

# Washington Suburban Sanitary Commission

## COMPREHENSIVE COST OF SERVICE ANALYSIS AND RATE STUDY

Washington Suburban Sanitary Commission (WSSC) has recently initiated a comprehensive water and wastewater cost of service analysis and rate study. The goal of the study is to help WSSC establish water and wastewater rate structures that achieve the multiple objectives of revenue stability, equitable cost recovery, and rate payer affordability. The work will be conducted in two phases, with new rates expected to be implemented effective July 1, 2018. Phase I will include a definition of the objectives, an evaluation of the current rate structures and WSSC policies, and an identification of feasible rate structure alternatives. WSSC desires to conduct this phase with significant feedback from stakeholders through the creation of a Stakeholder Representatives Group. Phase II will involve a detailed evaluation of up to three rate structures that are selected in Phase I, and the development of rate schedules based on the “best-fit” rate structure.

## STAKEHOLDER REPRESENTATIVES GROUP

WSSC is interested in forming a voluntary Stakeholder Representatives Group (SRG) to solicit input from a broad spectrum of stakeholders regarding water and wastewater rate structures and utility funding issues. The input of the SRG is an important element of WSSC’s evaluation of the current rate structure.

### SRG Composition

The SRG will be comprised of up to 22 individuals who will represent a broad cross-section of stakeholders, including, but not limited to:

- Representatives from Montgomery and Prince George’s county governments
- Residential customers, such as:
  - Civic Federations
  - Apartment groups
  - Council on Aging or similar group representing seniors
  - Salvation Army or similar group representing low-income customers
  - Individual residential customers
- Non-residential customers, such as:
  - Chamber of Commerce
  - Industrial groups, or an individual customer representing an industry
  - Hotels
  - Building industry association
  - Environmental groups

## SRG Roles and Responsibilities

The key roles and responsibilities envisioned for the SRG are as follows:

- **Understanding:** Discuss and gain an understanding of diverse aspects including:
  - WSSC's charter, organization, and duties related to provision of water and wastewater service to customers within Montgomery and Prince George's County
  - Current service charge rate structure
  - Rate setting principles and process
  - Customer base
  - Current trends related to water and wastewater rate setting
  - Potential benefits and/or impacts of alternative rate structures for both the rate payers and WSSC
- **Participation:** Participate in three meetings. Members will actively engage in objective discussions during meetings and bring to the group ideas, concerns, and/or agreement from such discussions.
- **Stewardship:** SRG members are expected to be stewards for the group, and help communicate accurate information and resulting feedback, in an objective manner, to the larger community.
- **Feedback:** The SRG will be expected to provide feedback on rate structures under evaluation by the Bi-County Rate Structure Working Group. The Working Group will consider the SRG feedback, along with the results of Phase II of the Rate Study, in making a final recommendation on the rates to become effective July 1, 2018.

## Facilitator

WSSC has engaged the services of Black & Veatch Management Consulting, LLC to complete the Comprehensive Cost of Service Analysis and Rate Study. Black & Veatch will develop the agendas and materials for each meeting, and will facilitate the discussions in each meeting. During Phase I, working with the Bi-County Working Group and WSSC staff, Black & Veatch will assist in determining feasible rate structure alternatives and developing consensus on final recommendations.

## WSSC Staff Roles and Responsibilities

WSSC staff will coordinate the schedules, invitations, and the venues for each meeting, and provide information to Black & Veatch, as necessary, to develop meeting materials and complete the Rate Study.

## SRG Meetings

Meetings will begin at 6:00pm, with a light dinner served. Discussion will begin promptly at 6:30pm and conclude no later than 9:30pm. Preliminary meeting dates are as follows:

- Tuesday, November 1, 2016

- Tuesday, November 29, 2016
- Thursday, December 15, 2016

SRG meetings will be open to the public. While the public will not participate in the meetings, time will be allotted at the conclusion of each meeting in order to allow the SRG and WSSC staff to hear public comment.

*WSSC is eager to engage and collaborate with the Stakeholder Representative Group and appreciate the time commitment and participation!*

## **Washington Suburban Sanitary Commission (WSSC) Bi-County Rate Structure Working Group Charter**

**Purpose:** The Bi-County Rate Structure Working Group provides a structure for key stakeholders, subject matter experts, and management to identify viable rate structure alternatives to meet revenue requirements needed to properly operate, maintain, and upgrade the WSSC water and wastewater system.

**Approach:** The Bi-County Working Group approach is to undertake a structured strategic review of:

1. Existing WSSC financial instruments and funding methods, e.g. rates, variable rate structure, fixed fees and rate stabilization
2. Existing operating and capital program requirements, including exogenous factors such as conservation and affordability;
3. Existing statutory and annual budget and financial policy parameters established by the State of Maryland, Prince George's and Montgomery Counties, and the WSSC Commissioners;
4. A structured environmental scan of alternative rate structures;
5. Potential impediments to the implementation of proposed actions and strategies.

**Goals:** The Bi-County Working Group goals are as follows:

- Provide a short list of viable alternative rate structures for presentation to the Stakeholder Representative Group
- After considering stakeholder and public feedback, provide a rate structure recommendation to the WSSC General Manager/CEO and to the WSSC Commissioners
- Provide strategic guidance and support in the implementation of Bi-County Working Group recommendation that is adopted by the General Manager/CEO and/or the WSSC Commissioners.

**Organization:** The Bi-County Working Group will be convened by the WSSC General Manager/CEO, and it will be comprised of the WSSC General Manager/CEO, a representative of the Montgomery County Council, a representative of the Prince George's County Council, a representative of the Montgomery County Executive and a representative of the Prince George's County Executive. WSSC staff and external subject matter experts will participate as appropriate.