



District of Columbia Water and Sewer Authority

MINUTES

***132nd Meeting of the Board of Directors
Thursday, May 1, 2008***

Present Directors

Chairman Robin B. Martin, District of Columbia
Anthony Griffin, Vice Chairman, Fairfax County
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Timothy Firestine, Montgomery County
Robert Hoyt, Montgomery County
David Byrd, Prince George's County
George Hawkins, alternate to Dan Tangherlini, District of Columbia
Paivi Spoon, alternate to Dr. Jacqueline Brown, Prince George's County
Alan Roth, District of Columbia
Howard Gibbs, alternate to F. Alexis Roberson, District of Columbia

Present Alternate Directors

Joseph Cotruvo, District of Columbia
David Lake, Montgomery County
Steven McLendon, District of Columbia
Kathleen Boucher, Montgomery County
Beverly Warfield, Prince George's County
Howard Croft, District of Columbia

WASA Staff

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

Approval of the April 3, 2008 Meeting Minutes

Chairman Martin asked for a motion to approve the April 3, 2008 minutes. The minutes were Moved and Seconded with unanimous approval.

Chairman Remarks

Chairman Martin informed the Board that he is reactivating the Governance Committee and read the purview of the Committee from the Board's by-laws. He noted that in light of a number of issues that have been brought to the attention of the Board, it is very germane to have the Committee reactivated.

Chairman Martin appointed Keith Stone as the Chairman of the Governance Committee and appointed Alexis Roberson, David Bardin, David Byrd, Kathleen Boucher and Anthony Griffin to the Committee. He noted that the Committee's first meeting is scheduled for June 10th.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairman

The Environmental Quality and Operations Committee met on Thursday, April 17, 2008.

The Blue Plains Plant met all of its regulatory requirements. The monthly average flow was down to 291 MGD. This is a 10-year low for annual average and is due to a lack of precipitation. The Committee is interested in tracking where the plant flows are in terms of where they have been historically. The Committee requested a review of the 2002 drought period and where the flows were at that time in correlation with the US Geological Survey.

The Committee was informed that WASA staff met on April 9th with EPA and some of the discussion centered around the concept that there are two discharge points from Blue Plains. There is the main discharge which is 002 and there is the CSO related discharge which would be used for peak flows through the plant. The concept here is that, EPA is treating those two permits in terms of nitrogen discharge and treating them as a bubble permit.

The Committee discussed the nitrogen permit, the requirements for nitrogen removal at the plant, and how that relates here at Blue Plains to the big picture of the Bay. The Committee expressed an interest in having a representative from EPA explain to the Committee more about the allocation and regulation of nitrogen.

The Committee discussed the Potomac Interceptor Odor Control Project. This project has been in the planning phases for a number of years. There have been concerns from the community about the delays in the project. The Committee determined that it should receive a monthly update on the project.

The Committee discussed joint use facilities and its definition. However, the Governance Committee has been reactivated by the Board Chairman and the

Committee will ensure that its thoughts and concerns are transferred to the Governance Committee.

The Committee is recommending three joint-use and one non-joint use items for Board approval.

Mr. Lake reminded the Board of the May 29th workshop on issues related to capital projects. He requested that the Board e-mail what they would like to have discussed at the workshop.

Mr. Bardin noted that the General Manager raised an idea in hopes that Council would be receptive instead of amending the enabling law creating a more flexible system in which the Board could add facilities, because there will be more joint use facilities, and in fact there may be joint use facilities today that have not been identified.

D.C. Water Quality Committee (ad-hoc)

Reported by: Dr. Joseph Cotruvo

The Committee met on Thursday, April 17th immediately following the Environmental Quality and Operations Committee.

Mr. Kiely briefed the Committee on the status of the coliform testing. He confirmed that there were zero (0) hits last month.

Mr. Kiely briefed the Committee on the status of the lead compliance testing. The concentrations of lead being detected are moving downward slowly. The 90th percentile was five (5) ppb.

Mr. Cotruvo noted that there will be a hearing held on the Lead Service Line Replacement Program this evening at 6:30 p.m. at the Council of Governments.

The Committee received a report from Michele Quander-Collins, Public Affairs Director, on the outreach activities relating to the chlorine replacement.

The Committee discussed the Washington Aqueduct's Pipe Loop Data. Mr. Kiely presented an analysis of a presentation that the advocacy group provided to Councilmember Graham as part of its hearing testimony. The conclusion was that it is not appropriate to compare on a one-to-one basis the simulations of those pipe loops and the actual concentrations that are being detected in the homes according to the sampling that is being carried out.

Mr. McLaughlin provided a status on the 1st Quarter of the 2008 Lead Service Line Replacement Program (LSR). There were 508 public side replacements completed in the first quarter (14,620 replaced to date since the inception of the

program). In addition, 223 private side replacements have been completed in the first quarter (2,128 replaced to date since the inception of the program).

The Committee discussed whether the Authority's flushing guidance was clear and if there needed to be stronger languages with respect to the possible negative consequences of not replacing the total service line and whether that would induce more people to have their private side replaced. The Committee agreed that following the LSR Program hearing, this would be a part of the decision process.

Mr. Brendan Shane spoke on behalf of the DDOE Director Hawkins. He informed the Committee on the developments to date with respect to the Independent Water Quality Study.

The Committee discussed the relationship between WASA and the Washington Aqueduct. The Committee concurred on the need to map out a path toward modifying the agreement between WASA and the Washington Aqueduct.

Chairman Martin noted that the Fire and Emergency Medical Services (FEMS) department has begun its intensive inspection program which has resulted in a higher than normal number of hydrants placed out of service.

Customer and Community Services Committee

Reported by: Alan Roth, Chairman

The Committee met on Tuesday, April 15th.

The Committee was concerned about the accuracy of the data that shows how the SPLASH and CAP Programs are operating and how many customers are being aided and is looking forward to receiving an accurate report from the General Manager.

The Committee received a presentation from the Authority's IT Department regarding changes that are being made to the website.

Chairman Martin noted that Mr. Roth's comments regarding the SPLASH and CAP Programs are very well made and the Board needs to understand what the trends mean.

Audit Committee

Reported by: Timothy Firestine, Chairman

The Committee discussed the evolution of the audit industry and the new requirements that external auditors have to take an in depth look at an organizations internal control process.

The Committee discussed the possibility and resource requirements of WASA moving to an A-123 framework to get ahead in a proactive way of looking at what WASA's major risks are within the organization.

The Committee discussed the internal auditing staff and requested management present to the Committee a proposal to perhaps up-resource the internal audit function.

The Committee was informed that the District's Office of Inspector General will be onsite to conduct their tri-annual follow-up. The Committee suggested that staff contact the Office of Inspector General to see what it is they wanted to discuss so staff could be prepared.

The Committee was provided an update on the payroll fraud in an executive session.

The Committee is recommending to the Board that it approve the third option year for renewal of the external auditor contract.

Retail Rates Committee (District Members)

Reported by: Robin Martin, Chairman

The Committee met on April 22, 2008, and received a report from the General Manager on a review that he made at the request of several members of the Committee that he provide a report on his confidence level in proceeding with a hard October 1 implementation date for the new Impervious Surface Area Rate.

After an extensive review of the project risks, the General Manager believes there is an unacceptable risk involved in the project with an October 1, 2008, start date. Therefore, the General Manager recommended to the Committee that the Board delay implementation of the Impervious Surface Area rate for six months until April 1, 2009. The Committee agreed to delay the project until April 1, 2009.

The General Manager informed the Board that there is at least one legislative change that needs to be made to give WASA the authority to implement a non-volumetric sewage rate.

The Committee received an update from PB Consult stating that they were going to complete the project on time and on schedule. The first 40,000 data records will be delivered this week. Therefore, the process of acquiring data seems to be coming to a good resolution.

The Committee discussed the independent rate consultant selection status and the General Manager will bring his recommendation to the Board for ratification.

Mr. Bardin requested that Ms. Manley send to the Board by e-mail the legislative language which the Authority is proposing to the DC Council Committee staff, the statutory provision regarding sewage rates in an act of Congress in 1954, the statute regarding liens and the general provisions in the Authority's enabling law regarding sewage rates.

Finance and Budget Committee

Reported by: Robin Martin, Chairman

The Committee met on April 24, 2008, and received a report from staff on the Authority's finances for the end of March. Revenues were slightly behind budget, at \$162.2 compared to a budget of \$169.2 million. Expenditures were \$153 million, 44.9 percent of budget, capital disbursements at \$83.5 million were about 55 percent of budget, and the capital expenditures appear to be a little bit high due to payment finally to the Washington Aqueduct in March of \$67 million for the residuals project.

The Committee received a brief report on the issue of the data collection units and the negative impact on revenues and requested a full incident report at its next meeting.

The Committee was informed that expenditures are trailing projections, primarily due to slow invoicing. Staff expects to identify potential savings and expects the year to end within the Board-approved budget.

Overtime continues to be a pressure and part of it is due to the accelerated fire hydrant inspection program. Therefore, at the end of the year overtime will be over budget, but the overall personnel service area will be on budget.

The Committee received a report from the external financial managers. The Authority had a successful sale of \$290 million of long-term bonds, called Series 2008A, which refunds both the \$295 million of the 2007A auction rate securities as well as \$15 million of the taxable securities. The difference in the numbers is a result of the premium that the Authority received for the bonds and the fact that the bonds were sold at a true cost of 4.89 percent, a very good rate.

The remaining balance of \$44 million of taxable bonds will be sold within the next month or two. The Committee is recommending to the Board today for approval a resolution relating to the Authority's commercial paper program for use in refinancing the taxable bonds.

The Committee received a presentation on the Authority's insurance renewal process. It was noted that the property insurance which currently has a \$500 million limit except for flood and earthquake will be reduced to \$100 million. There is a high hazard rate which as a \$10 million limit and FEMA is attempting to place most of the Blue Plains property in this high hazard zone. Staff is doing

an internal review to understand what the effects are of a lower limit on the Authority's property insurance and its risks concerning flooding.

The Committee discussed the Independent Comprehensive Budget Review and requested that the General Manager provide a more detailed response on how he plans to implement the recommendations from the Review. The Committee will monitor the implementation of the recommendations.

The Committee is recommending for Board approval a contract to authorize the expenditure of up to an additional million dollars with the law firm of Morgan Lewis.

Mr. Roth requested that the Morgan Lewis & Bockius, LLP for Legal Services contract be removed from the consent agenda. Chairman Martin approved the removal of the contract from the consent agenda.

Human Resources and Labor Relations Committee

Report by: Anthony Griffin, Chairperson

The Committee met with the union presidents. The presidents had five issues that they raised starting with Emancipation Day which is a District holiday but not a WASA holiday. The issue has gone through the grievance process and an arbitration hearing has been held and staff is presently awaiting the arbitrator's decision.

The Committee discussed the proposed personnel regulations. The union presidents expressed concerns that they did not realize that the regulations had been posted and requested that the Committee grant them 15 calendar days to review the proposed regulations for comment.

Mr. Griffin noted that he will move to remove the proposed personnel regulations from the agenda until the June Board meeting.

There was some concern regarding how employee appeals are handled. The Committee has requested information on how the District of Columbia's Office of Employee Appeals works versus the employee appeals process at WASA.

The union presidents expressed concern about staffing shortages especially in the Department of Sewer Services. The Committee requested additional information regarding staffing levels in each WASA department. It was also requested that the General Manager provide more specificity in the personnel part of the General Manager's Report.

The Committee discussed the D.C. Jobs Residency Amendment Act of 2007. The act became law on April 9th. However, in the proposed District of Columbia's Budget Support Act of 2008 there is a provision that would exempt DCWASA

from the Jobs Act. The timing for that is anticipated to be by early June since the bill has to be adopted by the D.C. Council, signed by Mayor Fenty and transmitted to Congress. The consensus of the Committee was to move the resolution to be considered by the Board and defer action until June.

Chairman Martin agreed to put the proposed resolution on the agenda and allow Mr. Bardin to have an opportunity to amend the resolution with a sunset provision and the Board will consider the resolution. Mr. Griffin moved to place the resolution on the agenda and Mr. Bardin seconded it. The Board approved placing the Resolution No. 08-49 on the agenda.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The Authority is in its first phase of installation of a new telephone system here at the Authority.

The Authority is currently working with the FEMS on the fire hydrant inspection program and has committed additional resources to the particular effort.

The General Manager reported that the free chlorine addition to the water distribution system will be completed on May 12th.

The Authority is participating in Drinking Water Week and partnering with the Environmental Protection Agency and the Washington Aqueduct manning an informational booth at the Federal Triangle Metro stop at the Reagan Building on Friday.

The General Manager discussed the DC Council Public Works and Environment Committee's mark-up. He noted that one recommendation that will go forward to the full Council is that WASA discontinue the LSR Program and use the balance of the capital budget associated with that for low income rate payer assistance. They also urged strengthening of the CAP and SPLASH program and the Jobs for DC Residents was also addressed.

In addition, the Committee suggested that Section 207 of the Budget Request Act be amended in a way that it would provide for a delegation of authority and the use of a MOU for the resolution of the CFO issue.

The General Manager discussed the rate change approach. The Authority will hold a hearing to address the eight and a half percent proposal and the proposal will go to the register on today for publication next week. Staff will be prepared to go forward with the associated hearings.

The General Manager informed the Board that there was some dialogue with Councilmember Graham's staff regarding the most simple and efficient way of

getting the legislative change associated with the unbundling of the sewer rate. The thought was to include it in the Budget Support Act. However, Chairman Graham has rejected that approach and is interested in preparing a stand alone piece of legislation and having a hearing.

Avis Russell, General Counsel, read the proposed language to the Board and stated that the proposed language would provide that the sewer service charge be based on the cost of providing the service and WASA would have the flexibility to allocate those costs through various methods.

Mr. Roth stated his concerns on WASA approaching the Council seeking legislative changes to statutes when there is no assurance that they are applicable because a full analysis has not been done. Chairman Martin requested an opinion from the General Manager addressing the issues that Mr. Roth raised.

Mr. Bardin requested that the Chairman plan an executive session either of the full Board or the Retail Rates Committee to discuss litigation risks.

Chairman Martin asked the General Manager to slow down the process and inform the Councilmember that WASA is doing some additional legal review to understand WASA's position, which will be presented at the next Retail Rates Committee.

The General Manager informed the Board that he would provide a full report on the DCU's which receive all the radio readings on the automatic reading program.

Consent Items (joint use)

1. Approval to execute Third Option Year of Three Option Years of Contract No. GS-05-TB, Thompson, Cobb, Bazillio & Associates, PC – Resolution No. 08-42 (Recommended by the Audit Committee 04/16/08)
2. Approval to execute Supplemental Agreement No. 1 of Contract No. DCFA #401-WSA, Metcalf & Eddy Management, P.C. – Resolution No. 08-43 (Recommended by the Environmental Quality and Operations Committee 04/17/08)
3. Approval to execute Option Year Four of Contract No. WAS-04-018-AA-MB, C&E Services Inc., Washington – Resolution No. 08-44 (Recommended by the Environmental Quality and Operations Committee 04/17/08)
4. Approval to purchase vehicles under the Prince George's County Vehicle Contract No. P051271C5074-063008-O, Criswell Chevrolet,

Inc. – Resolution No. 08-45 (Recommended by the Environmental Quality and Operations Committee 04/17/08)

Motions to adopt Resolutions No. 08-42 through No. 08-45 were Moved and Seconded with unanimous approval by the Board of Directors.

5. Approval to expend additional funds with Morgan Lewis & Bockius, LLP for Legal Services – Resolution No.08-46 (Recommended by the Finance and Budget Committee 04/24/08)

Motion to approve Resolution No. 08-46 was seconded for discussion.

Mr. Roth asked the General Manager to explain the statement that the award is noncompetitive. Avis Russell replied that the Legal Counsel's office requests offers to provide services from other firms but the procurement regulations do not require competitive bids for those contracts. Mr. Roth stated that WASA should consider competitive bidding or at least a full review of offers of firms with the required experience every three or four years.

After discussion, the motion was approved by the Board with an abstention by Alan Roth.

The Board then moved to Resolution No. 08-47.

6. Authorization of Amendments Related to Commercial Paper Program – Resolution No. 08-47 (Recommended by the Finance and Budget Committee 04/24/08)

Motion to adopt Resolution No. 08-47 was Moved and Seconded with unanimous approval by the Board of Directors.

Mr. Griffin presented Resolution No. 08-49 and moved that the Board adopt the resolution with an amendment subject to the rewording by the General Counsel. The amendment reads as follow: "This resolution is effective immediately, but sunsets at such time the District of Columbia Water and Sewer Authority is exempted from the Jobs for DC Residents Act."

Ms. Spoon offered a friendly amendment and after discussion withdrew her amendment.

After a roll call vote the resolution as amended passed.

Consent Items (Non-Joint Use)

1. Approval to execute Change Order No. 5 of Contract No. 060020, Fort Myer Construction Corp. - Resolution No. 08-48 (Recommended by the District members of the Environmental Quality and Operations Committee 04/17/08)

2. Ratification of the General Manager's Selection of a Rate Consultant for the Authority – Resolution No. 08-50 (e-mailed to the Board on 04/30/08)

Motion to adopt Resolutions No. 08-48 and 08-50 was Moved and Seconded with unanimous approval by the District members of the Board of Directors



Secretary to the Board of Directors