



District of Columbia Water and Sewer Authority

MINUTES

***135th Meeting of the Board of Directors
Thursday, September 4, 2008***

Present Directors

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

Present Alternate Directors

Joseph Cotruvo, District of Columbia
David Lake, Montgomery County
Kathleen Boucher, Montgomery County
Jimmie Jenkins, Fairfax County
Brenda Richardson, District of Columbia
Beverly Warfield, Prince George's County
Paivi Spoon, Prince George's County

WASA Staff

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

Approval of the July 3, 2008 Meeting Minutes

Chairman Martin asked for a motion to approve the July 3, 2008 minutes. The minutes were Moved and Seconded with unanimous approval by the Board with an abstention from David Byrd.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairman

The Committee met on Thursday, July 17th at the Central Maintenance Facility.

All permit parameters were met.

The Committee was informed that the Authority is still waiting on EPA regarding the NPDES permit appeal.

There is an increased interest in the energy management and electricity consumption for WASA and there is some discussion of electrical consumption at the facilities in the General Manager's Report. The Committee requested that future contracts clearly identify the impact that major capital projects are going to have on the energy profile within WASA.

The Committee received an update on the Potomac Interceptor Project. The most recent issue is a need for a site for an interim chemical addition for odor control. Montgomery County was able to secure a temporary site and last month the chemical feed was initiated. The permanent odor control facility is on schedule.

The Committee received an update on the Anacostia Force Main which is a pipe that transmits mostly WSSC flow from the Prince George's County side to Blue Plains. There was concern on whether the pipe had structural integrity, and it was determined that the pipe had more structural integrity than it was initially given credit for. There is a present condition assessment being conducted on the pipe.

The Committee received a presentation on the carbon footprint at Blue Plains. The focus was to educate the Committee on the carbon footprint issues with wastewater treatment.

The Committee is recommending three change orders, an option year and a new contract for Board approval.

The Committee had several items under emerging issues. There was a pump motor that failed and caused concern from staff that the Authority would not meet its consent agreement deadline. However, a motor from another of the station's pumps was installed on the failed pump to make it operational.

D.C. Water Quality Committee (Ad-Hoc)

Reported by: Dr. Joseph Cotruvo

The Committee met on July 17, 2008 and received a report on coliform testing. In July two sites were positive for coliforms. However, that is well below the regulatory requirements.

The Committee was updated on the Lead and Copper Rule Compliance. Recent samples continue to meet the requirements.

The Committee discussed the use of dielectrics in copper and lead joints. Two factors were considered in the decision to not use dielectric couplings. Studies indicate there is minimal water quality benefit related to lead release from the use of dielectric couplings. The second factor was concern by staff of the impact on the electrical grounding systems at many District homes where the water lines are the primary grounding source. Installation of the dielectric would interfere with the ground system and potentially expose customers to risk of electric shock.

The Committee discussed in length the final presentation on the Lead Service Line Replacement Program recommendation and the options that had been analyzed by management and the Committee concurred on the following two major points: (1) continue the replacement of lead services in conjunction with water main replacements and (2) replace lead services when customers agree to participate (in advance of DDOT). There were a number of other recommendations, but the overall policy project is to maximize full replacements and to minimize partial replacements.

The option presented indicated a possible annual cost reduction from \$42 million, down to \$5 million per year.

The Committee requested that additional provisions be examined to mitigate the steps to be taken when a partial lead line replacement is necessary.

Mr. Bardin noted that the Committee was briefed by experts from the School of Public Health of the George Washington University, EPA and the Center for Disease Control in Atlanta. He also noted that Dr. Cotruvo, who is Chairman of the Committee, is an expert on water quality and knows the lead and copper rule.

Customer and Community Services Committee

Reported by: Alan Roth

The Committee met on July 15, 2008.

The Committee has been examining options for broadcasting and webcasting the Board meetings and possibly other meetings or activities as well. The Committee's consensus was that option three, which basically summarized very generically, involved the purchase of the necessary equipment, software, and services for installation here at Blue Plains in the Board Room, makes the most sense. The Committee is recommending Board approval of a resolution for implementation of option three.

Mr. Roth commended Board member Brenda Richardson who saw broadcasting and webcasting the Board meetings as a logical outgrowth of the Authority's new public information policy and pushed strongly for this initiative. The Committee reviewed the public information policy's implementation plan and discussed several areas of improvement over the last six months. It was the consensus of the Committee that the Authority is moving in the right direction. The Authority is making progress and the Committee is seeing positive results in terms of public perception and media receptiveness, although there is still more work to be done implementing various elements of the plan that have not yet received full attention.

The Committee discussed the promoting of transparency and public trust, which are key objectives of the Authority's public information policy. The discussion focused on Mr. Tangherlini's letter regarding the Department of Health on the lead issue. The Committee and staff agreed that the situation could have been handled more expeditiously and appropriately. The Committee will continue to look to the General Manager for agreement on developing a set of written policies to guide the organization at every level about how the Authority responds to requests for WASA information and data collection.

Governance Committee

Reported by: Keith Stone

The Committee met on Thursday, July 24th following the Finance and Budget Committee meeting.

The Committee discussed the passage of HR 5758 which amends the District of Columbia's Home Rule Act, and the effects that the amendment would have on the Authority. The General Counsel provided a brief overview of the Act and how it would affect WASA's general operations. The General Manager noted to the Committee that WASA's relationship with the District's Chief Financial Officer

would continue as usual and that the information historically provided to that office would continue to be provided.

Gordon Fry, Director of Government Relations, provided the Committee an update on meetings with the District Council regarding the proposed impervious area billing legislation and pending legislation with Congress.

The Committee discussed the joint use versus non-joint use designation and the consensus of the Committee was to provide a definition for joint use and non-joint use facilities rather than a list.

The Committee discussed the review of the enabling legislation and the Board's by-laws. The General Counsel found no inconsistencies within the legislation and the by-laws. However, there are inconsistencies between the by-laws and the Board's practices. The General Counsel noted five conflicts covering the ability of committee members to vote, the role of ad hoc committees, and the review of the same matter by more than one committee.

Chairman Martin requested that a final draft of the by-laws be presented for Board approval at its November meeting.

The Committee discussed and requested that the General Manager draft a policy on the videotaping of board and committee meetings by individuals.

The Committee agreed that the future meetings would be held bi-monthly.

Retail Rates Committee (District Members)

Reported by: Robin Martin, Chairman

The Committee met on July 22 and September 4.

The General Manager informed the Committee that he was advised by PB Consult that the independent QA team identified several issues with the current database that was being developed for WASA. Since that time PB has assigned a new QA team on the database work. PB made a commitment to the Authority to continue on the same schedule to implement the new rate on April 1. WASA staff and Board members expressed concern that significant issues arose after the last tranche of data was supposed to have been delivered. The Committee inquired about PB Consult's ability to deliver the product and to have the quality at the level that is demanded as an Authority. The General Manager will provide the Board further update during his report.

The Committee discussed management's 2009 rate and fee proposal. The General Manager presented his updated recommendation to the Committee in July, which was to reduce the proposed rate increase from 8.5 percent to 8.0 percent based on the then-current financial information that projected a year-end

surplus or excess of funds over expenses of approximately \$16-20 million. The Committee will receive a specific recommendation on the use of the \$16-20 million in its September regular meeting. The Committee deferred any recommendation to the Board at its July meeting on the rate proposal until it met on September 4 to receive additional and current financial update. The Committee received confirmation at that time that the financial projections that were made in July were still valid.

At the September 4 meeting, considering the surplus and the financial health of the Authority, the General Manager affirmed his recommendation of an 8.0 percent rate increase rather than the 8.5% originally presented for public comment. Following discussion, the Committee recommended to the Board an increase of 7.5 percent instead of 8.0 percent.

Mr. Tangherlini asked if staff examined the reserve policies of other authorities. Chairman Martin noted that the General Manager has been charged with benchmarking what factors other organizations use to determine their reserves, measured, for example, in terms of numbers of days or dollar amounts.

Chairman Martin noted that the Board will hold a public hearing and recommend an amendment to the Customer Assistance Program policy to include sewer rates which will allow the Authority to offer assistance to those most in need to pay their sewer bills. Mr. Bardin and Mr. Roth asked that management accelerate the schedule for the amendment to the Customer Assistance Program. Mr. Bardin noted that when the Customer Assistance Program amendment is implemented retroactively to October 1, it will have the effect for that class of ratepayers in the greatest need of actually lowering their water bills.

Mr. Bardin moved that the District members of the Board authorize and direct the General Manager to move ahead expeditiously to publish a notice in the D.C. Register and schedule a public hearing of the Board for implementation of the final rulemaking as soon as possible. Following a parliamentary inquiry, Mr. Bardin withdrew his motion and agreed to offer it later under Other Business.

Mr. Tangherlini asked what the change in rates will be in 2009 for wholesale customers. The General Manager responded that there is no rate for wholesale customers. The wholesale customers have two methods of payment. One is the cost allocation method for the portion of facilities that is allocated to each jurisdiction and the other is a volumetric charge, which is budgeted annually based on the operating expenses and actual flows. Those costs are paid on a quarterly basis.

Chairman Martin requested that the General Manager present the Finance and Budget Committee with an analysis of the trends over the last five years for retail rates and wholesale rates, with comparisons between the two.

Mr. Bardin noted that the Retail Rates Committee should review and reconsider all of the retail rate policies and develop one policy statement for the Board's consideration on retail rates.

Finance and Budget Committee

Report by: Robin Martin

The Committee met on July 24, 2008. The Committee discussed the status of the FGIC surety policy. The General Manager noted that the Authority is required under its indenture to have either an insurance policy or a letter of credit backing up the insurance for its bonds, and FGIC was downgraded to where it was not at a level that met the indenture requirement. The Authority has to take remediation action to deposit just under \$17 million into a reserve fund or provide a letter of credit, or replace the surety insurance with another insurer. It was noted that the Board received a detailed report showing the different options that would imply to the Authority in terms of the amount of work necessary and the resulting costs.

Robert Hunt, Manager, Treasury, provided the Committee a current status of the financial markets. He reported that the Authority's investment portfolio exposure to what are called government-sponsored entities has been reduced from approximately \$149 million to \$109 million as of the date of the July meeting.

The Committee received a report from a representative from Wachovia Bank on its health and was reassured that Wachovia is in very strong financial position. The Committee was reassured that the Authority's investments are collateralized at 102 percent of their face value, and the collateral is adjusted on a periodic basis. Therefore, if the collateral goes below 102 percent, it is replenished up to 102 percent.

General Manager's Report

Reported by: Jerry Johnson

The General Manager updated the Committee as a follow-up from Mr. Lake's report that the Authority forwarded a letter to the U.S. Environmental Protection Agency notifying them that the pumps and other mechanical equipment at the pumping stations has not functioned at the level that was anticipated. Staff has worked closely with the manufacturer in doing a number of different things with the pumping system. The net result is that the Authority advised EPA that it would not get up to full pumping capacity as is required in the consent agreement by the September 1st date. The pumps have been returned to the manufacturer and the Authority has brought in national experts to take a look at the system to determine why the pump, which is designed to carry a certain capacity, is not working properly.

The General Manager introduced the following new staff to the Board: Ernest Jolly, Energy Manager; Denise Jeter-Williams, Employment Services Manager; Ranjit Thomas, Director of Process Improvement and Performance Management; and Jay McCoskey, Director of Customer Service.

The General Manager informed the Board the he testified before the House Committee on Science and Technology, Energy and the Environment on proposed legislation to establish a national initiative to bolster and improve Federal research; participated as a panelist with the National Chamber Foundation Forum to look at infrastructure improvements and infrastructure needs across the country; and participated in Channel 16's Reporter's Roundtable on drinking water quality and price, and cost of aging infrastructure.

The General Manager noted that a 90 minute documentary called, "Liquid Assets", will be aired on the PBS stations nationally this fall. The link will be provided to the Board members.

The General Manager reported that 163 hydrants are out of service. The Authority continues to work closely with the Fire-EMS in dealing with those issues. The Authority replaced 999 hydrants from October to date, and from the start of the inspection program 678 have been replaced. The Authority also repaired or performed maintenance on approximately 2500 hydrants through today.

The General Manager noted that the Authority was granted a patent from the United States Patent Office for methods for nitrogen removal and treatment of digester reject water in wastewater using bioaugmentation. Chairman Martin asked if the Authority has a program for licensing the patent to others and suggested that the General Manager contact other people in the patent business to see what their recommendations would be for licensing.

At the request of Chairman Martin, the General Manager informed the Board that the Chief Financial Officer search is under way. The Authority received a large number of applications and interviews will be held over the next several weeks.

The sewer assessment will be presented to the Environmental Quality and Operations Committee at its October meeting. The General Manage suggested the possibility of having a special workshop on the sewer assessment.

There was discussion of the grant type program to encourage low-impact development outside WASA. The General Manager stated that he was advised that WASA cannot offer grants, and that he is investigating how to implement such a program. He will provide the Board with a recommendation next month.

Mr. Bardin requested that the Finance and Budget Committee have a discussion on delinquent accounts.

Ms. Spoon requested that the General Manager provide the Board with some energy strategies at the next meeting.

Administrative Items

1. Approval to Revise the Resolutions for Implementing the Lead Service Line Replacement Policy – Resolution No. 08-75 (**non-joint use**)

Chairman Martin moved Resolution No. 08-75 and Keith Stone seconded the motion.

Dr. Cotruvo noted that there was much data review and public involvement in the process and thanked the Committee members for their dedication. The Committee reviewed many recommendations, and received information and advice from a variety of sources. He noted three key elements of the revised policy: (1) continued replacements would occur in conjunction with major main replacement jobs; (2) replacements would occur in conjunction with major street improvements, where the property owner agrees to participate and replace the private portion of the lead service line; and (3) where customers replacing the private portion of the lead service line at the customer's request, the Authority would replace the lead service line in public space with funds allocated in the annual budget.

Mr. Gibbs requested that the resolution be amended on page 2 to add the words "public space portion of the" in front of the word "the" and before the word "service line". Chairman Martin accepted that as a friendly amendment.

Mr. Bardin requested several amendments. He requested that the word "Authority" be changed to "the General Manager" prior to "presented recommendations to the ad-hoc committee." He requested on page 2 the word "peer-reviewed" be inserted between "independent" and "water quality study." Finally, he requested that the resolution add "Whereas the Board (District of Columbia members) conducted a formal public hearing and heard from the public and experts from EPA and the George Washington University School of Public Health." Chairman Martin accepted that series of amendments a friendly.

Motion to adopt Resolution No. 08-75 with amendments was Moved and Seconded with unanimous approval by the District of Columbia members of the Board of Directors.

2. Final Water and Sewer Service Rates and Right of Way/PILOT Fee for Fiscal Year 2009 – Resolution No. 08-76 (**non-joint use**)

Motion to adopt Resolution No. 08-76 was Moved and Seconded with unanimous approval by the District of Columbia members of the Board of Directors.

3. Approval of Video Production and Broadcasting of Board of Directors Public Meetings – Resolution No. 08-68 (**joint use**)

Mr. Tangherlini questioned whether the old council Chamber at 441 4th Street, NW had been considered, because it is already outfitted with camera equipment and is more convenient to Metro and downtown for many Board members. Mr. Roth replied that that location had not been considered but that Mr. Tangherlini had raised several good points and that he would be happy to request the staff to examine the possibilities for using the old Council Chamber. Mr. Roth requested that staff take a look and explore the parameters for use of 441 4th Street, N.W., as a site for conducting meetings that can be televised and bring their findings back to the Customer and Community Services Committee, but indicated that the resolution under consideration was flexible enough to allow the General Manager to postpone the purchase of equipment for Blue Plains if it appears during the September committee meeting that the 441 4th Street, NW location would be feasible for Board meetings.

Motion to adopt Resolutions No. 08-68 was Moved and Seconded with unanimous approval by the Board of Directors.

Consent Items (Joint Use)

1. Approval to execute Change Order No. 21 of Contract No. 020130, W.M. Schlosser Company, Inc. – Resolution No. 08-69
2. Approval to execute Change Order No. 6 of Contract No. 040140, Ulliman Schutte – Resolution No. 08-70
3. Approval to execute Change Order No. 9 of Contract No. 970099, W.M. Schlosser Company, Inc. – Resolution No. 08-71
4. Approval to execute Option Year Four of Contract No. WAS-04-024-AA-VW, Topflite Building Services – Resolution No. 08-72
5. Approval to execute Contract No. DCFA #415-WSA, Delon Hampton & Assoc. – Resolution No. 08-71 (This contract was moved from the non-joint use consent items to the joint-use consent items)

Motion to adopt Resolutions No. 08-69, 08-70, 08-71, and 08-72, and 08-71 was Moved and Seconded with unanimous approval by the Board of Directors.

6. Authority to Obtain a Letter of Credit for the Series 2003 Bonds – Subordinate Debt Service Reserve Account – Resolution No. 08-74

Motion to adopt Resolutions No. 08-74 was Moved and Seconded with unanimous approval by the Board of Directors.

Ms. Roberson thanked the Board and staff for reaching out to her during her illness. She thanked them for the many calls and flowers that she received.

Other Business

Mr. Bardin moved that the General Manager direct the General Counsel to expeditiously prepare a resolution for a proposed rulemaking and public hearing providing for the expansion of the Customer Assistance Program to sewage charges. The motion was Seconded and approved by the District members of the Board.

The meeting adjourned at 11:55 a.m.


Secretary to the Board of Directors