



District of Columbia Water and Sewer Authority

MINUTES

**95th Meeting of the Board of Directors
Thursday, January 6, 2005**

Present Directors

Chairman Glenn S. Gerstell
Bruce Romer, Vice Chairman
Anthony Griffin
F. Alexis Roberson
David J. Bardin
James Caldwell
Alexander McPhail
Alfonso Cornish

Present Alternate Directors

Brenda Richardson
Stephanie Nash
Donna Wilson
David Lake
Paul Folker

WASA Staff

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

Chairman Gerstell called the 95th meeting of the Board of Directors to order.

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

Approval of Minutes of December 2, 2004 Meeting

It was Moved and Seconded that the minutes of the Board of Directors meeting of December 2, 2004 be approved. The motion carried unanimously.

Committee Reports

Environmental Quality and Operations Committee

Reported by: James Caldwell, Chairman

The Environmental Quality and Operations Committee met on December 14th. The Committee discussed the performance at Blue Plains. The average flow for the month of November was 330 mgd, and all permit parameters were met. The total nitrogen was the best ever recorded for November at 2.7 mg/l.

The Committee discussed the digester project. The Zoning Commission has approved the digester design, and staff is currently working with the Commission on Fine Arts to gain their approval. The Commission had concerns about the architecture design that the Authority chose. The Commission prefers the design to appear less late 19th Century Victorian and more 1930s Art Deco. The Committee urged staff to pursue to the extent that they were able to, the design that the Authority presented to the Commission because the Committee and staff felt that it was the best design.

Mr. Caldwell reported that since the violation of coliform rule in September, there have been no coliform positives in October, one in November, and none as of the committee meeting in December.

The Authority instituted its pipe flushing program, and it appears that the pipes are in worse shape than we had thought, as indicated by the flushing time to reach clear water being greater than anticipated. One of the problems with the flushing program has been the fact that we are finding many valves that are inoperable, either in the open or shut positions.

The first report for the lead program has been submitted to EPA. The results are looking good, and the water quality had deteriorated for a minor period of time immediately following flushing. The lead concentrations seem to be decreasing. However, with the limited number of samples taken to date and changing parameters, such as temperature, more time will be required to evaluate the data.

The Washington Aqueduct has taken some of the lines that the Authority removed as lead lines, and is putting test loops together to assess some of the issues that may be affecting lead release in those lines.

The concern is that the possibility of doing an annual flush of chlorine may be detrimental to the system, and the Aqueduct is looking into that. It may be that that is not the best approach for the corrosion control program.

For the 2005 Lead Service Replacement Program, WASA has distributed approximately 3200 contracts for private property lead service replacement. To date, we have had approximately 500 returned. Approximately 13 percent of the responses have opted to have the private service replaced. The staff will place emphasis on encouraging residents to replace the private portion of the service.

The Committee reviewed the capital budget and is recommending to the full Board the lifetime and cash disbursement budget. The total lifetime budget is \$4.6 billion, which is down approximately \$560 million from last year. The Committee did urge the staff to put in single-line items for the Long-Term Control Plan in the budget. It had been lumped as one item, but the Committee felt it would be better to itemize those project-by-project.

The Committee discussed the storm water budget, which is not funded through the Authority, but funded through the District. Because of some of the new parameters put into the MS4 permit (the Municipal Sewage System Permit) by EPA, specifically, TMDL loading that will be in place, there will be an increase in funding associated with it, and the District is to determine that they are either raise fees, or find some other source of funding to continue that program at the level needed to meet the new EPA requirements.

The Committee received a briefing on the electricity procurement. WASA has executed two contracts for electricity service with a duration of 12 months. The first is with PEPCO for 48 small WASA accounts. The second is with Amerada Hess for service to Blue Plains. The Blue Plains service represents 80 percent of the electric load required by the Authority. Both contracts are for blocks of electricity, and, in total, will provide approximately $\frac{1}{4}$ of WASA's electrical needs. The rest of the service will be at market rate, and the hope is that the Authority will be able to minimize the fluctuation by guaranteeing a quarter of that. Hopefully the rates during the next year will not increase. There seem to be some trends that electricity rates are actually decreasing.

The Committee reviewed and is recommending to the full Board two contract items. Two minor CSO issues were discussed, the Anacostia System Tunnel and the study of the Fort Stanton Project. A selection has been forwarded to the General Manager to initiate the Anacostia System Tunnel project. The study of the Fort Stanton Project is completed and moving into final design.

Mr. Caldwell reported that the D.C. Department of Transportation is initiating a light-rail project in the CSX route to Blue Plains, and there could be an opportunity to have an additional sewer line constructed in the DDOT light rail right-of-way.

Mr. McPhail asked what is the latest on the energy cap. Mr. Bender stated that staff is exploring the energy cap as a separate procurement. The Authority is comfortable with where prices are, but will look at that.

Mr. Caldwell reported that the Committee was provided an update from staff on baseball in the District. Mr. Griffin stated that he was under the impression that the Authority has a facility in the vicinity of the stadium location and that facility could potentially become a revenue asset for the Authority, in the context of redevelopment. Mr. Griffin hopes that

the Board would be alerted to what kinds of opportunities the Authority has in that regard. Mr. Johnson stated that the Authority operates two pumping stations on the adjacent parcel of land that is approximately 11 acres, between the Southeast Federal Center and the proposed site of the baseball facility. He also stated that with the advent of the baseball stadium, it is certainly a critically developable site, and its value has probably increased. He has had a couple of discussions with the City Administrator about the Authority's interest in looking at the highest and best use for the property. In addition, staff is working to identify someone who can assist in looking at how the Authority might go about doing the most feasible development on the site.

Chairman Gerstell asked the General Manager to keep the Board apprised on the site development issues.

Retail Rates Committee

Presented by: Chairman Gerstell

The Retail Rates and Budget Committees met on December 15th and took some fairly significant steps. In the past, the Retail Rates Committee considered the rates proposed by management, and in at least the last few years of discussions the Committee has actually lowered the rate from what had been proposed by the Executive Staff. The pattern for the last couple of years of the Committee, after review, is to suggest to the staff that staff go back and try to reduce the budget.

This year the reverse happened and it demonstrates two things. (1) the Board does not simply take what management has presented and automatically approve it, but rather and more importantly, it really results in a very constructive dialogue and process with management. Management gets informed by the Board's views, questions and inquiries and the result is a better product for not only the Authority but more importantly for all of the Authority's customers both retail and wholesale.

The General Manager proposed to the Committee a retail rate increase for Fiscal Year 2006, of approximately 5 percent. The Retail Rates Committee having considered that proposal at earlier meetings and again at its December 15th meeting, decided ultimately to actually increase the proposal by 1 percentage point. The Committee agreed that a relatively modest increase would make sense this year, given that the last couple of years the Authority has had reduced rate increases. This proposed modest increase would be appropriate to smooth out future rate increases to avoid the possibility of future rate increases ranging 6, 7 and 8 percent.

The Committee recommended a proposed 6 percent rate increase. The actual numbers for that are set forth in Resolution #05-09. The second page of the resolution states the actual changes in dollars and cents. For the average customer their bill is currently averaging \$40.24. The proposal will increase the bill slightly to \$42.58, which is a \$2.34 increase on their bill. This is not at least in dollars and cents terms, a very significant increase but, nonetheless, one that will help the Authority maintain its capital program, meet its debt service obligations, and maintain the Board-established fiscal policies.

The Committee discussed and is recommending the proposed Right-of-Way/PILOT fee, increasing that slightly, and the proposed metering fees for fire service as management

is proposing. They are relatively modest amounts of funds. The Committed decided to defer the proposed metering fee changes that management is proposing and will look at that proposal in next year's budget process.

Finance and Budget Committee

Presented by: Chairman Gerstell

Chairman Gerstell reported that the Finance and Budget Committee has been reviewing the proposed budgets for the last two months, and having both formal meetings as well as informal inquiries with the staff. The Committee decided to recommend to the full Board seven out of the eight items that had been proposed by management. The Committee did not approve the capitalization of lead program expenditures. The Committee decided that it was more appropriate to place the lead program expenditures in the operating budget. This means that the Authority is going to have to find the money to fund that from other actions or increase the budget, as the case may be. But in any case the Authority would have to get a supplemental authorization, if it is not able to identify such funds.

The Committee is recommending a revision to the Fiscal Year 2005 Operating Budget of \$278 million, which is almost a \$3 million increase. The increase is due to lead line replacement issues. The proposed Fiscal Year 2006 Operating Budget would be set at approximately \$295 million, which is an increase of approximately \$5.4 million. The Committee is also recommending commensurate changes, for the 2004 through 20013 Financial Plan, the Capital Improvement Program, the Fiscal Year 2006 Capital Authority request of a really impressive sum of \$530 million, and the '06 Storm water Enterprise Fund budget. All of these items are set forth in Resolution #05-00 through 06, and are recommended by the Committee.

Mr. Bardin commented on the Retail Rates report. He stated that the issue today is to make a proposal which will be advertised, go to public hearing, generate written comments, and result in a decision later in the year as to what should be the rates and the fees as of October 1. He stated that because of the kind of issues that have been raised, and perhaps general practice, he hopes that the Board would hold the hearing relatively late in the year, after we have had more experience and more progress on analyzing a number of issues, and that the decision, as is usually the case, be made very close to the last possible date. This will allow the Board to learn more.

Mr. Bardin stated that one of the specific issues that is raised by the proposal is a rate on a more compensatory rate, a fee charge, for a kind of meter which has to do with people who have sprinklers and have long lines on their property, for example, a university or another campus. Mr. Bardin stated that when the Board looks at this issue as a final decision, that the Board's priority is on fire and life safety, and rates and cost reimbursement second. Mr. Bardin stated to the General Manager that he hoped as the issue is analyzed and developed for the Board, that staff look not just at the particular kind of meter that they have for these relatively large commercial accounts, but all of the issues involving metering that bear on sprinklers and fire safety, the engineering side, as well as the rate side, so that before we actually make any decisions after the public hearing, we have a good comprehensive view.

Mr. Bardin stated that he requested from the General Manager a variant on the analysis that the Retail Rates Committee received at its meeting. The analysis assumed, in effect, that the total cost of the Long-Term Control Plan with the combined sewers would be borne by ratepayers, and it would be zero Federal contribution over and above the very generous amount that congress has appropriated up until now. Mr. Bardin stated that the reason he requested this analysis is to see if the Authority assumes that the Congress appropriates exactly 50 percent of this total cost, of this \$1.9 billion cost, of the 20 year plan, what does it do to these future increases. Looking at the graph that was provided by the General Manager, it indicates that when you begin to have big heavy costs in the Long-Term Control Plan, which apparently will begin in Fiscal Year 2010 under the schedule that was agreed to with the Justice Department and EPA, a 50 percent contribution by Congress would significantly chop down those rate increases later on.

Mr. McPhail stated that the Customer and Community Service Committee would add a formal work plan item to work on a more structured effort at securing grants from the Federal Government.

General Manager's Report

Reported by: Jerry Johnson, General Manager

Mr. Johnson stated that he would like to report by exception.

Mr. Johnson informed the Board that the CSO Consent Decree was lodged on December 16th with the court system. The public comment period will run through February 4th. To date, there have not been any comments, and staff will work diligently with EPA and the Department of Justice to try to respond to the comments as rapidly as we can.

The year-end audit has been completed. While the Authority has not received all the final documents at this point, it will be another unqualified audit, which we are very pleased with. That is both the A-133 audit as well as the year-end audit for the overall financial status of the organization.

Mr. Johnson reported that he received a report from the Office of the Inspector General. It is another in the series of reviews of the lead investigations and reviews that were undertaken. Mr. Johnson stated that he would distribute a copy of the report to the Board.

Mr. Johnson reported that during the month of December he was the recipient of the Barry F. Campbell Hall of Fame Award, presented by the National Forum for Black Public Administrators.

Ms. Roberson noted that on page 6 of the General Manager's report it is stated that the Authority recouped \$1.1 million from Pepco for an error in billing. Ms. Roberson stated that that is outstanding.

consultant for assistance with the study. Mr. Johnson stated that he would be in a position to make a recommendation at that time. Chairman Gerstell asked that the Regionalization Study implementation be on the next Board agenda for further discussion.

Mr. Bardin asked the General Manager what would be the additional dollars of revenue in fiscal year 2006 that the Authority would expect to collect assuming that the proposed retail rate increases were adopted at the level that was proposed by management. Mr. Johnson responded that the proposed increase would bring in about \$11 million.

Mr. Bardin requested that the staff add a "Whereas" in Resolution #05-09 That says that the estimated impact would be \$11 million for Fiscal Year 2006. Chairman Gerstell stated that the resolution would be amended to have a "Whereas" that says the effect of the proposed 6 percent increase, if adopted, would be to increase revenues by approximately \$11 million annually.

Ms. Roberson noted that the Authority was not observing Inauguration Day and asked the General Manager what was the reason. Mr. Johnson stated that he has since been advised by his General Counsel that there is a 1957, Congress enacted Public Law 85-1, which declares the 20th day of January in 1957 and the 20th day of January for every fourth year thereafter, to be know as Inauguration Day, that is made a legal holiday in Metropolitan Area of the District of Columbia. In addition, Article 42 of the Union Agreement states that any other day designated to be a legal holiday by Congress, the Authority's Board of Directors, or the President will be declared a holiday. Therefore, by contract and by Public Law, it is a holiday.

Consent Items (Joint Use)

1. Approval of Fiscal Year 2005 Revised Operating Budget – Resolution #05-00
2. Approval of Fiscal Year 2006 Proposed Operating Budget – Resolution #05-01
3. Approval of Fiscal Year 2006 Capital Authority Request – Resolution #05-02
4. Approval of Fiscal Year 2004-2013 Ten Year Financial Plan – Resolution #05-03
5. Approval of Fiscal Year 2004-2013 Capital Improvement Program – Resolution #05-04
6. Approval of Fiscal Year 2006 Stormwater Permit Compliance Enterprise Fund Budget – Resolution #05-05
7. Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing – Resolution #05-06
8. Approval of Contract No. 970099, W.M. Schlosser Company, Inc. – Resolution #05-07
9. Approval of Contract No. 02-0130, W.M. Schlosser Company, Inc – Resolution #05-08

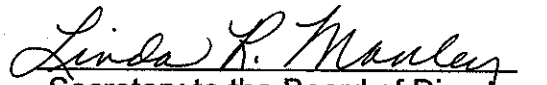
The Motion to Adopt Consent Items (Joint Use) was Moved and Seconded with unanimous approval.

Consent Items (Non-Joint Use)

1. Proposed Water and Sewer Service Rates, Right of Way/PILOT Fee, & Metering Fee for Fiscal Year 2006 – Resolution #05-09

The Motion to Adopt Consent Items (Non-Joint Use) was Moved and Seconded with unanimous approval by those Board members representing the District of Columbia.

Respectfully submitted,


Secretary to the Board of Directors