



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, June 2, 2011

Present Directors

Chairman William Walker, District of Columbia (via telephone)
Timothy Firestine, Interim Vice Chairman, Montgomery County
David J. Bardin, District of Columbia
Robert Hoyt, Montgomery County
Alethia Nancoo, District of Columbia
Anthony Griffin, Fairfax County
Alan Roth, District of Columbia
F. Alexis Roberson, District of Columbia
Bradford Seamon, Prince George's County
Carla Reid, Prince George's County

Present Alternate Directors

Joseph Cotruvo, District of Columbia
James Patteson, Fairfax County
Howard Croft, District of Columbia
David Lake, Montgomery County
Howard Gibbs, District of Columbia
Kathleen Boucher, Montgomery County
Dawn Hawkins-Nixon, Prince George's County

DC Water Staff

George S. Hawkins, General Manager
Meena Gowda, Acting General Counsel
Linda R. Manley, Secretary to the Board of Directors

Vice Chairman Firestine called the 166th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m.

Vice Chairman Firestine asked Linda Manley, Board Secretary to confirm a quorum. Ms. Manley confirmed a quorum.

Approval of the May 5, 2011 Meeting Minutes

Vice Chairman Firestine asked for a motion to approve the May 5, 2011 minutes. The minutes were moved and seconded with approval by the Board of Directors.

Vice Chairman Firestine asked the General Manager to introduce the interns to the Board members.

The General Manager noted that this is the 13th year for DC Water's Internship Program. This year there are 35 interns from 27 different colleges and universities, in addition to the 22 interns that work for DC Water on a full time basis. The General Manager congratulated Rick Green, Director of Human Resources, and Al Collins, Acting Training Manager, for heading the program.

Environmental Quality and Sewerage Services Committee

Reported by: Robert Hoyt, Chairperson

Mr. Hoyt reported that April was wetter than average for the month. Flow averaged 308 MGD, with a 12-month average of 298 MGD. All permit parameters were met.

The General Manager reported on the status of obtaining easements or permits for the proposed tunnel alignments. He stated that obtaining easements from DDOT continues to be an issue, although an alternate approach may be feasible for issuing permits for near surface facilities and easements for the deeper tunnel structure. Staff will move forward on the project by getting permits for the surface portion of the project and continue to work with DDOT to get easements on the subterranean portion of the project. It was also reported that DC Water has been unsuccessful in gaining permanent easements from the US Federal Highway Administration (FHWA) for the portion of work within the FHWA corridor.

At the request of Mr. Bardin during the Board meeting, the General Manager provided the Board a current update on the easements. He noted that DDOT has verbally confirmed to DC Water staff that they are willing to submit the application seeking the hybrid solution so that FHWA has to respond in writing to clearly understand their reasoning for their decision and have it on record.

Mr. Bardin asked if DC Water has received a Memorandum of Understanding with the federal agencies on the first part of the tunnel, the boring from Blue Plains under the federal lands. Mr. Benson responded that DC Water has not received the MOU but does not anticipate an issue. Mr. Bardin requested that the Environmental Quality and Sewerage Services Committee and the Board be provided an update on the progress.

Mr. Hoyt continued his report and noted that David McLaughlin, Director of Engineering and Technical Services, provided an update on the Potomac Interceptor. Mr. McLaughlin stated that staff will proceed with the next

modification in the series of increasingly expensive and complicated corrective measures intended to obtain certification of pump station capacity. The effort now underway will require a pump impeller change. The cost of the modification of the first pump to incorporate the new impeller will be around \$300,000.

Mr. McLaughlin provided an update on the Odor Abatement Project. The construction on the Maryland and DC sites is proceeding on schedule. As for the Virginia sites, approval processes are continuing in anticipation of a late June construction advertisement for bids. Mr. Hoyt thanked Board member James Patteson for his work on the Virginia site.

Six contracts are recommended by the Committee for Board approval.

The Committee received a quarterly report on the Capital Improvement Program and requested a modification to the report format.

The Committee received a report on the CSO and discussed the types of CSO's that occur and discussed the proposed format to present information on these events to the Committee. There is a concern with knowing whether there are any permit violations, and the Committee requested that the report include estimates for the amount of nutrients discharged, in addition to the number of overflow events and volume discharged.

The Committee then discussed the cost allocation for multi-jurisdiction use pipelines and pump stations and the Blue Plains Regional Committee meetings. The Committee will receive updates.

Water Quality and Water Services Committee

Reported by: Joseph Cotruvo, Vice Chairperson

The Committee met on May 19, 2011. Mr. Charles Kiely, Assistant General Manager for Consumer Services, reported there were no positive total coliform samples in the month of April and so far in the month of May.

Mr. Kiely reported that in the current semester there have been no first-draw LCR samples above the 15 parts per billion (ppb) action level criterion for lead. The 90th percentile is 5 ppb which is considerably below the 15 ppb.

The Washington Aqueduct resumed chloramination for the secondary residual disinfection process on May 2. Staff will continue to monitor the effectiveness of the spring cleaning under the reduced chlorine dosage and report the results to the Committee in the fall.

Mr. Kiely informed the Committee that the EPA Science Advisory Board met to examine the existing lead service line regulations to determine if there is a need

to modify those regulations. Dr. Cotruvo noted that DC Water should take an assertive role in offering explicit comments on the draft report from the Advisory Board.

The Committee then received a status on the Fire Hydrant Program. It was reported that as of May 2 there were 22 out of service hydrants that were mechanically defective. This amounts to 0.24 percent of total public hydrants, well under the target goal of 1 percent.

Discussions are ongoing with DC Water and Fire and Emergency Management Services to determine the scheduling and distribution of responsibilities for the inspections.

The Committee received a presentation on cyber security and the risks that may be encountered by any large entity such as DC Water that relies on electronic control systems. Mr. Roth noted that he shared DC Water's presentation to his organizations cyber security policy expert who stated that the information was one of the most complete, forthright, and honest assessments for a utility organization that he has seen. Mr. Roth commended the General Manager and IT staff.

Laura Preston, Director of Customer Services, provided the Committee with a follow up presentation on account collections procedures.

The Committee received a presentation from Mr. Kiely on water quality complaints. He presented DC Water's approach to the complaints and how they are addressed, scheduled and resolved. The Committee appreciates the work that is being done by staff emphasizing that a rapid response to consumer complaints on water quality and corrective actions were critical to the community's perception of water quality.

Audit Committee

Reported by: Timothy Firestine

Mr. Firestine reported that the Committee discussed a number of follow-up items. John Madrid, Controller, explained to the Committee the controls implemented within the Purchasing Card (P-Card) process.

The Internal Auditor performed a security audit and made a number of recommendations. Staff has taken action to address some of the recommendations. The majority of the recommendations will be made following the completion of a full vulnerability and risk assessment by an outside firm.

The Committee received a status on internal audit activities. The fire hydrant maintenance audit was completed. There are no major issues with respect to fire hydrant maintenance and the out-of-service hydrants number is low compared to

other utilities. There are a number of recommendations in reference to improving documentation of findings as meters are checked. The other recommendation was to change the data that is included in the General Manager's dashboard. However, the Committee agreed that it would not be useful to adjust the data recommended by the Internal Audit. In addition, there are four audits in the reporting stage: the IT disaster recovery and business continuity audit; audit of permitting operations, audit of fleet management, and an audit of automated meter reading and customer billing.

Joint Meeting of the Finance and Budget Committee and DC Retail Water and Sewer Rates Committee

Reported by: Timothy Firestine, Chairperson

Mr. Firestine noted that Mr. Bardin shared the chairing of the joint meeting. The Committee received an update on the 2011 financial situation. It was reported that as of April 30, 2011, with 58 percent of the fiscal year completed, revenues were at 55 percent, expenditures at 52 percent and capital disbursements are still lagging behind expectations of 48 percent.

The operating reserve requirement for the year was \$13.6 million above the required average of \$125 million.

The Committee had a lengthy discussion on the FY 2012 Revised Budget looking at potential options for changes for pay-as-you go contributions to the capital budget or to increase rate stabilization funds and/or change the assumptions that are in the budget. These decisions will be made in June.

The Committee received a report from management that with more than 7 months of the year done, the Authority is anticipating there will be \$16.6 million in excess cash over the operating reserve requirement of \$125.5 million by the end of the year.

The Committee discussed in detail various options for use of the excess cash noting that approximately \$2.9 million of the excess cash will be refunded to the wholesale customers in FY 2012 pursuant to contractual true-up provisions of the IMA. Options discussed included additional PAYGO, additional transfers into the Rates Stabilization Fund, lower FY 2012 retail rate adjustments, customer rebates, personnel performance based pay and establishment of an endowment fund where the interest would be used for future items to be identified by management and the Board.

Mr. Roth noted that in the discussion of the excess cash, he suggested a possible potential for funding a high school job training program which is not reflected in the meeting minutes. He requested that the minutes be revised to

include the discussion on the program. Vice Chairman Firestine noted that the minutes can be amended for both Mr. Bardin and Mr. Roth's request.

The Committee received an overview regarding DC Water budgetary support for the Council of Government (COG) programs. Staff prepared a chart detailing the cost contributed to COG for programs related to DC Water and also relative to the total costs paid by the participating jurisdictions. The Committee will review in more detail the costs at a future meeting to determine if those costs could be reduced in the future.

The Committee is recommending the approval of the contract for Aon risk services.

Mr. Bardin noted that the Finance and Budget Committee minutes asked for Schedule C of the Board's February resolution to be attached. However, Schedule A was attached and Mr. Bardin is requesting that Schedule A is replaced with Schedule C.

DC Retail Water and Sewer Rates Committee

Reported by: David J. Bardin

Ms. Yvette Downs, Budget Director, provided the Committee a status on the Long Range Rate Planning. Staff is working with the consultants and analyzing the consumption data available within the automated meter reading system. A full update will be given to the Committee in July.

The General Counsel provided the Committee with a written update on three problematic accounts: Howard University, Soldiers Home and the Town of Vienna. The Committee had no questions and looks forward to future updates.

The Committee reviewed its work plan and the area that received the majority of the Committee's attention was the question of understanding the Impervious Area Program and the Clean Rivers Project. An overall review to include review of Board policies such as the exemption from IACs of paved areas in District-owned and federally owned rights of way will happen in Fiscal Year 2012.

The next meeting of the Committee will be held on June 28th at 810 First Street, N.E. The meeting focused on the proposed increase in retail rates and charges. In addition, the Committee will review comments in response to proposed changes in miscellaneous fees and charges.

General Manager's Report

Reported by: George Hawkins, General Manager

The General Manager informed the Board that DC Water's Customer Service Operation and Command Center located at 810 First Street, N. E., has been affected by the on-going closure in Northeast Washington due to the power outage. The Command Center personnel and the technology needed were relocated to the Bryant Street facility. The Customer Service offices were closed and DC Water has identified the banks that will accept bill payments and noted that electronic payments are still possible. It is anticipated that the operations will be back to 810 First Street on tomorrow.

The General Manager thanked the Board members who participated in the kickoff of the Digester Project and the Enhanced Nitrogen Removal Project. He noted that Len Benson, Walter Bailey, Dave McLaughlin and Gus Bass did a tremendous job on the projects. In addition, he sent an email to Jerry Johnson commending him as well.

The General Manager noted that there was a recent press conference in Columbia Heights for the Tap It Program. This is a full-scale effort to encourage people to use tap water. There are sixty-seven institutions in the city that have agreed to sign on with the program. There will also be advertisements on the sides of the metro buses.

The General Manager informed the Board that there is a long-standing debate with whether DC Water at Blue Plains is a major source for air pollutants with methanol being the big issue. He received a three hour review of the issue and has been convinced that DC Water at Blue plains is not a major source for air pollutants.

DC Water is in intense discussions with FEMS. FEMS will do far more inspections than was originally anticipated. DC Water does certain levels of inspections for quality control. However, with FEMS doing the lion's share of inspections, this allows DC Water to dedicate as much of its resources as possible to maintenance and replacement of the system itself and at the moment that is going very well.

The General Manager provided an update on the Chain Bridge Road main work. He noted that the water main on Chain Bridge Road has been fully replaced and new service lines will be connected to every home by June 15th. Also, eight new fire hydrants have been added to Chain Bridge Road. This has been an enormous undertaking and a significant project which is near completion.

The General Manager then went into a discussion on the net surplus. He proposed to the Committee consideration for bonuses in 2012 since bonuses are

not part of the current budget, recognizing this is an issue the Board has great interest in.

In addition, the General Manager noted that he may have misstated to the Committee that DC Water create an endowment with the net surplus. He stated that the Board has established procedures requiring \$125.5 million in reserve which covers a variety of debt instruments for debt financing on DC Water's rating basis. The General Manager's approach is to increase the reserves to \$130.5 million and take the interest from the additional \$5 million allocating it if needed for operations or capital in an emergency.

The General Manager raised the following four prospects for the net surplus at the committee meeting: (1) possible baseline amount placed into SPLASH to increase the advertisement and maybe fundraising and support for the SPLASH Program; (2) job development program mentioned by Mr. Roth; (3) entrepreneurial pilots designed to take the technology and innovations that are being driven here at DC Water and turn them into revenue makers; and (4) research or pilots demonstrating alternatives to reducing pollutants on the watershed basis to strengthen DC Water's argument that wastewater facilities throughout the Chesapeake Bay have been disproportionately paying the cost of improvement to the Chesapeake Bay relative to other pollutant sources.

Mr. Firestine noted that the Committee also discussed the fact that the majority of the discussion is an issue for the District members of the Board. The crossover is when the Board looks at options such as paying bonuses to employees. To that extent, the suburban participants would be a part of the discussion.

Mr. Roth noted that the Board is joined again by a delegation from DC Jobs which is a follow up to the conversations that the Board held at its last meeting regarding the tunnel contract. He noted that he received the summary of a hearing held by Councilmember Tommy Wells raising some of the same issues and questions that were raised at the Board meeting on last month regarding Skanska. He asked the General Manager if there had been any further conversations with the joint ventures about the discussions held at the meeting or progress made in moving along toward a more amicable solution to the questions raised.

The General Manager responded that at the direction of the Board at its last meeting, staff is preparing to make a presentation on DC Water's general procurement program to the Environmental Quality and Sewerage Services Committee and the specifics of the tunnel contract to the Governance Committee. Mr. Roth suggested that the General Manager convene a meeting with Skanska and DC Jobs in an attempt to work their concerns out regarding Skanska and DC Water's tunnel contract.

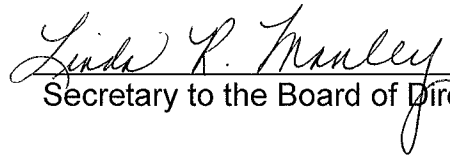
Ms. Roberson discussed the possibility of having Skanska talk directly to the Governance Committee to reassure the Committee that they will be in compliance. The General Manager noted that DC Water has had extensive conversations on the tunnel contract regarding compliance. He reported that the general partner for the contract has a full-time compliance officer and DC Water has hired its own compliance officer.

Ms. Nancoo stated that the Governance Committee will discuss all of Mr. Roth's and Ms. Roberson's concerns at its next meeting and is encouraging all Board members to attend.

Consent Items (Joint Use)

Mr. Bardin moved the adoption of Resolutions No. 11-63 through 11-70, Ms. Nancoo seconded the motion. The motion to approve Resolutions No. 11-63 through 11-70 was unanimously approved by the Board.

The 166th Meeting of the DC Water Board of Directors was adjourned at 10:48 a.m.


Secretary to the Board of Directors