



David L. Gadis, Chief Executive Officer

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 1385 CANAL STREET, SE | WASHINGTON, DC 20003

February 7, 2020

The Honorable Mary Cheh
Ward 3 Councilmember
The John A. Wilson Building
1350 Pennsylvania Ave NW Suite 108
Washington, DC 20004

Dear Councilmember Cheh:

Thank you for your correspondence about DC Water's consent decree with the federal government that governs the terms of our Clean Rivers project. As you know, this is one of the most important efforts DC Water has ever undertaken to reduce flooding, improve the environment, support economic growth and to care for the health and safety of District residents.

Given the importance of the Clean Rivers project, I want to assure you that we have no plans to deviate in any way from the terms of our existing consent decree, which means completing the Northeast Boundary Tunnel (NEBT) system and the final leg of the project in 2025, the Potomac River tunnel.

Let me provide some context:

The Authority launched the DC Clean Rivers Project in 2013 to control combined sewer overflows (CSOs) in the Anacostia and Potomac River and Rock Creek. There are 47 potentially active CSO outfalls in the District's combined sewer system and the tunnel project is intended to minimize the impact of those CSO's on the environment and reduce the risks of flooding in Bloomingdale neighborhoods. We have previously met the March 2018 deadline to install the first leg of the system and we are on track to meet the next deadline, which is March of 2025.

Early results show an outstanding success in the project. From March 20, 2018 through January 15, 2020, the system captured more than 6.9 billion gallons of CSO and removed more than 3,100 tons of trash and debris, preventing it from being discharged into the Anacostia River. Those results are providing tangible improvements to water quality and the way of life for a wide range of wildlife but more urgently for District residents, who are embracing the rebirth of the Anacostia River that was envisioned more than a decade ago by Mayor Anthony Williams.

Our next milestone after the NEBT tunnel is complete is March 23, 2030, when we will put the Potomac Tunnel into service.

While the environmental benefits of the tunnel project have been overwhelming, we are quite sensitive to the enormous cost of this project. The \$2.7 billion tunnel system is one of the most expensive in the world, an undertaking that is paid for by a mere 133,000 customers in the District. While some bigger customers obviously pay a larger share, the cost is intended to be spread equitably among all customers users, which is the only way to proceed on something as complex as this.

The result is that most of our residential customers pay an average of \$21 a month towards covering the debt of the Clean Rivers project, regardless of how much or little water they use. The CRIAC charge is applied to customers across the board as the surest way to have a dedicated source of revenue for the construction regardless of other factors or expenses.

Moreover, the Clean Rivers Impervious Area Charge, or CRIAC, is applied based on square footage so some customers who use little water but have extensive paved areas face relatively outsize CRIAC charges. Likewise, some small churches and other non-profits in the city have struggled as their water bills increased beyond what they had budgeted for in prior years, despite modest water use.

To address those struggles, we have worked diligently with you and other Council members, along with Mayor Muriel Bowser, to fine tune assistance programs to help our neediest customers. The various Customer Assistance Programs are among the most generous assistance programs provided by large urban water systems and we are proud of the lengths we've gone to accommodate seniors and other groups of customers who lack the means to pay for rising water bills.

We have also pursued other actions that have been recommended to us from your letter, the Council Budget Office report, and from other sources:

- In our proposed budget we have made the CAP2 program permanent, and we have increased the assistance for CAP customers by increasing the discount on the CRIAC from 50 percent to 75 percent.
- We have increased incentives for the installation of Stormwater Best Management Practices (BMP). This year the discount on the CRIAC portion of the bill for BMPs increased from four percent to twenty percent.
- Users who use a large amount of water, including commercial users, now pay more for the Clean Rivers Program because of the shift of a portion of the Clean River project's costs from the CRIAC to the sewer volumetric rate.

- We continue to lobby Congress for additional funds for the program. The most recent federal appropriation for this project was \$8 million (though President Trump favors eliminating the fund altogether).

Other items will require an ongoing work with the District government. For example, exempting transportation Right-of-Way from the CRIAC and reducing or eliminating the pass-through fees will require coordinating with the District's budget.

As you note in your letter, revisiting the consent decree should of course be considered in any thorough examination of the various cost drivers facing the authority. Your multiple suggestions about possible strategies back in 2018 was spot on, and we have engaged on good debates about those options – to the extent that we can control them.

You should not for a moment doubt that we have explored every single suggestion you raise but the reality is that most of them are far beyond are ability to deliver. They involve regional changes or decisions by Congress that are unlikely in this era.

We will continue to advance these initiatives and at the same time work to improve transparency about the ways that ratepayer funds are used. DC Water does not make a profit, and all ratepayer funds are spent on delivering drinking water, treating wastewater and improving our environment. Information on our budget and ratemaking process is available here: <https://www.dwater.com/ratemaking-process>

DC Water is also constantly looked for options for improving our efficiency, shaving off costs and rethinking our big expenses – including Clean Rivers. We simply would not be good stewards of the Authority and our customers if we did not explore every option.

To that end, our team has reviewed a variety of alternatives with respect to current federal environmental regulations along with our latest projections on the performance of each tunnel and the progress made on our Green Infrastructure (GI) initiative.

Our existing consent decree was amended once previously, in 2016, to include green infrastructure for the Potomac and Rock Creek and to extend the time required to implement the projects from 2025 to 2030. We have built an extensive set of GI projects in the Potomac and Rock Creek sewersheds and are currently awaiting data that will help us evaluate their overall success and plan to make a decision this summer.

Our board, led by D.C. Department of Energy & Environment Director Tommy Wells, has discussed the consent decree issue on multiple occasions, including this week. We have also evaluated the consent decree internally to continuously fine tune our strategy and with each review we have landed back at the same place where we began: we are making plans to build the final tunnel and we will not push the construction off any further into the future.

I am happy to provide more information about our Clean Rivers project generally and look forward to talking with you about this and other subjects during our oversight hearing later this month. As always, please don't hesitate to reach out to me at any point or to contact our government relations manager Vince Morris at vincent.morris@dcwater.com with any questions.

Best regards,

A handwritten signature in blue ink, appearing to read "D. L. Gadis", with a long horizontal flourish extending to the right.

David L. Gadis

Chief Executive Officer and General Manager