



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, September 1, 2011

Present Directors

Chairman William Walker, District of Columbia
Timothy Firestine, Montgomery County
Adam Clampitt, District of Columbia
Robert Hoyt, Montgomery County
Howard Croft, Alternate for Alethia Nancoo, District of Columbia
Anthony Griffin, Fairfax County
Brenda Richardson, Alternate for Alan Roth, District of Columbia
F. Alexis Roberson, District of Columbia
Samuel Wynkoop, Alternate for Bradford Seamon, Prince George's County
Carla Reid, Prince George's County
Allen Lew, District of Columbia

Present Alternate Directors

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

DC Water Staff

George S. Hawkins, General Manager
Randy Hayman, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Walker called the 168th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m.

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

Approval of the July 7, 2011 Meeting Minutes

Chairman Walker asked for a motion to approve the July 7, 2011 minutes. The minutes were moved and seconded with approval by the Board of Directors.

Welcome New Board Members

Chairman Walker welcomed on behalf of the Board Adam Clampitt and City Administrator Allen Lew to the DC Water Board. He stated "it is a pleasure to have both of you here, and a great honor to both of you that Mayor Gray appointed you to this Board".

Presentation to David J. Bardin for His Service to the Board

Chairman Walker stated that it is an honor to thank one of the longest standing members for all of his service to the Board. He noted that there was a breakfast this morning honoring David Bardin and thanking him for his many years of service to the DC Water Board over a ten year period. A board member at the breakfast stated that David gave more to the Board and the Authority than any director who has ever served. Chairman Walker stated that he has raised a bar to a level that will be almost impossible for someone else to jump over.

David Bardin not only attended every single board meeting, but he also attended almost every single committee meeting during his tenure. He not only attended but participated fully, reading all the briefing materials.

Chairman Walker read a poem he wrote about Mr. Bardin's service titled, "Ode to David Bardin."

Chairman Walker presented Mr. Bardin with a number of appreciation gifts from the Board to include pinning Mr. Bardin with a ten year service pin.

Mr. Bardin stated that it was an honor to serve under Chairman Walker's leadership as well as the leadership of two of Chairman Walker's predecessors, Chairmen Gerstell and Martin, and with an amazing group of Board members who devote themselves to the work of the Authority. He also noted that most of all it was a privilege to work with the Team Blue that makes DC Water function as the most important public utility in the District of Columbia.

The General Manager presented to David Bardin on behalf of the staff one of the original D.C. WASA brass signatories.

Chairman's Remarks

Chairman Walker asked Timothy Firestine to provide, during his Finance and Budget Committee Report an update on the downgrade of government debt and how it affects DC Water.

Chairman Walker noted that staff responded to both the hurricane and earthquake incredibly well, with no major disruptions to the Authority's operations.

Chairman Walker requested that the General Manager and the Water Quality and Water Services Committee look at the Authority as it relates to lowering its nitrogen levels from five parts per billion to four parts per billion, and the additional dollars that will be spent and if the Authority is focused enough on issues with EPA to see if there is any adjustment to that.

Chairman Walker noted that the General Manager has been named to be honored by the Alliance for the Chesapeake Bay. In the General Manager's Report, the Authority's total nitrogen levels this year have been hovering right around 4 million pounds per year and the permit allows the Authority to be at 8.4 million pounds by year 2015. The Authority is already below the level in 201. He congratulated the staff.

Chairman Walker noted that with the two newest Board members, there is now a full board to do committee assignments. Chairman Walker will discuss with those Board members that he would like to take over chairmanships of various committees and asked board members for their interest in serving on the various committees. He will get committee assignments finalized in the next two weeks.

He stated that a one day retreat will be scheduled for the Board to discuss larger strategic issues that face the Authority.

Environmental Quality and Sewerage Services Committee

Reported by: Robert Hoyt, Chairperson

The Committee met on Thursday, July 21st, and received a status update on the plant performance. As mentioned by Chairman Walker, the nitrogen levels are very low and it is due to low flow. The Committee will look at the Chairman's issues about the additional benefit versus the costs. The Committee will also look at the issues raised regarding electricity use.

The Committee received a report on Long Term Control Plan easements and permits. Although a lot has happen since the Committee met, six weeks ago, the Authority was on track with the United States Navy committing to a 50 year easement for the Blue Plains tunnel, following completion of the environmental assessment process. The District's Department of Transportation and the

Federal Highway Administration issues continue to be complex, but the General Manager and staff is doing an excellent job working with the agencies.

The Committee received an update on the Potomac Pump Station and the installation of the new impellers will continue through the end of 2011.

The Committee then received an update on the Odor Abatement Project. Staff reported that the District of Columbia and Maryland sites are on track. There have been modifications to the construction design of the two D.C. sites.

Carlton Ray, Director of the Long Term Control Plan, provided a report on the D.C. Clean Rivers Project advising the Committee that two supplemental agreements to increase funding for the D.C. Clean Rivers Program were on the Committee's agenda and the two agreements are being recommended by the Committee for Board approval.

The Committee is recommending six joint use action items for Board approval.

Water Quality and Water Services Committee

Reported by: Joseph Cotruvo, Vice Chairperson

The Committee met on July 21st and received a report that there had been two positive coliform samples taken in June, and one positive sample taken so far in July which is well below the regulatory requirement.

The Committee received a report on the Lead and Copper Rule Monitoring. It was noted that the 90th percentile value for the first draw samples was 5 ppb, compared to the regulatory Action Level of 15 ppb.

Staff reported that as of July 1 there were 56 out of service hydrants that were mechanically defective. This amounts to 0.61 percent of total hydrants, compared with the target of 1percent.

There was an extended discussion on the problem of unauthorized hydrant openings, particularly during the summer. After the discussion, it was concluded that there is a need to examine the issue further before a decision is made.

The Private Hydrant Legislation has been passed by the District of Columbia Council, reviewed by Congress and enacted into law effective March 31, 2011. The question is the status of implementation of the legislation.

The Committee received a briefing on the Authority's capabilities for water contamination event monitoring. A future meeting on other related subjects was requested.

The Committee is recommending one non-joint use contract for Board approval.

DC Retail Water and Sewer Rates Committee

Reported by: Howard Gibbs, Vice Chairperson

The Committee met on July 26th and received a presentation from Raftelis Financial Consulting Inc. regarding customer segmentation. Raftelis looked at customer usage in terms of commercial, residential, multi-family, and federal, and municipal housing. In addition, they looked at the peaking factor, which is the ratio between average use and maximum monthly use for the year ending in April of 2011. It was found that the federal government had the highest peaking factor and multi-family residential had the lowest peaking factors. Mr. Adebo, Chief Financial Officer for the Authority, expects that Raftelis will have meaningful factual results in time for the Committee's September meeting.

The Committee received a status update from Randy Hayman, General Counsel, on resolution of the issues concerning Howard University and Soldier's Home. The Committee will receive a monthly report from the General Counsel.

Mr. Hawkins recommended to the Committee the Town of Vienna Potomac Interceptor (PI) User Cost Settlement. The Committee concurred with the settlement proposal and the General Manager's plan to share it as information with the Board prior to execution.

The Committee received an interpretation from the General Counsel on D.C. Law-17-730, Low Impact Development.

Finally, the Committee received an update on the impervious area charge. Staff is looking at whether to implement a credit incentive program.

Audit Committee

Reported by: Timothy Firestine, Acting Chairperson

The Committee met on July 28th. There are 13 audits on the FY 2011 work plan and 7 are now completed. The 4 audits that were presented as final at the meeting are permit operations, fleet management, automated meter reading and customer billing, and IT Disaster Recovery and Business Continuity Plan Audit. With the 4 audits that were completed, the objective under the permit audit was to examine the process used to issue permits, including a review for proper authorization, timeliness of processing, and accurate recording of data and fees charged. The fleet management audit had four objectives: (1) Ensure that services are provided according to the maintenance and repair contract; (2) Ensure that D.C. Water's fleet is being properly safeguarded; (3) Ensure that D.C. Water acquires vehicles and equipment only when needed, maintains vehicles and

equipment according to schedule and disposes of vehicles in accordance with policy; and (4) Ensure that fuel purchases are for the normal course of D.C. Water Operations only.

The automated meter reading and customer billing audit had five objectives: (1) Ensure that customer water usage is being accurately captured and recorded for billing purposes; (2) Ensure that customers' account adjustments are warranted, accurate, reviewed, and appropriately approved; (3) Ensure that a lien placed on an account for delinquent charges is accurately placed on the appropriate account, account holder, and premise; (4) Ensure that customer accounts have a lien on the property which have been brought to current status appropriately have the lien removed; and (5) Verify that information on customer accounts that are eligible to be disconnected based on the amount in arrears and length of time since payment is being appropriately sent to meter operations for disconnection of service.

Finally, the IT disaster recovery and business continuity plans. The objective was to evaluate and test the effectiveness of controls relative to the design, approval, and execution of the D.C. Water Disaster Response Plan as it relates to the IT operations. There were no major control failures in any of the audits.

Finance and Budget Committee

Reported by: Timothy Firestine, Chairperson

The Committee met on July 28th and received a report on the June 2011 financials. The operating revenues and receipts through the end of July were at 80.6 percent. The projection for year end is that the Authority will be at 99.2 percent of the 2011 projection. The expenditure side, spending through the end of July was at 76 percent. Comparing that to the 80 percent on revenue shows that the Authority is spending less as a rate than it is in terms of the receipts the Authority is receiving. Therefore, at the end of the fiscal year, the projection is that 95 percent of the Authority's spending would occur rather than 100 percent.

Capital budget disbursements were 25 million, which took the Authority to about 70 percent of the revised disbursement budget for the year. The projection is that the Authority will spend about 93 percent of the capital budget by the end of the year.

Mr. Firestine reported that at the end of July, the Authority's cash reserves were at \$140 million compared to its objective of \$125 million.

Mr. Firestine noted that in reference to Chairman Walker's question on the federal downgrade and its impact on the Authority, the Authority's investment policy does not require it to sell those investments. The investments can be held to maturity. However, the Committee will look at the investment policy to

determine if the Authority wants to keep that as an investment option as they mature. If so, the Board will have to change the investment policy to continue to allow the Authority to invest in those securities.

The Committee is recommending the Beveridge & Diamond contract to the Board.

General Manager's Report

Reported by: George Hawkins, General Manager

The General Manager highlighted the remarkable and exemplary service and performance of those DC Water employees during the earthquake. In addition, he highlighted the remarkable and exemplary service of employees from the Department of Sewer services during Hurricane Irene.

The General Manager noted that in response to questions from Board members, the flow hit a high peak of 800 million gallons as expected when that much stormwater is coming in to the facility. The Authority did, in fact, have electrical reductions. If you look at Blue Plains electrical uses versus whole enterprise electrical uses, the electrical uses for the whole enterprise stayed more static, because just at the point when the plant had had quite low flow, given up until the hurricane very dry and hot months, that at the same time the Authority had less electricity for treatment. There was an increase in electrical uses for all of the parts of the plant associated with heat, and the air conditioning and other electrical requirements.

The General Manager noted that staff completed the revision of the budget that starts on October 1, 2012, by July. Therefore, the Authority now has a revised 2012 budget. This is the first year that the Authority has had that in July. Previous years, this would not have taken place until September. The General Manager further explained the budgeting process to the new members of the Board.

The General Manager introduced the new hires to the Authority. In addition, he informed the Board of the reorganization and name change within the Department of Public Affairs.

Olu Adebo, Chief Financial Officer, provided the Board an updated on the outstanding issue with the Town of Vienna. Mr. Adebo noted that the Authority has agreed to accept \$250,000 from the Town of Vienna for the period 1967, to 2008. The Town of Vienna is paying the new revised rates from the period starting in 2009 to date.

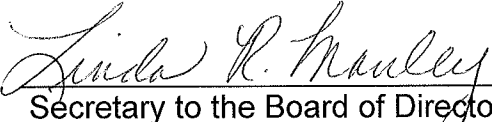
Consent Items (Joint Use)

Mr. Griffin moved the approval of Resolutions No. 11-82 through 11-88, and Mr. Croft seconded the motion. The motion to approve Resolutions No. 11-82 through 11-88 was unanimously approved by the Board.

Consent Item (Non-Joint Use)

Ms. Richardson moved the approval of Resolution No. 11-89. Ms. Nancoo seconded the motion. The motion to approve Resolution No. 11-89 was unanimously approved by the District members of the Board.

The 168th meeting of the DC Water Board adjourned at 11:03 a.m.


Secretary to the Board of Directors