



District of Columbia Water and Sewer Authority

MINUTES

***110th Meeting of the Board of Directors
Thursday, May 4, 2006***

Present Directors

Glenn S. Gerstell, Chairman, District of Columbia
Donna MP Wilson, Vice Chair, Prince Georges County
David J. Bardin, District of Columbia
Bruce Romer, Montgomery County
F. Alexis Roberson, District of Columbia
Anthony Griffin, Fairfax County
James Caldwell, Montgomery County
Lisa Morgan, District of Columbia
Alexander McPhail, District of Columbia
Dr. Jacqueline Brown, Prince Georges County
Robert Bobb, District of Columbia

Present Alternate Directors

Brenda Richardson, District of Columbia
Howard Gibbs, District of Columbia
Joseph Cotruvo, District of Columbia
Beverly Warfield, Prince Georges County
Chris Akinbobola, Prince Georges County
Stephanie Nash, District of Columbia
Stephen McLendon, District of Columbia
Kenneth Davis, District of Columbia

WASA Staff

Jerry N. Johnson, General Manager
Avis M. Russell, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Gerstell called the 110th meeting of the Board of Directors to order at 9:38 a.m.

Ms. Manley, Board Secretary, called the roll to establish a quorum.

Chairman Gerstell informed the Board that there will be an executive session to discuss some legal matters.

Approval of Minutes of April 6, 2006 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of April 6, 2006 be approved. The motion carried unanimously.

Environmental Quality and Operations Committee

Reported by: James Caldwell, Chairman

The Committee met on Thursday, April 20th.

BPAWTP Performance Update

All permit parameters were met. Average flow at Blue Plains for the month of March was 296 MGD, with rainfall at a record low for the month (0.05" vs. 3.5" average).

Status AWTP NPDES Permit

EPA has decided on setting the eventual limit for total nitrogen (TN) discharge at 4.2 mg/L and has proposed an interim level of 5.3 mg/L. EPA plans on opening the present permit in May or June of this year to set the interim nitrogen permit limit. There was some legitimate concern that the number 5.3 is a somewhat unrealistic number for use to attempt to meet on a routine basis since it was only met once at the plant in a very warm year with a very dry year. The Authority does not think that it was characteristic of what should be considered as a permit limitation.

EPA agreed to have WASA perform a statistical study of past performance data, and propose an interim nitrogen discharge limit within approximately one month. EPA has agreed to submit a letter to WASA by May 2006 that will clearly outline EPA's approach with respect to changes to current planning and permit approaches proposed by WASA that would allow for a significant reduction in TN treatment cost (capital and operating)

while also resulting in discharge of a lesser amount of nitrogen to the Anacostia and Potomac Rivers, and thus to the Chesapeake Bay.

Water Service Program

WASA had no positive samples in March.

LCR Compliance Testing

The Authority has completed 70 of the required 100 samples for this semester, and have had only two that exceeded the action level.

Digester Project Update

The Committee had a significant discussion about the digester project. The project was on hold due to WASA not being able to get surety bonding for the contractors who wished to bid on the project.

The General Counsel informed the Committee that she has spoken with the surety bond house and they have said that there were three areas of concern: the bond language, the consequential damages liability, and equipment guarantees. The bond language is the result of using the District of Columbia's existing language. While other independent authorities in the District of Columbia have used other language from the American Institute of Architects or American General Contractors, there is some question on what language WASA should be using.

In addition, the consequential damages issue appears to center around concerns relating to environmental damage. There is some belief that they are not really aware of the actual issues associated with the construction of this project.

The equipment guarantee issues appear to be resolvable, and WASA is working toward a resolution.

The Committee specifically asked the General Manager to move quickly on this issue.

LID Advocacy

The Committee had a discussion on the LID advocacy and what role WASA should play in the advocacy of LID within the District of Columbia. There seem to be some differing opinions about what LID advocacy is.

Water Main Breaks

The Committee received a brief presentation on water main breaks in the winter of '05/'06. WASA now understands the types of issues that are coming up and how best to get out and fix them in a quick turnaround time.

Committee Action Items

The Committee reviewed eight action items; six joint- use and two non-joint use. After some discussion, all were recommended to move forward to the full Board.

Mr. Caldwell invited all Board members to the Committee's annual CIP tour that the Operations Committee will be holding at its next meeting on May 18th.

Mr. Romer asked if the surety bonding was the only issue concerning the digesters. The General Manager stated that the surety bonding was the only issue but a significant one.

Finance and Budget Committee

Reported by: Chairman Gerstell

The Committee met on Thursday, April 27, 2006.

Financial Overview

Chairman Gerstell reported on the financial highlights for the month of March. He reported that at the end of March, with 42 percent of the fiscal year completed, revenues were at 43.7 percent of the budget.

The operating expenditures were 37 percent of the budget for the year at \$108 million and capital spending lagged even further at 30 percent of the Budget. Cash balances for the month of February were again in excess of the Board's requirement at about \$114 million.

Electricity

Chairman Gerstell reported that the prices for electricity that the Authority locked in for several months were lower than today's market prices and those in the past couple of months. The Authority continues to have pressures in the electricity area. There is a possibility of some budgetary amendment to move things around to handle the electricity prices.

Chemicals

The Authority is seeing price increases in the chemicals area, partly attributable ultimately to the price of oil and other issues. WASA expects to exceed the budget for chemicals by approximately \$1 to \$2 million.

Committee Action Item

Staff proposed a renewal of the contract for the firm of Morgan Lewis & Bockius for legal services in the employment and labor law area. The contract will exceed the \$1 million threshold, requiring Board review and approval. The Committee recommended forwarding this request to the full Board for action.

Operating Reserves

The Committee discussed a letter from Mr. Caldwell on behalf of the Blue Plains IMA Renegotiation Team. The team requested information pertaining to WASA's operating reserves fund. Chairman Gerstell stated that partly for historical reasons and other reasons that the reserves are funded by District ratepayers. A portion of what the ratepayers send to the Authority is set aside in the operating reserve, which is required by the Authority's indenture and by Board policy. A question has arisen as to whether these schemes should continue or whether there is a more efficient way of dealing with multiple reserves maintained by the various entities.

The Committee had no proposal to discuss at this time. It was requested that staff develop additional information on the issue and report back to the Committee at its next meeting. The Committee will take a look at the policy and recommend a change to the Board or keep it the same.

Retail Rates Committee

Reported by: Chairman Glenn Gerstell

The Committee met on Thursday, April 27, 2006.

Cost of Service Study Update

Staff and consultants will pursue alternative rate structures and report back to the Committee in July with findings and proposals.

Groundwater

The consultants provided the Committee with some information and options regarding the groundwater.

Combined Sewer Overflow

The Committee reviewed how to charge customers for the cost of the CSO Program, the kinds of implementation program and whether to have an impervious area fee.

Mr. McPhail requested that the minutes be revised to expand the definition for paved surfaces.

General Manager's Report

Reported by: Jerry N. Johnson

The General Manager reported that as Chairman Gerstell stated, staff continue to monitor a number of budget pressures within the organization. Staff is confident that within the budget there are certain adjustments that can be made that will not require Board action.

Community Meetings

The Authority held a number of community meetings to discuss the proposed rate increase. The meetings varied in terms of their attendance and have been received well given the fact that a proposed rate increase is being discussed.

The Authority has a series of meetings scheduled with the business community and the Hotel/Motel Association and the like that we will be having over the next month.

The High Bill Notification Program that was introduced to the Board and the committees earlier this month is going well. The Authority received a good response from its customers.

Contracts

The Authority issued 13 contracts in the amount of \$4.5 million. There were no A&E contracts or change orders conducted during the course of the month.

Operations

The Authority is in full compliance with the drinking water standards to include the lead and copper rule. Additional discussions have been held with the U.S. Environmental Protection Agency over optimal corrosion control and issues associated with it.

The Lead Replacement Program is ahead of target on a year-to-date basis. WASA does continue to lag with respect to private side replacements because the response has not been good. WASA is still in the high 20 percent of respondents for private side replacement, even though it has both the grant as well as the low interest loan and payment programs available to customers.

The plant was in compliance with all the parameters of its NPDES permit during the course of the month. Those specific parameters can be found on pages 20 through 27 of the General Manager's report.

Pandemic Flu Training

The Authority is participating with the District's efforts in planning for the Pandemic Flu and the training efforts associated with it.

Labor Negotiations Update

Management has made two additional attempts at its initiation to resolve the issues in the labor negotiations and the contract. These were not successful in bringing those issues to closure, which had been at the suggestion of the arbitrator who is now involved in the case.

The arbitrator will be briefed on Friday. A response is expected from the arbitrator within the next month to finalize the longstanding issue.

Mr. Bobb asked what are the issues? Why is WASA in arbitration? Why can't WASA reach an agreement with the labor union? Mr. Johnson stated that the Authority had a single master agreement that it started off with as an organization that provided that any party to that agreement could renege and come out of it.

The unions decided that they wanted to no longer maintain a coalition which left WASA to negotiate five separate agreements among some 900 organized employees. Management felt that was not prudent for the Authority.

The Authority appealed to PERB and it took PERB some time to bring back a decision. PERB's decision was that WASA could not force the continuation of the coalition. They also recommended that WASA attempt to consolidate one union with another. WASA attempted to do the consolidation of the labor unions and failed. The Authority ended up having to enter into separate negotiations with each one of the labor unions on working conditions and one master agreement on compensation.

The labor unions had some difficulty over a course of time in identifying the person who was going to be their chief negotiator and that changed on several occasions through the course of the negotiations.

The General Manager stated that the compensation discussions began separate and apart from the working conditions proposals which were five separate ones. The primary points where WASA has not been able to reach agreement at this juncture has to do primarily with official time. The labor unions wanted to identify a larger number than acceptable of persons to be on official time, with an unlimited amount of time that they would be able to spend on union business. WASA thinks that is inappropriate for the ratepayers as well as for the organization.

The General Manager stated that in reference to the compensation issues, WASA and the unions are not that far apart on and he thinks that WASA should be able to close the gap on those.

Professional Organizations

The General Manager reported that he was reelected Vice President of the National Forum for Black Public Administrators and also offered a second term on the Water Environment Federal Research Foundation Board.

The General Manager was invited by the Mayor to participate in a trip to Ghana over the next week to discuss some of the issues around water service and the provision of water supply and some of the experiences that WASA has had here at the Water and Sewer Authority.

Additional Questions on the General Manager's Report

Mr. Bardin asked if an e-mail could be sent to the Board when the County Councils of Montgomery and Prince Georges Counties act on the settlement with WSSC.

Mr. Romer reported that the issue is on the May 24th meeting of the Montgomery County Council after which it will go back to the WSSC Commissioners.

Mr. Bardin asked the General Manager for the timing and interest calculations on the WSSC payment.

Mr. McPhail requested information on the positions cancelled for the Energy Manager and the Principal Counsel. The General Manager stated that the position was restructured. The procurement function would be performed by the Finance Department with the assistance of outside consultants. The Energy Manager position would be restructured to focus more on energy management across and throughout the organization.

The Principal Counsel position is a matter of the lack of space in the building. WASA will reconfigure some space and then readvertise for that position.

Mr. McPhail requested an organization chart of the management structure.

The Board addressed the six joint use items on the agenda for approval. Mr. Bobb asked if the contract for Morgan, Lewis and Bockius was for legal services relating to labor. The General Counsel replied that the firm provides legal services in the area of employment. Because the legal services are not procured under the provisions of the procurement regulations, WASA has the flexibility to engage that firm in another practice area.

Consent Items (Joint-Use)

1. Approval of Contract Extension to Contract No. WAS-01-025-AA-LW, Firs Vehicle Services - Resolution No. 06-40 (Recommended by the Environmental Quality and Operations Committee 04/20/06)
2. Approval of Option Year Two of Contract No. WAS-04-041-AA-JS, Maryland Environmental Service – Resolution No. 06-41(Recommended by the Environmental Quality and Operations Committee 04/20/06)
3. Approval of Contract Modification No. 2 of Contract No. GS-35F-5570H, Adsystech – Resolution No. 06-42 (Recommended by the Environmental Quality and Operations Committee 04/20/06)

4. Approval of Contract Modification No. 2 of Contract No. GS-35F-5057H, iQuest Solutions – Resolution No. 06-43 (Recommended by the Environmental Quality and Operations Committee 04/20/06)
5. Approval of Change Order No. 28 of Contract No. GS-020020, Ulliman Schutte Construction, LLC – Resolution No. 06-44 (Recommended by the Environmental Quality and Operations Committee 04/20/06)
6. Approval of Morgan Lewis & Bockius, LLP for Legal Services – Resolution No. 06-45 (Recommended by the Environmental Quality and Operations Committee 04/20/06 & Finance and Budget Committee 04/27/06)

The Motion to Adopt Consent Item (Joint-Use) was Moved and Seconded with unanimous approval.

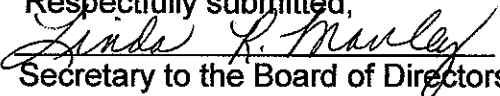
Consent Items (Non-Joint Use)

1. Approval of Change Order No. 41, Contract No. 010050, Whiting-Turner Contracting Co. – Resolution #06-46 (Recommended by the Environmental Quality and Operations Committee 04/20/06)
2. Approval of Contract No. DCFA #348-WSA, Hazen and Sawyer, P.C. – Resolution #06-47 (Recommended by the Environmental Quality and Operations Committee 04/20/06)

The Motion to Adopt Consent Item (Non-Joint Use) was Moved and Seconded with unanimous approval.

The Board convened into an Executive Session to consider a legal matter at 10:28 a.m.

The Board reconvened into the public meeting at 12:02 p.m.

Respectfully submitted,

Secretary to the Board of Directors