crystal Knight-Lee, Director, Customer Service 
RECOMMENDATION TO COMMISSION	Information Only
COMMISSION ACTION	



Interoffice Memorandum

TO: COMMISSIONERS

THRU: CARLA A. REID
General Manager/Chief Executive Officer 

JOSEPH BEACH
Deputy General Manager, Administration 

MONICA J. JOHNSON
Deputy General Manager, Strategic Partnerships 

FROM: CRYSTAL KNIGHT-LEE
Director, Customer Service 

DATE: May 15, 2019

SUBJECT: CUSTOMER AFFORDABILITY PROGRAM ENHANCEMENTS

The purpose of this memo is to inform the Commissioners about proposed changes to WSSC's Customer Affordability Programs.

Background

Over the past six months, we conducted a comprehensive evaluation of the Commission's affordability programs in collaboration with national water utility and affordability consultants, Jay Sakai and Scott Rubin. As you know, affordability was identified as a top priority by the Commissioners in 2018 as part of the rate structure discussions.

We have undertaken a comprehensive review of WSSC's affordability program and are presenting five (5) recommended program enhancements to be implemented in FY2020 in concert with the rate structure change. These initial enhancements will be followed by additional enhancements that will be considered over the next 12 to 36 months. These longer-term program changes and enhancements have potential billing or budgetary impacts that will require additional planning and evaluation.

Goals, Objectives, and Best Practice Assessment

We previously identified a set of affordability program goals and objectives to guide and address the gaps in our current programs. The goals and objectives shown below were presented to the Commissioners on June 20, 2018.

Affordability Program Goals and Objectives

★ = Focus Areas

Goal 1 <i>Enhance assistance and billing options provided to low-income residential customers</i>	Goal 2 <i>Improve annual fundraising and voluntary contributions for programs</i>	Goal 3 <i>Reduce the total amount owed by active residential customers</i>	Goal 4 <i>Adopt legislation to expand Customer Assistance Programs</i>
<p>Obj. 1.1 ★ Identify target groups/population for affordability programs</p> <p>Obj. 1.2 ★ Develop, implement, and communicate new programs</p> <p>Obj. 1.3 ★ Develop partnerships with community organizations</p>	<p>Obj. 2.1 Identify annual fundraising goals for assistance programs</p> <p>Obj. 2.2 ★ Identify dedicated funding sources and plan fundraising</p> <p>Obj. 2.3 ★ Increase voluntary contributions to Water Fund</p>	<p>Obj. 3.1 ★ Increase number of customers receiving assistance from WSSC or our partners</p> <p>Obj. 3.2 Reduce number of customers with arrearages >\$700</p> <p>Obj. 3.3 ★ Reduce number of delinquent accounts owing > \$700</p>	<p>Obj. 4.1 Work directly with affordable housing, apartment, & landlord associations</p> <p>Obj. 4.2 ★ Advocate for assistance programs that benefit hard-to-reach customers such as renters</p>



The chart below outlines the core elements of a comprehensive, best-practice affordability program. This model served as the basis for the program gap assessment that is presented in the next section.

National Best Practices

Best Practice Affordability Program Model

Low-income Bill Discounts	Arrearage Forgiveness	Financial Counseling	Strong Partnerships
Water Conservation Assistance	Flexible Payment Plans	Plumbing Repair Assistance	Aggressive Outreach & Marketing
Flexible Billing Options	Crisis Intervention Programs	Social Service referral	Robust Community Engagement

Support Processes: Communications Performance Monitoring Information Technology Continuous Improvement





WSSC's current affordability programs, billing practices, and organizational support structure contained a number of gaps in comparison to how utilities with a comprehensive approach to affordability have addressed bill discounts, water conservation, billing flexibility and other best-practice elements. These gaps are summarized in the table below.

Program Gaps

Best Practice Element	WSSC Program	Current Gap
Low Income Bill Discount	CAP Program	Moderate Gap
Water Conservation Assistance		Significant Gap
Flexible Billing Options	EZ Pay, GoGreen	Significant Gap
Arrearage Forgiveness		Significant Gap
Flexible Payment Plans	Payment Arrangements	Significant Gap
Crisis Intervention	Water Fund	Moderate Gap
Financial Counseling		Significant Gap
Plumbing Repair Assistance	Homeserve, Homeserve Cares	Significant Gap
Social Service Referral		Significant Gap
Strong Partnerships	Salvation Army, Maryland Office of Home Energy Programs	Modest Gap
Aggressive Marketing & Outreach	Blue Tie Ball	Moderate Gap
Robust Community Engagement		Modest Gap
Support Processes		Moderate Gap



Modest/Low Gap
 Moderate Gap
 Significant Gap



Summary of Proposed Short-term Affordability Program Enhancements

The affordability initiatives we are presenting to the Commissioners are based on industry "best-practices" and are intended to help close the gaps identified above. The five initial affordability enhancements we are proposing can be implemented within our current billing system capabilities and with current staff. They include:

1. A regulation change to allow a **full** adjustment for excess consumption due to leakage for customers enrolled in the Customer Assistance Program (CAP).
2. Increasing the amount of assistance that can be provided through the Water Fund from \$300 per year to **\$500** per year.
3. A pilot program to provide up to 1,000 free water conservation kits to customer who are receiving assistance through one of our programs.
4. Free property inspections upon request for customers enrolled in CAP (one inspection within a 12-month period).
5. Extended payment arrangements for low-income customers (based on Customer Assistance Program eligibility).

We are also considering an additional enhancement to expand eligibility for the Customer Assistance Program (CAP) to include customers with incomes up to 200% of the federal poverty level. To do this, we must determine who will qualify and enroll customers with incomes between 175% to 200% for the program.

Collectively, these enhancements will allow WSSC to meet the needs of a larger number of our vulnerable customers with a more diverse portfolio of programs and services. The program changes that we are recommending are the initial elements of an overall affordability strategy that is based on industry best practices. This strategy recognizes that our affordability programs must compliment the other policy priorities of the Commission: revenue stability, water conservation, and rate stability.

Each of these enhancements are designed to help our customers reduce the incidence of delinquency, reduce excess water usage, and pay their bills on time.

Overviews of Proposed Affordability Program Enhancements

Below is a summary for each proposed program change along with estimated cost impact.

Leak Adjustment Regulation Change

Overview

The purpose of this program enhancement is to help prevent low-income CAP customers from falling behind on their water bills due to water leaks on their property. This initiative is similar to leak adjustment policies that were adopted by the City of Baltimore.

We are proposing to modify WSSC's leak adjustment regulations to allow for a High Bill Adjustment of up to 100% of the excess usage, based on the property's comparable average daily consumption (ADC), for customers enrolled in CAP program.

This enhancement could benefit as many as 300 low-income customers who have accrued large delinquent balances because of high consumption due to plumbing leaks. WSSC's current regulations only provide for a 50% credit for excess consumption, leaving many of these vulnerable, limited-income customers with large balances that they are unable to pay.

This enhancement could be implemented with a minor modification to our customer service regulations.

Objectives

This affordability initiative has four key objectives:

- Reduce or eliminate delinquency caused by plumbing problems for customers who are receiving assistance.
- Reduce the number of customers receiving assistance who have to enter into payment arrangements to pay down high balances due to excess water usage.
- Reduce the overall level of arrearage among customers receiving assistance.
- Reduce collections and turn-off costs within the universe of low-income customers.

Justification

Reducing the rate of delinquency and non-payment is a core objective of WSSC's affordability program. We have identified leak adjustment as a primary strategy to achieve this objective because a significant number of the delinquency problems among CAP customers have been traced to abnormally high bills due to water leaks.

We have identified over 300 current CAP customers who have accrued a delinquent balance of \$700 or more, including 178 CAP customers with delinquent balances over \$1,000. Many of these customers have become delinquent because they experienced abnormally high usage due to a water leak on their property. These customers have little or no means to address these large balances, even with extended payment plans. Because these customers may already be income limited, it is unlikely that they would be able to afford the additional payments that would be necessary to catch up.

Providing low-income customers who have experienced a water leak with a full adjustment for the excess usage after the leak has been repaired would prevent many of these customers from falling further behind on their water bill.

Cost Estimate

The leak adjustment regulation (arrears forgiveness program) is estimated to cost approximately \$212,000 annually, based on an analysis of usage by current CAP customers over the previous 4 years. This increase represents the difference between the current 50% adjustment threshold under current regulations and a 100% adjustment that would be permitted under the new regulation.

Water Fund Grant Increase

Overview of Enhancement

The purpose of this affordability initiative is to increase the size of the maximum grant that can be provided through the Water Fund.

The current Water Fund program provides a grant up to \$300 annually to customers with household incomes up to 200% of the federal poverty limit. Under this initiative, we are proposing to increase the allowable grant to \$500. This change will allow the Salvation Army to help a broader range of customers who are experiencing hardship and having difficulty paying their water bills.

This enhancement is already underway as the general provisions of the Salvation Army agreement allow the General Manager/CEO to amend the administration criteria.

Objectives

This affordability initiative has two key objectives:

- Reduce the incidence of delinquency and turn-off notices among customers who are experiencing financial hardship.
- Provide a safety net for customers who cannot be helped through WSSC's low income assistance programs.

Justification

There are a number of utilities who offer emergency assistance to customers who are experiencing temporary financial hardship due to job loss, medical emergencies, death in the family, unpaid leaves of absence, divorce, unforeseen household expenses, and other personal emergencies. Portland Water, for instance, offers two programs – Crisis Assistance and Utility Safety Net – to customers who are experiencing a temporary financial hardship. Philadelphia Water and Kansas City also offer similar temporary assistance programs.

Combined with other affordability program enhancements, the proposed improvement to the Water Fund will enable the Salvation Army to provide additional assistance to better meet the needs of our vulnerable customers, particularly those customers who are experiencing difficulties with their water bills.

Recent efforts to increase donations to the Water Fund, will bolster the Salvation Army's efforts to help more needy families. The availability of additional funding, combined with additional flexibility with how the grants can be used and increased grant levels, will help transform the Water Fund into an effective crisis intervention tool.

Water Conservation Assistance (Conservation Kits and Property Inspections)

Overview

The purpose of this program enhancement is to help all customers to become more aware of their water usage and how to reduce their water bills through water conservation. The program would provide customers with educational materials and technical assistance, including water conservation kits, that would be distributed to customers at public events, at WSSC customer service centers, and by Customer Advocates within each of the four Utility Services depots.

Low-cost water conservation kits can be purchased for as little as \$9.00 per unit. These kits typically contain low-flow showerheads and faucet aerators, dye tablets for detecting leaks in toilets, and simple instructions for the homeowner. A number of utilities, including New York City Water and Boston, offer free conservation kits to their customers.

Under this pilot program, WSSC is proposing to purchase up to 1,000 water kits to be distributed to customers upon request.

We intend to launch this initiative with a communications and outreach campaign that is designed to educate customers on the financial benefits of reducing water usage.

Also within the area of conservation education and assistance, we propose offering one free plumbing inspection to low-income customers (CAP customers) who experience higher than normal water usage. As mentioned earlier in this memo, reducing the rate of delinquency and non-payment is a core objective of WSSC's affordability program. Investigating and addressing leaks as soon as possible is best for preventing unnecessary high bills.

We believe that this affordability program enhancement can be implemented at the same time as the other proposed program changes.

Objectives

This affordability initiative has two key objectives:

- Increase water conservation awareness within the universe of customers receiving assistance.

- Lower water bills for low-income customers.

Justification

One of the advantages water conservation has as an affordability measure is that it provides potential long-term affordability benefits to customers who are able to reduce their overall water consumption. Water conservation is an important policy objective of the Commission, so this program would ensure that customers who would potentially benefit the most from lower water bills have access to simple water saving devices.

Cost Estimates

The Water Conservation pilot program has an estimated cost of \$21,000 to purchase and distribute up to 1000 water conservation kits to any customer who is enrolled in one of our assistance programs and requests one. *If the pilot is successful, we anticipate expanding the number of kits that are available in future years.*

Assisting low-income customers by offering one, free property inspection within a 12-month period is estimated to cost approximately \$12,000 in the first year and could cost an additional \$3,000 - \$6,750 over the next five years.

Extended Payment Arrangements

Overview

The purpose for this program enhancement is to provide low-income (CAP customers) with greater flexibility for paying off large water and sewer bill balances.

Objectives

The primary objective for this affordability initiative is to reduce the incidence of delinquency and turn-off notices among low-income customers.

Justification

The core of this enhancement is the ability to offer customers payment plans that are based on their ability to pay.

Cost Estimate

The change to extend payment arrangements to low-income customers should have no significant impact on revenue to WSSC.

Consideration for Expansion of Eligibility for CAP

Should we be able to move forward with increasing the Customer Assistance Program income eligibility from its current level of 175% of poverty to 200% of poverty, we will be able to expand the universe of eligible customers by approximately 10,000 households.

We anticipate that approximately 500 to 2,500 new customers will enroll and receive the CAP discount, generating a first-year lost revenue impact of \$170,000 to \$280,000 annually over current FY 2019 levels.



Summary of Financial Impact for Proposed Program Enhancements

The estimated program costs for each enhancement is summarized below.

Financial Impact Summary

Customer Assistance/Affordability Program Option	1st Year Projected Costs	3rd Year Projected Costs	5th Year Projected Costs
Leakage Adjustment Regulation Change	\$212,000	\$212,000	\$212,000
Water Fund Program	\$58,560	\$30,000	\$30,000
Water Conservation Kit Pilot	\$21,000	\$42,000	\$62,000
One Plumbing Inspection for CAP Customers w/12mo	\$12,000	\$15,000	\$18,750
Extended Payment Plans	No Cost	No Cost	No Cost
Total	\$303,560	\$299,000	\$322,750

Projected costs for the Water Conservation Initiative assume an increase to 2000/units in year 3 and 3000 units in year 5. The Water Fund is funded by external donations. WSSC pays the Salvation Army a 10% administrative fee that is projected to increase to 12%. The amount of the fee will vary depending upon the Water Fund balance.

For the first year of the enhanced program, costs are projected to be approximately \$303,560.

Conclusion

WSSC has begun to implement a number of these strategies, including increased fundraising for the Water Fund, outreach to potential program partners, and successful completion of a legislative initiative that provides greater flexibility for expanded assistance to renters and other “hard-to-reach” customers.

Accordingly, we have crafted initiatives for the short-term that will bolster our current programs and provide more comprehensive services to our low-income customers, but also are implementable within our FY 2020 budget.

We also recognize that improvements to WSSC’s programs may be constrained by factors such as staffing, budget, and new initiatives including the implementation of WSSC’s new rate structure in July of 2019, the planned transition to a new billing system in FY2020, and the implementation of Advanced Metering Infrastructure (AMI) technology over the next few years.

Some of the additional long-term program enhancements that are planned include expansion of the Customer Assistance Program to indirect customers (i.e., renters), additional payment flexibility such as budget billing, and additional wrap-around support for customers. These recommended programs are more complex and will require billing system configuration and cross-functional planning and implementation.

Next Steps

We will come back to your June 2019 Commission Meeting with proposed changes to the updated Customer Assistance Program Regulation.

We plan to obtain your vote to adopt the Regulation at the July 2019 Commission Meeting.

Please let me know if you have any questions.

Appendix Best Practice Research

Below is some of the best practice research that helped to shape our recommendations.

The Water Research Foundation's (WRF) 2010 publication "Best Practices In Customer Payment Assistance Programs" provides a comprehensive framework for an affordability program that is designed, implemented, and operated as a core business process, no different than maintenance, financial management, or production operations.

This framework describes a series of iterative, integrated activities that form an approach to affordability that is designed to meet the utility's primary objectives, implements strategies that address the root causes of late-payment and non-payment among income limited customers, monitors performance and continually improves.

There are a number of affordability programs that have evolved across the country over the past decade that exhibit many of the characteristics described in the WRF Best Practice guide. Philadelphia, Detroit, and Portland's programs, for instance, are often cited as examples of "best-practice" programs because they have taken a comprehensive approach to affordability and have implemented innovative programs to address specific needs within their respective low-income customer bases.

There are a number of common elements that all of these programs share. These elements include:

Low-Income Bill Discounts – Model programs are exemplified by the effort they have made to make bills affordable through bill discounts (Portland), lifeline rates (DC Water), direct grants (Detroit), or, in the case of Philadelphia's Tiered Assistance Program (TAP), bill caps.

Water Conservation and Plumbing Repair Assistance - One of the most effective approaches to helping customers lower their water bills is to help them reduce their usage. Low income customers are often unable to afford to fix leaks, install water conserving measures, or repair plumbing problems. Many utilities have recognized this problem and developed programs specifically to help low-income customers conserve water and fix leaks. Philadelphia's water conservation assistance program may be one of the most comprehensive programs offered in the industry. Philadelphia provides assistance with in-home water audits, plumbing fixture replacement, and plumbing repairs. Participation in the water conservation program is mandatory for customers who are enrolled in the TAP assistance program. New York City provides free Home Water Conservation kits with low-flow

replacement fixtures, faucet aerators, and other water-saving devices, leak detection guidance and materials, and other items to help customers reduce water usage proactively. Atlanta's Care & Conserve Plumbing Repair Program is an innovative effort to help low-income residents conserve water and repair plumbing.

Flexible Billing Options - There is good evidence that providing low-income customers with a broader range of payment options will prevent them from falling behind with water bills and becoming delinquent. Utilities that offer flexible payment options such as budget billing, monthly billing, automatic billing, or choosing a payment date have found that these programs help customers stay current with water bills. Portland, for instance, offers all customers a monthly billing option that provides quarterly billed customers with the option of receiving three monthly payment statements.

Arrearage Forgiveness - Arrearage forgiveness programs have been found to provide a strong incentive for customers to keep current with their regular water bills and to make timely and consistent payments if they have made a payment plan arrangement. Philadelphia Water incorporated earned arrearage and penalty forgiveness into its TAP assistance program to encourage enrollees to keep up-to-date with their water bills. Detroit offers customers enrolled in the Water Residential Assistance Program (WRAP) up to \$700 in credits against past-due balances, and Portland offers annual write-offs of penalties and fees.

Flexible Payment Plans - Providing customers with payment plans that they can actually afford is an important tool in reducing arrearage and past due balances. Detroit's 10/30/50 Plan, for instance, allows arrearage payments to be spread over 24 months with a 10% down payment and allows customers who miss payments to re-enroll up to two times if they make subsequent down payments of 30% and 50%, respectively.

Crisis Intervention – Crisis intervention programs recognize that financial hardship for many families may be sudden, temporary, and often unrelated to annual income levels. These programs typically provide one-time assistance to families who are experiencing some type of emergency, such as a loss of employment, death of a wage-earner, medical emergency, divorce or family separation, or an unforeseen significant household expense. Portland's SafetyNet program is one example of a crisis intervention program with no income limits.

Financial Counseling & Social Service Referrals - Helping customers manage their household finances and secure available assistance with non-water related expenses has been shown to have long-term benefits to utility providers because a customer's ability to pay is based on many other factors other than the size of their water bill. Philadelphia, for instance, partners with a non-profit organization (UESF) to ensure that low-income households have

access to education and counseling on budgeting, career planning and information about available housing and energy assistance programs. Participants in Detroit's WRAP program receive assistance in securing "wrap-around" social services, enabling customers to access all of the assistance they may need.

Partnerships & Community Engagement - Partnerships with non-profits and other community-based organizations can be a good way to leverage the trust and access that these organizations have with vulnerable residents. Because of this, many utilities prefer to engage with external groups to administer portions of their customer assistance programs, including all of the model providers mentioned previously. Baltimore City uses the eleven senior citizen centers to handle application most of its intake for its Senior Citizen Water Discount Program. Philadelphia, DC Water, and Atlanta use external organizations to deliver services ranging from application assistance to water conservation audits.

Marketing & Outreach – Access to and awareness of assistance programs are often limited by cultural or language barriers, customers' access to transportation or the Internet, a lack of trust, misperceptions about eligibility, or a perceived stigma about receiving assistance. Strong marketing and outreach activities are typically needed to drive program enrollment, particularly in communities with large populations of hard-to-reach customers. Philadelphia and Atlanta have engaged in aggressive marketing campaigns to promote their new affordability programs.

Robust Program Support Processes – To implement an affordability program as a structured business process, the program's organizational structure must be sufficient to support all of the critical program management activities that are needed to ensure that proper oversight is occurring, finances are being tracked, performance is being monitored, outreach and coordination are being undertaken, and services are being continuously evaluated and improved. These activities also have to be adequately supported by the organization's management, legal, communications, and IT staff.