

**PROPOSAL TO AMEND 21 DCMR CHAPTER 40 ON
RETAIL RATES AND FEES**

**BOARD OF DIRECTORS OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

WILLIAM M. WALKER, CHAIRMAN



**TESTIMONY OF GEORGE S. HAWKINS, ESQ.
GENERAL MANAGER
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

**WEDNESDAY, MAY 11, 2011 AT 6:30 P.M.
METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
777 NORTH CAPITOL STREET, NE**

Good evening Chairperson Nancoo, members of the board, staff and customers. My name is George Hawkins, and I am the General Manager of the District of Columbia Water and Sewer Authority I am joined here today by the Chief Financial Officer of the Authority, Mr. Olu Adebo. It is my privilege to lead the 1,000-strong workforce I call Team Blue, in delivering a life-giving service to more than 16 million people every year.

The following are my prepared remarks on the proposed DC Water retail rates for Fiscal Year 2012, which begins October First.

The proposal before you tonight is to adjust the retail rates and fees in FY 2012 in accordance with the chart before you:

[copy of chart below will be on display for Board/public view]

	Units	Actual FY 2010	Actual FY 2011	Proposed FY 2012
DC Water Retail Rates Water	Ccf	\$ 2.51	\$ 3.10	\$ 3.29
DC Water Retail Rates Sewer	Ccf	\$ 3.61	\$ 3.79	\$ 4.01
DC Water Clean Rivers IAC	ERU	\$ 2.20	\$ 3.45	\$ 6.87
DC Water Customer Metering Fee		\$ 2.01	\$ 3.86	\$ 3.86
District of Columbia PILOT Fee	Ccf	\$ 0.43	\$ 0.49	\$ 0.53
District of Columbia Right of Way Fee	Ccf	\$ 0.14	\$ 0.14	\$ 0.15

These rate adjustments are necessary in order to provide the revenues necessary to support the operating activities in FY 2012 that are estimated to be \$422.4 million. This represents a \$19-million increase over the revised Fiscal Year 2011; the major drivers include debt service to support our Capital Improvement Plan and a 3.8% increase in operating and maintenance expenses.

As I noted in my budget message, we must face the need to re-invest in our marvelous, but aging infrastructure. Our capital improvement plan calls for spending \$3.8 billion over the next 10 years, the bulk on projects covered under environmental mandates or designed to ensure safety of both our customers and employees. These include our long-term control plan, now called the Clean Rivers Project, which will nearly eliminate combined-sewer overflows into the Anacostia and Potomac Rivers and Rock Creek. We hope to break ground on the first tunnel this spring, along with our new digester. This latter project will turn waste into fuel, making DC Water the largest generator of renewable electricity in the metropolitan area. This project will generate enough clean energy to power the equivalent of 8,000 homes, reduce our carbon footprint by 40 percent and save more than \$20 million in operating costs annually beginning in FY 2015.

As you know, another major mandate facing DC Water is the Enhanced Nutrient Removal Facilities (ENRF). This project will cost nearly a billion dollars, and will help us meet our newest federal permit requirements for nitrogen to protect the Chesapeake Bay. I hope everyone at this hearing tonight will consider joining us next Tuesday for the groundbreaking ceremony at Blue Plains, at 11 a.m.

The remaining capital spending goes to water and sewer infrastructure. This will allow us to replace our water and sewer mains – the median ages of which are 77 and more than 85 years old. Some pipes in the District went into the ground before the Civil War.

I do want to take this opportunity to point out some good news about our infrastructure. The independent Insurance Services Office (or ISO) recently rated the District's water supply system as Class 1 for fire protection – the highest possible rating. This puts us in the very top of more than 48,000 fire protection districts in the country. The Fire Department received a very high rating as well, and we look forward to working with Chief Ellerbe to make the already-strong coordination between our departments even stronger.

All of these efforts take resources. The resources we need will have an impact on this proposal as well as future rates. No increase in rates is a welcome one, especially in trying economic times. But the cost of maintaining and replacing our aging infrastructure continues to rise and federal mandates and regulations continue to increase in number and cost, while the available federal funding is actually decreasing.

The Board proposed the new rates in February for public comment. Our rate proposal takes the average residential customer bill up \$6.50 a month – to \$66.79. With this information, it was up to us to make the case to our customers. Again this year, we hosted a series of town hall meetings in every ward, working closely with each ward councilmember and the ANC commissioners and civic groups.

On the recommendation of Board Member Brenda Richardson, we also used automatic “robo” calls to invite any person who had contacted us in the last year to the meeting associated with their address. More than we anticipated, this outreach approach was successful and yielded far more attendance than we have had in the past, including an impressive number of ANC Commissioners and other community leaders.

I made an initial presentation about DC Water, our budget process and an outline of a bill for the average single family customer – including full costs for the last three years and the proposal for 2012. In all but two cases, the Ward Council Member attended and offered an introductory presentation and often helped in the question and answer session. I fielded questions from the crowd and answered whenever possible, and at times referred the questioner to additional staff with us in the room.

Across all eight wards, we received similar feedback about billing issues, water quality, the customer service experience, and the impervious area charge. We also heard questions about the lead in water, fire hydrants, the Long Term Control Plan, job opportunities, elderly

customers and the coordination of road construction with our projects. We noted that the public input process culminates in a formal hearing by the Board. As a result, a number of the customers who came to the town halls mentioned that they planned to give testimony today.

Throughout this process, the Board has continued to drive home the concern of affordability of this life giving service: water. A recent review of similar and local utilities discussed with the Board suggests that the average DC residential bill is around the median of water bills in other cities. Also, a newly published AWWA 2010 Rate Survey places DC Water in the average affordability index when compared to other utilities. That is comparing the residential bill of a customer using 7,480 gallons to the median household income of that area. The survey notes that the average for all systems is 1.48% of the median income and has DC Water listed as 1.45%...and we know that our average residential customer uses nearly 2,500 fewer gallons than this amount used for comparison in the survey!

Despite this positive affirmation of affordability, we must remain sensitive to the needs of our customers in hard economic times and for who the median income remains well above their reality. With this in mind, we have two growing programs to provide aid to those who need it most.

Through the Customer Assistance Program or CAP, the Authority provides eligible customers more than 2,500 gallons of water and sewer service each month at no charge. Since it began, participation in CAP has continued to increase. In FY 2010, a total of 6,458 households received a discount on their monthly bills. In February 2010, the Board expanded the CAP discount to include the Payment in Lieu of Taxes and Right of Way to qualifying low-income customers effective October 1, 2010. The District Department of the Environment, Office of Energy, establishes eligibility for this and similar programs for several other utilities in the area.

In addition, the Authority offers assistance to families in need through the Serving People by Lending a Supporting Hand program (S.P.L.A.S.H.), in times of emergency. The program is administered by the Greater Washington Urban League. Every dollar received by the Authority is distributed to eligible customers. We raise funds for this program primarily from customers rounding up their bills to the nearest dollar, but are exploring ways to generate even more donations in the future.

Madame Chairperson, this concludes my prepared remarks. As always, I want to thank you and the other Board members for your careful attention to the financial underpinnings of the authority as well as the deliberative review of retail rates in Washington DC. I look forward to answering any questions you may have.