



***District of Columbia Water and Sewer Authority***

***Board of Directors***

***MEETING MINUTES***

***Thursday, September 2, 2010***

***Present Directors***

Chairman William Walker, District of Columbia  
Vice Chairman, David Byrd, Prince George's County  
Timothy Firestine, Montgomery County  
David J. Bardin, District of Columbia  
Robert Hoyt, Montgomery County  
Paivi Spoon, Alternate for Ralph Moultrie, Prince Georges County  
F. Alexis Roberson, District of Columbia  
Alethia Nancoo, District of Columbia  
Neil Albert, District of Columbia  
Anthony Griffin, Fairfax County

***Present Alternate Directors***

Howard Gibbs, District of Columbia  
Beverly Warfield, Prince Georges County  
Joseph Cotruvo, District of Columbia  
David Lake, Montgomery County  
James Patteson, Fairfax County

***WASA Staff***

George S. Hawkins, General Manager  
Avis M. Russell, General Counsel  
Linda R. Manley, Secretary to the Board of Directors

Chairman Walker called the 157th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:35 a.m.

Chairman Walker asked Ms. Manley to confirm a quorum.  
Board Secretary Linda Manley confirmed a quorum.

## **Approval of the July 1, 2010 Meeting Minutes**

Chairman Walker asked for a motion to approve the July 1, 2010 minutes. The minutes were Moved and Seconded with approval by the Board.

## **Diligent Electronic Book Presentation**

The Board received a presentation on the electronic board book. This is a part of DC Water's effort to use all of the electronic technology that is available to make the meetings more effective, efficient, and paperless.

Mujib Lodhi, Chief Information Officer, informed the Board that training will be held over the next two weeks and the plan is to go live with the electronic book for the November meeting.

## **Chairman's Overview**

Chairman Walker thanked the General Manager and his staff for the great accomplishments on the Blue Plains NPDES Permit.

Chairman Walker noted that any request to send information to the Board should be sent through the Board Secretary to the Chairman to be directed to the appropriate committee.

Chairman Walker noted that DC Water is well over the Board established number of hydrants out of service and requested that the General Manager focus on reducing the number of out of service hydrants.

Chairman Walker stated that during the month of August he met with staff and the rating agencies to review DC Water, and whether DC Water would get an upgrade from the rating agencies. DC Water received word from one of the rating agencies that at this time they are not going to change their rating. He noted that as you look at the financials of DC Water, this is an organization today that is in great shape. The one area that the rating agencies raised issues with was the Capital Expenditure Program, and that DC Water's aggregate amount of capital expenditure had gone up since the last time they came in. Staff was very specific in pointing out that the additional capital expenditures are actually discretionary capital expenditures. Unfortunately, the rating agency that responded did not think that that was a reasonable response because they felt that the capital expenditures were going up at a rate that might cause DC Water issues in the future from a financial standpoint.

Mr. Firestine noted that he participated in Moody's presentation and that staff did an outstanding job. The presentation material was superb. Mr. Firestine asked why Fitch changed its rating from a positive to stable. Mr. Adebo stated that when the rating agencies put you on an outlook, it is for a watch period. He

noted that while they recognize the strengths, the positive financial position that DC Water is in and its strong credit fundamentals, the Capital Expenditure Program was certainly something that they wanted to keep an eye on until DC Water reached the point where they thought it was at least stable or right-sized.

### **Environmental Quality and Sewerage Services Committee**

*Reported by: David Lake, Vice Chairperson*

The Committee received a report from Walter Bailey, Director of Wastewater Treatment. He reported that the plant achieved full compliance with all permit parameters for June and that flow was below average.

The Committee received an update on the Potomac Sewage Pumping Station-Consent Decree compliance. It was noted that performance improvements attributable to the newly installed inlet vanes have been observed, but are not sufficient to certify the station's capacity. Additional inlet modifications, based on a newly constructed model of the inlet transition, are recommended to improve the pump suction characteristics and enable the station to operate at rated capacity.

The Committee received an update on the Enhanced Nitrogen Removal Project. He noted that projects are underway, on schedule and within budget. The first large contract (reactor basins) is out for construction bids.

The Committee was provided a presentation on the Biosolids Management Program. It held a special joint meeting in August with the Finance and Budget Committee, specifically on the Biosolids Management Project and Cambi looking at issues of financial risk and management of that project.

The Committee is recommending one non-joint use contract for a routine cleaning and inspection of sewer lines.

Mr. Lake noted that an administrative item has been added to the agenda. Resolution No. 10-82, the approval of pre-treatment regulations associated with this facility. The Committee is recommending approval.

### **DC Water Quality and Water Services Committee**

*Reported by: Joseph Cotruvo, Vice Chairperson*

The Committee met on July 15, 2010. The Committee received a report on coliform testing and there were no positive coliform samples collected so far in 2010.

The LCR sampling had been completed, with a resultant 7 ppb as the 90<sup>th</sup> percentile statistics, as compared to a 15 ppb regulatory action level. This is well within compliance.

There were an excess number of out-of-service hydrants beyond the 1 percent level, which is DC Water's goal. It was noted that the elevated percentage is considered to be attributable to the accelerated inspection program, which is scheduled to be complete in September instead of mid-November.

The Committee was informed that there were 173 (out of a total of 1408) privately owned hydrants reported to be out of service. There is legislation being considered in the Council to address those hydrants.

A presentation was provided to the Committee on how responsibilities for distribution facilities are shared between DC Water and the Washington Aqueduct Division (WAD).

The Committee received an update from Tom Jacobus, General Manager, WAD the Future Water Treatment Study. Mr. Jacobus noted that an outside group of experts serving on the Committee is reviewing a number of water quality issues and will be making recommendations on future directions.

An update was also received from Alan Heymann, Director of Public Affairs.

The General Manager distributed to the Committee an updated draft of the "Get the Lead Out" initiative.

The Committee is recommending one action item for Board approval.

### **Finance and Budget Committee**

*Reported by: Timothy Firestine*

Mr. Firestine reported that the Finance and Budget Committee met in July but since that information is outdated, he will focus on the special Finance and Budget Committee meeting held in August.

Mr. Firestine noted that there are two major issues and two resolutions before the Board currently. Mr. Firestine stated that the General Manager is recommending that in reviewing DC Water's year end performance, there will be a transfer from the Authority to the Rate Stabilization Fund. It looks like DC Water will have \$20 million in excess cash above the operating reserve requirement. There were significant savings on the operating budget side relative to three items: one, water purchases of about \$2.8 million below what is in the budget; \$8.9 million projected savings on energy consumption and \$3.8 million saved due to less spending on capital equipment. Based on this, the General Manager is recommending that \$16 million of the \$20 million be transferred to the Rate Stabilization Fund, and \$5 million to be held in reserve to allow DC Water to make refunds to the wholesale customers. The Committee is also recommending the authorization to execute a Fire Hydrant/PILOT Memorandum of Understanding and to unfreeze FY 2008-FY 2011 PILOT payments.

Mr. Bardin requested that the meeting record reflect why the General Manager and the General Counsel have concluded that the approval of the transfer to the

Rate Stabilization Fund is a joint-use matter. The General Counsel noted that past resolutions, except for the July 1, 2010 resolution were voted on as non-joint use and that the July 1, 2010 resolution was done in error. No harm was done since the resolution was passed unanimously by everyone present.

Chairman Walker requested that the Finance and Budget Committee take a look at whether issues of this nature should be joint-use or non-joint use. Mr. Firestine noted that history is that the Rate Stabilization Fund has been solely related to District rates. As a joint-use member, Mr. Firestine was concerned about getting involved in deciding how much comes out of the Rate Stabilization Fund for that purpose. If there is a broader scope of the Rate Stabilization Fund, that is a different issue. Mr. Firestine agreed to have the Finance and Budget Committee take a look at the issue. Chairman Walker asked that the Committee look at it the issue from a technical standpoint and then send it to the Governance Committee as a governance issue.

Mr. Firestine stated that the second action that the Committee agreed to move forward to the full Board for discussion was the approval to execute a Memorandum of Understanding relating to the Fire Hydrant and PILOT fee negotiations. In 2007 the Board directed the General Manager to freeze the amount paid to the District pending the receipt of a satisfactory certification with supporting documentation of services rendered from the District's Chief Financial Officer. Through lengthy negotiations between District staff and DC Water staff, there is a proposed MOU for Board approval. This agreement will cover both the PILOT and Fire Hydrant Fee issues for FY 2010 and FY 2011. The District agrees in the MOU to pay the increased fire hydrant fee of \$680, per hydrant effective 2010. That results in a payment of about \$6.2 million per year for FY 2010 and FY 2011, which is \$4.3 million annually more than is currently in the budget. In addition, the District agreed to finalize the 2010 operating agreement that specifies the level of service required to be performed by DC Water relative to the fire hydrants, and to continue negotiating a new basis for assessing a PILOT fee going forward. DC Water agreed to accept the current PILOT certification, which is from the current District's CFO in support of the 2008 through 2011 PILOT requirement and unfreeze the PILOT payment. This makes the payment for 2010 \$15.3 million. That is about \$3 million more than the current payment. In 2011, the payment would be paid to the \$15.3 million, plus an increase for the approved system rate increase. In addition, there is a settlement for the 2008 and 2009 PILOT payments of \$2.3 million. The \$2.3 million would be applied as a credit against the \$30 million that DC Water incurred to date that has not been reimbursed by the District for fire protection services. Both DC Water and the District agreed not to increase the fire hydrant fee in FY 2011. Both parties would work in terms of services provided within that current level of funding, and in terms of going forward in FY 2011, perform a cost of service fee to provide an accounting for costs incurred in FY 2011.

Mr. Bardin noted that Mr. Hawkins at the Finance and Budget Committee meeting agreed to provide the Board a list of goods and services covered by the PILOT and the cost of the services. Mr. Hawkins agreed to provide the information following the meeting.

Mr. Bardin also noted that the District's CFO's signature is not on the MOU and all of the previous MOU's between the Authority and the District had the District's CFO's signature. Mr. Albert responded that any funding to support the PILOT and the fee coming to DC Water from the District of Columbia is from the City Administrator's Office and the only individual authorized by the Mayor to appropriate money on behalf of the District Government is the City Administrator. That is the reason why there is no signature line for the CFO. Mr. Bardin asked if the General Manager or the General Counsel were satisfied with the MOU not having the signature of the District's CFO. The General Counsel noted that she reviewed the MOU and expressed the same concern as Mr. Bardin in that the failure of the District's CFO to sign the agreement could indicate that he is not pleased with it and does not plan to comply with the terms. The General Counsel stated that she has advised the General Manager that if the District's CFO does not sign the agreement or if he does not sign the agreement for the sole purpose of saying that he no longer has the authority, but he will comply with what the City Administrator and DC Water have negotiated, that she cannot certify the MOU for legal sufficiency. Chairman Walker asked Mr. Albert if the Board could receive documentation that the District's CFO is in agreement with the MOU or receive an opinion stating that the authority to sign the MOU is now in the City Administrator's office. Mr. Albert agreed to provide the documentation.

Mr. Bardin requested that the action on the MOU be taken separately instead of a consent item.

### **Governance Committee**

*Reported by: Alethia Nancoo, Chairperson*

The Governance Committee met on July 22, 2010.

The General Counsel summarized the materials reviewed by her office regarding Joint Use/Non-Joint Use matters stating that no documentation could be found to shed any additional light on why a decision was made that the costs for bond issuances are completely borne by the District. The observation was made that an earlier Board may have concluded that the issuance of bonds should be supported by all the jurisdictions represented on the Board. The General Counsel noted that DC Water provided information to the rating agencies regarding the credit worthiness of all the jurisdictions represented on the Board. The Committee concluded that it was in agreement with the designation continuing to be joint-use on Board approval for bond issuances.

The Committee discussed the consideration of moving Stormwater and Groundwater matters from the Water Quality and Retail Services Committee to the Environmental Quality and Sewerage Services Committee. The Committee concluded that a written justification for moving these matters from one committee to another should be prepared for discussion at the Committee's September meeting.

Christopher Carew, Chief of Staff, reiterated the General Manager's goals to elevate and expand the Policy and Government Relations Office. He then introduced the new Director of Policy and Governmental Relations, Kim Turner. Ms. Turner gave a presentation to the Committee outlining the manner in which the Policy and Government Relations Office will be broadened, immediate actions and the short and long-term goals relating to improving the policy initiatives of DC Water.

Ms. Turner concluded her presentation by reporting on the receipt of the special appropriation of \$1.2 million for the Blue Plains plant; the status of the dual legislative strategy introduced in the Senate by Senator Cardin and in the House by Congresswoman Norton, clarifying that the Federal Government is required to pay a reasonable fee for impervious surface area drainage services.

### **Retail Rates Committee**

*Reported by: David J. Bardin, Chairperson*

The Committee met on July 27, 2010, and discussed all of the action items recommended by management. The Committee also discussed issues raised through the public comments which will require more analysis and thought, and issues raised for the first time by Board members and requested that staff review past policies and consider what should be the retail rate policies that the Board sets for the staff. Staff will present their analysis at the September Committee meeting.

Mr. Bardin summarized the action items that are recommended for approval. He noted that changing the impervious area charge structure for residential customers from a one-tier system, which is now in effect, to six-tiers would bring DC Water's residential customers closer to the commercial customers who receive individualized bills that look to the amount of impervious area on a particular property.

An incremental expansion of the Customer Assistance Program would be worth an extra \$2.52 a month discount to the low-income people who qualify, cutting their average bill almost in half, to \$30.11.

DC Water has five different changes in the rates proposed, which for the average residential customer would result in a monthly rate increase of \$8.66 changing the monthly bill from \$51.53 to \$60.19.

Chairman Walker noted that \$60.19 as an average bill is too high. The average amount moves DC Water out of the 50<sup>th</sup> percentile, as it relates to its benchmarking on peer groups, and move DC Water closer to the 75<sup>th</sup> percentile. He has informed the General Manager that DC Water needs to reduce the number to be in the middle of the peer groups. Chairman Walker stated that management's proposal is very fiscally sound and well thought through and DC Water has gone through all of the processes that it needs to go through to have this proposal come before the Board. DC Water has some real work to do in 2011 as it relates to what it is going to do for 2012 to constrain rate increases.

**Special Joint Meeting of the Environmental Quality and Sewerage Services Committee and Finance and Budget Committee.**

*Reported by: David Lake, Vice Chairperson, Environmental Quality and Sewerage Services Committee*

The Committees met on August 26<sup>th</sup>.

The Committees received a briefing on the design build contract process and the Cambi Thermal Hydrolysis process for the Biosolids Management Program. There was a sense that because the process has not been utilized in the United States previously, there were questions as to whether or not this process and these negotiations were in the best interest of DC Water. Mr. Benson presided over this discussion, with a panel of four others to discuss topics relevant to the proposed commercial terms of the Design-Build contract, and address any concerns with the prior selection of Cambi as a proprietary technology.

The areas covered in the presentation were the Biosolids Plan update, the thermal hydrolysis process and the Cambi Technology assessment. In addition, the panel discussed the project delivery options analysis, strategies for optimizing the successful implementation of the Cambi process and the Cambi commercial terms that DC Water has negotiated.

Mr. Lake noted that Mr. Bardin has additional questions and they will be added to the minutes.

Chairman Walker thanked the Board Committees for the work, and the General Manager and his staff for providing the information.

**General Manager's Report**

*Reported by: General Manager, George S. Hawkins*

The General Manager thanked Mr. Gibbs for participating in the Employees Appreciation Day on Saturday at Six Flags.

The General Manager noted that DC Water will participate in the Joint Utility Discount Day at the DC Convention Center.

The General Manager informed the Board that Stephen Cook, Director of Labor Relations, will retire from DC Water at the end of the month. DC Water is grateful for his 12 years of service. He has been a delight and tremendous resource for the organization.

Avis Russell has agreed to stay on as General Counsel for another month.

Mr. Hawkins thanked staff that worked on the NPDES Permit. He noted that there are significant modifications to the permit that are in DC Water's interest. Mr. Bardin noted that there is a 30-day window from the time the permit was signed for anyone who has dissatisfaction with the permit to go to the Appeals Board, and asked when the Board will be briefed on any comments. The General Manager noted that he will report back to the Environmental Quality and Sewerage Services Committee.

The General Manager thanked Chairman Walker and Mr. Firestine for participating in the rating agencies meetings.

The General Manager noted that staff is monitoring the out of service fire hydrants closely.

Chairman Walker requested that communication is sent to Councilmember Mendelson's office providing him an update on both the testing of fire hydrants as well as the number of out of service and what DC Water is doing to reduce that number. The General Manager affirmed.

### **Consent Item (Joint Use)**

Mr. Byrd moved the adoption of Resolution No. 10-82. The resolution was seconded and unanimously approved by the Board of Directors.

### **Consent Items (Non-Joint Use)**

Mr. Bardin moved the adoption of Resolution Nos. 10-83 through 10-84 and 10-86 through 10-89. The resolutions were seconded and unanimously approved by the District members of the Board of Directors.

Mr. Bardin requested that Resolution No. 10-85 be handled separately.


Mr. Albert confirmed that DC Water received documentation from the District's CFO stating that they should not be a party to the MOU. However, he will be happy to provide additional documentation.

Mr. Albert moved the adoption of Resolution No. 10-85. The resolution was seconded and approved by the District members of the Board of Directors with one opposition by David J. Bardin.

The Board convened into an Executive Session at 11:45 a.m.

The Board reconvened into the Public Session at 11:57 a.m.

The 157th meeting of the DCWASA Board was adjourned on 11:57 a.m.

  
Secretary to the Board of Directors