

**HB 1140**

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**

**Third Reader - Revised**

House Bill 1140

(Prince George's County Delegation and Montgomery  
County Delegation)

Appropriations

Budget and Taxation

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**Washington Suburban Sanitary Commission - Ratemaking Structure - Review  
by Office of Legislative Audits  
PG/MC 108-16**

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This bill requires the Office of Legislative Audits (OLA) to complete a review, by December 31, 2016, that compares the ratemaking structure of the Washington Suburban Sanitary Commission (WSSC) with other water and sewer utilities in the State and nation.

The bill takes effect June 1, 2016.

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**Fiscal Summary**

**State Effect:** OLA can handle the bill's requirements with existing personnel and resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The review must compare the ratemaking structure of WSSC to other State and national utilities that (1) are comparable in size; (2) are controlled and funded by governmental agencies; (3) provide both water and sewer services; (4) are not publicly traded; and (5) are consistent with industry ratemaking best practices for entities of similar

size and functions of the commission. In addition, the review must compare the commission's ratemaking structure with other governmental, not-for-profit, or national trade associations specializing in providing water and wastewater services, such as the American Water Works Association, the National Association of Clean Water Agencies, the United States Environmental Protection Agency, and any other entities the commission considers appropriate.

**Current Law/Background:** As part of the Department of Legislative Services, OLA is a component of the Legislative Branch of State government. The office audits State agencies in the Executive and Judicial branches and other entities as requested by the General Assembly. As required by statute, the office reports to the Joint Audit Committee of the General Assembly and is responsible for:

- performing fiscal compliance audits of State agencies to evaluate fiscal operations and determine compliance with laws and regulations;
- conducting performance audits to evaluate whether a State agency or program is operating in an economic, efficient, and effective manner;
- conducting performance audits of the financial management practices of local school systems;
- operating a fraud hotline for reporting fraud, waste, and abuse of State resources;
- monitoring the financial reporting practices and financial condition of local governments in Maryland; and
- conducting special reviews and investigations requested by the Joint Audit Committee.

#### *Washington Suburban Sanitary Commission*

WSSC is among the largest water and wastewater utilities in the country, providing water and sewer services to 1.8 million residents in Montgomery and Prince George's counties. The commission has more than 460,000 customer accounts, serves an area of around 1,000 square miles, and currently employs more than 1,500 people. The commission operates three reservoirs, two water filtration plants, and six wastewater treatment plants. The six wastewater treatment facilities, as well as the Blue Plains Advanced Wastewater Treatment Plant, handle more than 200 million gallons of wastewater per day. The commission maintains nearly 5,600 miles of water main lines and nearly 5,500 miles of sewer main lines.

**State Fiscal Effect:** OLA advises that 60 to 100 audit days are required to plan, conduct, and report on the results of the review required by the bill. As a result, OLA indicates that the bill's requirements can be handled with existing personnel and resources.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Washington Suburban Sanitary Commission, Department  
Legislative Services – Office of Legislative Audits, Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2016  
kb/hlb Revised - House Third Reader - March 18, 2016

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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510