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U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS  
SUBCOMMITTEE ON WATER AND WILDLIFE  
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Good Morning. My name is Jerry Johnson; I am the General Manager and Chief Executive Officer of the Washington Suburban Sanitary Commission, headquartered in Laurel, Maryland. It is an honor to be here and thank you for inviting me. We provide water and wastewater services to 1.8 million residents of Prince George's and Montgomery counties in Maryland which border our nation's capital. The WSSC service area is roughly the same as the combined population of Philadelphia and Pittsburgh, Pennsylvania. WSSC has a combined operating and capital budget for Fiscal Year 2014 of \$1.4 billion.

WSSC has nearly 5,600 miles of underground water pipes, fed by two water filtration plants, one on the Potomac River, the other on the Patuxent. Approximately five hundred miles of those pipes, an estimated 26 percent, are over 50 years old.

Several years ago we embarked on a plan to address this issue by increasing the replacement rate. This does not happen overnight. Plans must be developed, designs drawn, permits issued and contracts competitively bid and issued; but most of all, you need money. During the current fiscal year we plan to replace 60 miles of water pipe. Our challenges, our plans and our increasing costs are representative of the situation that utilities across the country are facing. In today's dollars, according to our estimates, the cost to replace a mile of WSSC's pipes is approximately \$1.4 million.

Over the next six years our Capital Improvements Program, the cost of replacing underground water pipes will cost WSSC ratepayers an estimated three quarters of a billion dollars - \$750,000,000. Given, the amount of pipe and time it takes to replace pipe, WSSC will need to keep up that pace forever.

## **Funding Challenges and Creative Cost-Savings**

Our biggest challenge is funding. Ninety-five percent of our revenue comes from our customers, but our customers are using less water through conservation and more efficient appliances. For six years WSSC had no rate increases, followed by three years of increases below the inflation rate. For the last five years, even with a troubled economy, our county councils have recognized the pressing issues we are striving to address and have approved rate increases of between six (6) and nine (9) percent. Unfortunately, more increases will be needed even though our recent increases are lower than those in many parts of the country.

Saving money is not just a priority for the Commission; we think it is very important for our ratepayers, too. In 2010, WSSC established the Bi-County Infrastructure Funding Working Group to identify options for lowering the trajectory of rate increases by obtaining access to alternative and/or less costly sources of revenue or methods of funding for operational and capital requirements in the context of the growing need to rehabilitate, upgrade and replace water and wastewater infrastructure and related facilities.

## **Going Green**

Today, our ratepayers also have the opportunity to ‘Go Green’ which is WSSC’s initiative to become more environmentally friendly through electronic or paperless billing. Ratepayers may ‘Go Green’ by contacting WSSC either on the website, by telephone or in person at the headquarters office in Laurel. The benefits of going green include free paperless billing statements, free online payments, management of payments online and access to billing history online. Going green is fast, easy and convenient and is a cost saving to both ratepayers and WSSC.

WSSC has developed other ways for customers to join us on our journey to go green, as well. Ratepayers have the option of downloading our WSSC Mobile App. The WSSC Mobile App allows iPhone and Android users to use their smartphones to pay their water and sewer bills, check on service alerts, report a problem, email us with a question and easily access other important WSSC information, anytime, anywhere.

Our commitment to renewable energy is defined by WSSC's Greenhouse Gas Action Plan which began in 2010. The 20-year plan of action outlines strategies to reduce greenhouse gas emissions by 10 percent every five (5) years through 2030, and we are currently well on our way. For example, WSSC directly purchases about 30 percent of its electrical power from a wind farm in Pennsylvania through a 10-year Wind Power Purchase Agreement. The 10-year environmental benefit has touched every part of the WSSC family: employees and customers alike, by reducing greenhouse gases released into the Washington area by 38,000 tons per year.

In addition to green power generated from wind, the Commission has almost 17,000 solar panels providing power to two wastewater treatment plants. This solar energy provides an average of 17 percent of the power for the Western Branch and Seneca Wastewater Treatment Plants, saving ratepayers about \$3.5 million over the course of the agreement. Combined, WSSC is currently using more than 64 million kilowatt hours per year of renewable energy.

### **Long-Term Financial Stability**

A robust water system is essential to maintaining public health, particularly in areas as densely populated as Prince George's County and Montgomery County. However, like many other urban areas in America, WSSC currently faces unique financial and infrastructure challenges. To overcome these challenges, the Commission has affirmed several priorities for the future:

- Financial sufficiency
- Revenue stability
- Rate stability and affordability
- Minimizing customer impacts

As a part of this effort, the Commission is sponsoring legislation in the upcoming Maryland General Assembly 2015 session to provide assistance for low-income ratepayers. The program is a sensible solution that would assist lower income families in our service area to maintain access to reliable water and sewer services.

Of course, sustaining such a program requires revenue, and we did not want to place an unfair burden on other customers. So WSSC plans to keep money in their pockets too. WSSC is implementing:

- Recalibrating the existing Account Maintenance Fee (AMF) to recover 100% of the costs for which the fee is intended; and,
- Including in the Account Maintenance Fee that includes a fixed reconstruction fee based on meter size to fund a portion of the annual debt service expense for large and small diameter water and sewer pipe programs; and,
- Keeping the Commission's current sixteen step inclining block rate structure which helps most households who conserve their water use.

By moving away from heavy reliance on fluctuating rate-driven revenue toward fixed-fee charges, WSSC can sustain revenues and reduce the trajectory of rate increases for the next five years. Additionally, the new billing structure will still allow WSSC to allocate funds to maintain the 5,600 miles of water pipes and 5,400 miles of sewer pipes from which both counties benefit.

WSSC has used several additional methods to ensure long-term financial stability for ratepayers. For example, we are designing a Bio-Energy project that will generate energy from sewage by the process of anaerobic digestion. This process will reduce the volume of biosolids by 50 percent while producing heat and power. The initial capital investment cost is substantial; however, the cost to build a Bio-Energy Facility could be recouped within 16 years. Each year that the Bio-Energy facility is in operation, WSSC would save about \$3.7 million per year in reduced energy, biosolids disposal, and chemical costs.

We have also created the Asset Management Program (AMP) which is a multi-year effort to create an organization-wide plan that identifies the infrastructure needs for a 30-year planning period. The Bio-Energy Project and the AMP are just two of many ways that WSSC mitigates the trajectory of costs for our ratepayers.

WSSC is entering into a new exciting era; one in which water, the essential source of life, is increasingly produced and treated by green power. This presentation only begins to touch on WSSC's water and wastewater functions. I hope this testimony provides some insights into the challenges we face as a local water utility.

Again, thank you for the opportunity to appear before you today. We look forward to remaining leaders in the water industry by supporting our precious infrastructure, ratepayers and communities. I look forward to answering your questions.