



District of Columbia Water and Sewer Authority

MINUTES

***120th Meeting of the Board of Directors
Thursday, April 5, 2007***

Present Directors

Vice Chair Jacqueline Brown, Prince George's County
F. Alexis Roberson, District of Columbia
David J. Bardin, District of Columbia
Kenneth Davis, Alternate for Vacant Position, District of Columbia
Timothy Firestine, Montgomery County
David Lake, Alternate for Montgomery County
Anthony Griffin, Fairfax County
David Byrd, Prince George's County
Brenda Richardson, Alternate for Vacant Position, District of Columbia
Joseph Cotruvo, Alternate for Vacant Position, District of Columbia

Present Alternate Directors

Howard Gibbs, District of Columbia
Steven McLendon, District of Columbia
Paivi Spoon, Prince George's County
Paul Folkers, Montgomery County

WASA Staff

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

Vice Chair Brown called the 120th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m.

Ms. Manley called the roll to establish a quorum.

Approval of Minutes of March 4, 2007 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of March 4, 2007 be approved with minor revisions. The motion carried. The minutes of the March 4, 2007 meeting were unanimously approved.

Environmental Quality and Operations Committee

Reported by: David Lake

The Committee met on Thursday, March 15th and received a report from the operations staff that the plant was operating at an average of 308 million gallons per day, which is fairly low for this time of year, and that was due to the dry weather early in February.

Staff reported that there were ongoing negotiations with EPA on the NPDES permit requirements. It was requested by Avis Russell, General Counsel that the Committee move into an executive session to discuss the negotiations further.

The Committee's discussion of the water service program was extended in some level of detail to understand that the Authority was pursuing the chlorine burn. Chlorine burn is simply changing the type of disinfectant from the chloramine that has been used to the free chlorine, which is done as a standard operating procedure in the industry. The concern expressed by the Authority's engineers was that there was a possibility that there could be some interaction between the addition of free chlorine and the coating that is on the pipes that prevents the lead from leaching into it. The Committee was assured that over the past couple of years the chlorine burn was not conducted and that actually they had been conducting loop tests within the Dalecarlia facility and WASA's own research facilities.

The information relayed was that they did not expect the chlorine burn to have any impact relative to the lead issue. Since it was not a standard practice, and customers from Northern Virginia had suggested that they would prefer to have this free chlorine addition for the period of time recommended by technical operators, they would perform the chlorine burn during the month of April.

Mr. Cotruvo asked if there is any plan for monitoring during the chlorine burn. The General Manager replied that there are several monitoring processes that will take place. The Authority has cooperation from two District residents to do a profile during the chlorine burn. In addition, the Authority will monitor the systems throughout the process.

The Committee received an update on the Potomac Interceptor Odor Control Project. The project is somewhat of a misnomer because it is not just odor control but also corrosion control. The recommendation was to close many of these vents, and the

ones that would remain open would become power vents with the exhaust being scrubbed through activated carbon. To accomplish this, several buildings have to be built along the C&O Canal on the National Park Service property. The Committee was informed that what has held up the project is that the Authority has to get permits issued by 16 different agencies.

There was a question of whether or not there should be a review of the project called "a basis of design," to determine whether or not the decisions that were made some seven or eight years ago relative to this project, still hold today. Are the economics in favor of the solution that the Authority is pursuing? Are there other things that could be put in place that would achieve the same end result? There was some concern about the ability to implement this project. The General Manager agreed to conduct a basis of design review. Mr. Lake stated that he received a call from staff indicating that the review was performed and based on the results, the design as proposed should continue to be pursued.

In addition to that project, there is a congressionally funded chemical addition pilot test for odor control using a proprietary product called thiogard. This pilot test will be performed in June through August 2007.

The Committee reviewed the CIP Quarterly Report, which indicated that the capital program spending is not quite up to the budget, but the plan is to catch up to what was budgeted by the end of the year..

The lead service replacement program is on schedule and under budget. The activities on the long-term control plan, related to the facility plan, are in progress. The Committee is still expecting a draft facility plan later this year, understanding that it needs to be submitted to EPA and the Department of Justice in September of 2008.

As mentioned earlier, the Committee had an executive session to discuss the Ulliman Schutte contract that is being recommended for approval on today's agenda. The reason for an executive session was that the low bid was about 30 percent above the engineer's estimate. After discussion, the Committee agreed to recommend approval to the Board. In addition, the Committee recommended two other joint use contracts, one for process control and computer systems, and the other for annual maintenance and calibration of instrumentation at Blue Plains and other facilities. The Committee also recommended three non-joint use projects.

It was requested that the Environmental Quality and Operations Committee minutes be revised to move the Ulliman Contract from non-joint use to joint use.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The General Manager reported that he was informed that EPA is likely to issue today the Authority's revised NPDES permit.

The General Manager reported that operating receipts for the year are at 42 percent of projected budget at \$131.3 million. Expenditures to date have totaled \$111.6 million, or 36 percent of the revised budget, with 42 percent of the year complete. Expense categories can be found on pages 4 and 5 of the General Manager's report.

Capital disbursements totaled \$9.8 million during the reporting period, for a total of \$74.4 million year to date. Investment performance was outstanding during this period, earning an average of 5.21 percent, which is about 5 basis points above the targeted amount.

Total reserves which include federal funding and operative reserves is \$236.4 million.

Staff continues with the rates process as approved by the Board of Directors. The proposed rates have been published in the D.C. Register. There are four independent meetings scheduled for April 30, May 1, May 7 and May 9.

It was recently discovered that the Authority has a number of defective meters that have been installed. Staff is working with the manufacturer to replace those meters. The defects are in the large meter installations, and this may result in having to revise the completion date for the large meter installations. Mr. Bardin requested a detailed report on the defective meters for the Environmental Quality and Operations Committee.

The General Manager reported that despite the federal directive that no earmarked funds be distributed, the Authority will receive \$7 million to support the CSO long-term control plan.

The Authority entered into a new contract with the Washington Urban League for the administration of the SPLASH program.

There have been 14 contracts for goods and services issued at \$20.2 million, and another \$19.1 million in A&E contracts that have been issued during the reporting period.

The Authority is in full compliance with all of the Safe Drinking Water Act standards, as required by the U.S. EPA. The wastewater treatment plant operating parameters can be found on page 21 through 29 of the General Manager's report, to include pretreatment activity. The plant was well within all parameters during the past month.

The Authority is accepting applications for the summer internship program. The application deadline is April 17, the internship program will begin on May 20.

There were two City Council hearings held during the month of March. The first hearing focused on the Authority's past performance with respect to the budget. The second hearing was focused on rates and the concern was whether if an annual rate increase was needed. A number of questions revolved around revenue and the expenses of the organization. The other area of discussion was participation on the part of the suburban members of the Board of Directors in matters related to the District.

In addition, Councilmember Graham raised the question regarding the wisdom of continuing with the Authority's Lead Service Program, given the fact that the Authority through the Washington Aqueduct has added a chemical additive that has now passivated the pipes.

WASA is not in a lead exceedance kind of posture, and has met all the requirements of the Consent Decree. This is a matter that the Board will have to consider as the Authority go

forward with the program. The General Manager stated that his recommendation is as the Authority reviews this issue, that it is done as a part of the budget review process, and that some subject matter experts be called in to provide some additional advice and information to the Board before drawing a conclusion in the matter.

The other area of focus runs in conflict with the position that the Board has taken regarding the Chief Financial Officer issue. Councilmember Graham indicated that it was his inclination to support the position taken by Dr. Gandhi that the Authority should be subject to the requirements under the CFO Act. Councilmember Graham was advised that the Board had a different view on the issue, and was asked if there is an opportunity to have further discussion with him before he advances that position. The Councilmember wants to resolve the issue through the District's Budget Support Act.

The General Manager stated that there was a letter from Dr. Gandhi, the District's CFO, indicating that the Authority is in violation of the Congressional Act which states that he has oversight over the Authority, and he has no oversight and the Authority refuses to work with him.

The General Manager informed the Board that he and the former Chairman of the WASA Board provided Mayor Fenty with a detailed briefing on the CFO issue. Mayor Fenty has assigned the issue to a person in his office to review, and WASA is working with that individual to see where they presently are on the review.

Ms. Richardson asked that if the Authority is in violation what are the repercussions. The General Counsel stated that she does not recall any penalty or sanction but that she would research Ms. Richardson's question. Ms. Russell stated that Dr. Gandhi believes that he has the authority to appoint WASA's CFO. In addition, Ms. Russell stated that there have been discussions with Dr. Gandhi on how the Authority could satisfy its needs and incorporate Dr. Gandhi's input, with no resolution.

Mr. Bardin requested a one page summarizing the CFO issue.

Mr. Griffin stated that although the suburban jurisdictions are sitting quietly on this issue, that the Board works well together and there have been two governance studies that have affirmed that. However, if this is an effort to make this a D.C. centric only organization, the suburban jurisdictions, which at least comprise the majority users of the Blue Plains Plant, will have something to say about it.

The Board agreed to schedule a workshop to focus solely on the CFO issue.

Mr. Bardin stated that in the General Manager's report it is stated that Delegate Eleanor Holmes Norton either has or is about to introduce some kind of legislation to try to secure an additional \$150 million from Congress' general funds toward the long-term control plan. If that were successful, that would help avoid some of the rate increases that are anticipated. He stated that there should be a conversation with Councilmember Graham and other members of the Council about supporting this effort. The General Manager stated that in an earlier briefing with Councilmember Graham there was some discussion on the additional \$150 million and it is the General Manager's view that Councilmember Graham is very supportive of securing an additional \$150 million from Congress toward the long-term control plan.

Mr. Bardin requested that a detailed explanation at the next Environmental Quality and Operations Committee meeting on the statistics on water sales to customers on page 11. Comparing the last two months in the right-hand column, he could not fathom how so radical a change could take place in just one month—assuming the GM's report lists actual total metered deliveries. He wonders, therefore, whether WASA is listing amounts billed during the month (where a few large customers are still billed quarterly rather than monthly)? He wonders also whether WASA is going to use its AMR data resources to record actual physical deliveries to customers from month to month?

The Board received two presentations one on the nitrification/denitrification facility and the one on Total Nitrogen project. The General Manager explained that the nitrification/denitrification project went out recently for bid. The project came in significantly over budget. The General Manager expressed his concern at the rise in the cost of the project. He has gone out and examined some of the facilities that staff is proposing to replace in addition to a detailed discussion with WASA's in-house engineering staff. This matter was the subject of a detailed discussion with the Environmental Quality and Operations Committee at its recent meeting, because whenever there is a project that comes in substantively \$20 million over budget, then staff has to make a number of critical decisions on how to move forward. The General Manager stated that given the nature of this project, the condition of the facilities, the age of the facilities, the fact that these facilities have been the prior subject of federal Consent Decree, or Administrative Order, he believes that it is critical for the project to move forward.

The General Manager stated that he does recognize that the Authority has a responsibility to the rate payers, and to the persons who are responsible for paying the cost of operation and construction here at Blue Plains. So the approach that WASA has taken, which will be explained in the presentation, is to look at the current 10-year plan, and work closely with WASA's engineering staff to recognize that if this project is so important that WASA must undertake it even in the face of these increased costs. Also, something else has to come out of

that 10-year plan in order for WASA to stay on target with its current financial plan and the current projected rate structures, as well as the expectation of the suburban customers in terms of the cost and expense that they would anticipate incurring over this period of time.

Having weighed all of that, and gone in and taken a look, staff found a way that they believe they can pursue this budget without the wheels falling off of the organization and without having to make any financial adjustments or change the overall budget authorization for this 10-year cycle. After reviewing this information with the Environmental Quality & Operations Committee at the last meeting, it was their recommendation to move forward with the project. That is the Ulliman Schutte Construction contract that is up for approval today.

Mr. Adebo explained the budget impact for the project.

The General Manager then began to discuss the presentation on the total nitrogen project that WASA has been working together on to accomplish the objectives that have been set out in the Chesapeake Bay agreement, a multi-state agreement that was established. He stated that WASA has been having detailed discussions with EPA on how WASA should go about implementing this project, and it is generally thought that WASA would probably do implementation through a modification of the existing Consent Decree for the long-term control plan.

The General Manager stated that because of the negotiations with EPA, and depending on questions from the Board, and if it is a question that is the subject of the negotiations, the General Counsel will ask that questions be held and that the meeting go into closed session.

Mr. Ron Bazari summarized to the Board the studies that were made to meet the new Total Nitrogen effluent limit that is going to be included in the permit modification that EPA will issue. The plan that has been recommended includes both accommodating that new permit limit, and incorporating that new requirement to remove nitrogen into the overall Wet Weather Conditions for treatment at Blue Plains that are already in WASA's existing permit.

After a thorough presentation from the General Manager and Mr. Bazari on various options to meet the new Total Nitrogen effluent limit, the Board authorized staff to put forward the D-1 option.

The Board convened into an executive session at 11:48 a.m. to discuss a civil penalty and a personnel matter. The Board reconvened into public session at 12:02 p.m.

Consent Agenda (Joint-Use Items)

1. Approval to execute Change Order No. 09 of Contract No. 000090, Emerson Process Management – **Resolution No. 07-33**(Recommended by the Environmental Quality and Operations Committee 03/15/07)
2. Approval to execute Option Year Three of WAS-04-018-AA-MB, C&E Services Inc., of Washington – **Resolution No. 07-34** (Recommended by the Environmental Quality and Operations Committee 03/15/07)
3. Approval to execute Contract No. 030210, Ulliman Schutte Construction, LLC – **Resolution No. 07-35** (Recommended by the Environmental Quality and Operations Committee 03/15/07)

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

Consent Items (Non-Joint Use)

1. Approval to execute Option Year One of Contract No. 070010, Flippo Construction Co., Inc. – **Resolution No. 07-36** (Recommended by the Environmental Quality and Operations Committee 03/15/07)
2. Approval to execute Supplemental Agreement for Contract No. DCFA 381-WSA, Greeley and Hansen LLC – **Resolution No. 07-37** (Recommended by the Environmental Quality and Operations Committee 03/15/07)

3. Approval to execute Change Order No. 8 of Contract No. 030220, W.M. Schlosser Company, Inc. – **Resolution No. 07-38** (Recommended by the Environmental Quality and Operations Committee 03/15/07)

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

The meeting adjourned at 10:44 a.m.

Respectfully submitted,


Secretary to the Board of Directors