

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Retail Rates Committee

Tuesday, March 22, 2011

9:00 A.M.

1. **Call to Order** David J. Bardin, Chairman
2. **DC Water Retail Rates Peer Comparison (Attachment A)** Olu Adebo
3. **Usage for Residential /Non-Residential (Attachment B)**..... Yvette Downs
4. **Progress Report on Developing /Updating Miscellaneous Fees & Charges** Yvette Downs
 - **Miscellaneous Fees and Charges (Attachment C)**
5. **Conceptual Scenarios to Scale Back the Proposed FY 2012 Retail Rate Increases** George Hawkins
 - (Attachment D)
6. **Monthly Update on Howard University and Soldier’s Home Dispute Negotiations**..... Olu Adebo
7. **Examine and Discuss Notice of Proposed Rate Increases**..... Chairman Bardin/Randy Hayman
 - **DC Register Notice of Proposed Rulemaking for FY2012 (Attachment E)**
8. **Review Names & Titles of Certain Bill Items**..... Lauren Preston
9. **D2 IMA CIP allocations discussion**..... Len Benson
10. **Retail Rates Committee Workplan (Attachment F)**..... Olu Adebo
11. **FY 2012 Proposed Rates & Fees Change Schedule (Attachment G)** Olu Adebo
12. **Agenda for April 26, 2011, Committee Meeting** Chairman Bardin
13. **Adjournment**

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (January 25, 2011)

1. Provide an example of the updating required and quality controls available to reconcile non-residential data found in the DCGIS 2005 flyover information and a more recent update to the flyover data. This example should be provided at a future retail rates committee meeting (Mr. Bardin) **Status:** FY 2011
2. Update the full Board on the PI settlements once finalized. **Status:** TBD
3. Perform due diligence and provide an analysis of impacts of the ROW fee from volumetric charge to a fixed meter basis (Chairman Bardin) **Status:** April 2011
4. Clarify the legal opinion on DC Water requirements regarding the DDOE discount program. **Status:** (Complete). Also prepare a revenue impact analysis. (Chairman Bardin) **Status:** April 2011
5. Provide a table showing average and median Non-Residential Customer Consumption (Chairman Bardin) **Status:** March 22, 2011
6. Provide a written discussion on cost allocation changes to CIP NMC Outfall Sewer Rehabilitation project (D2) for a three year period: (Chairman Bardin) **Status:** To be provided in Environment Quality and Sewerage Services Committee Meeting in March 2011
7. Update the Committee on the status of negotiations with Howard University and Soldiers' Home (Chairman Bardin) **Status:** March 2011

Attachment A

DC Water Retail Rates Peer Comparison

Amawalk
Consulting Group LLC



Purpose

- Benchmark the charges for single family residential customers of DC Water to comparable water, sewer and stormwater systems
- In order to conduct an “apples to apples” comparison, we have to define “comparable systems” recognizing that no two water, sewer and stormwater systems are identical

Methodology – Step 1

- We selected the thirty (30) largest U.S. cities as the starting point because the District is the 27th largest U.S. city and DC Water's water system serves the District on a retail basis. DC Water's wastewater treatment facility at Blue Plains is the largest advanced treatment facility in the nation and serves a population of 2.2 million people which is about equivalent to the population of the fourth largest U.S. city.

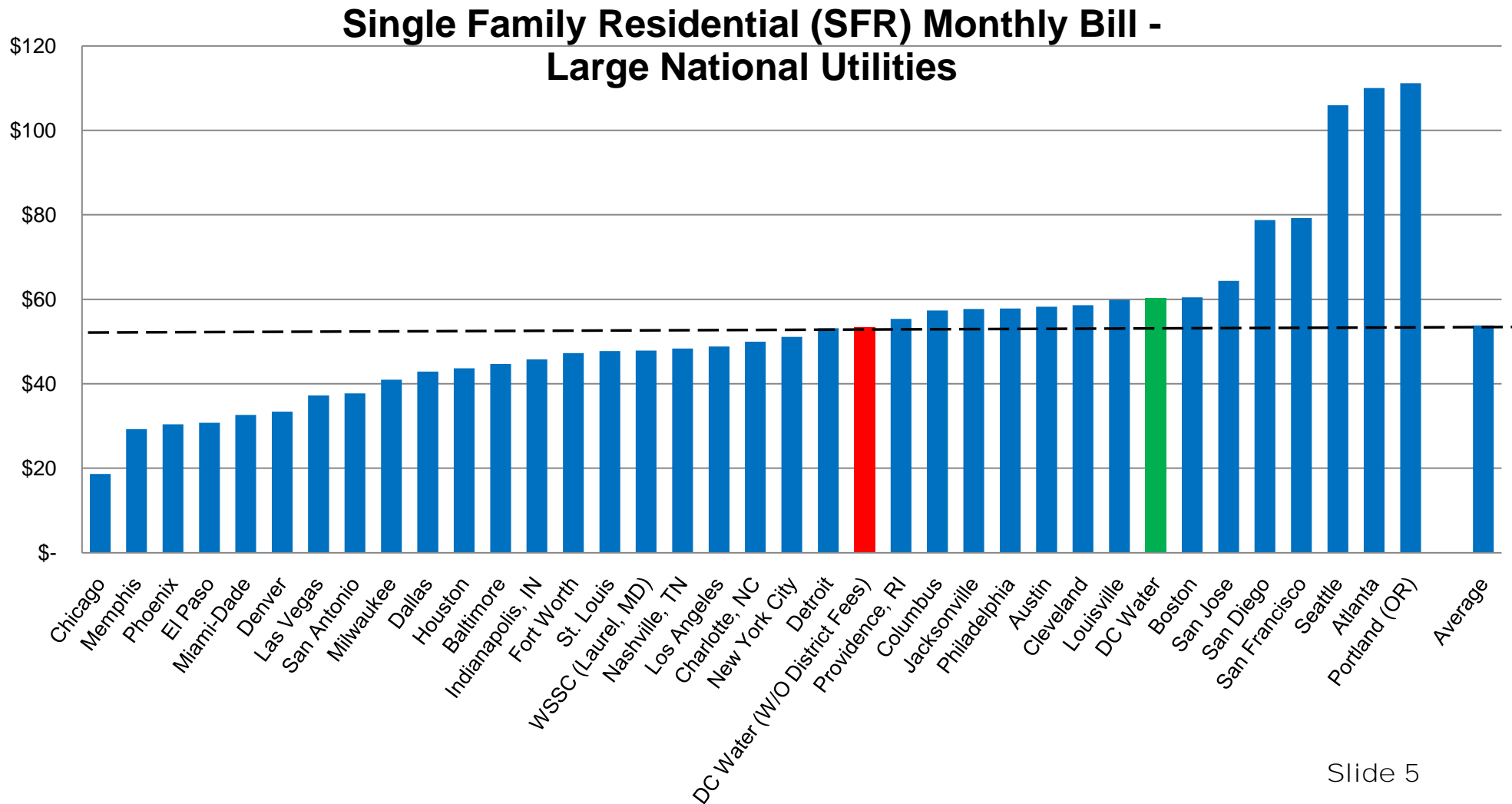
Methodology – Step 1

- We began by assembling data from a “large universe” of utilities:
 - Systems serving the 30 largest U.S. cities (DC is the 27th largest)
 - We added four cities with combined sewer overflow (CSO) abatement programs: Atlanta, Cleveland, St. Louis & Providence; and we added WSSC and Miami-Dade since they are among the nation’s larger utilities even though their underlying municipalities do not meet the 30 largest criteria

Methodology – Step 2

- We prepared a graph in Figure 1 showing the computed charges for a single family residential (SFR) customer for all utilities in the large universe, without any screening for comparability
- Results are presented for a SFR customer that uses 6.69 hundred cubic feet of water and sewer services per month, has a 5/8” meter and has one equivalent residential unit (ERU) for stormwater billing purposes. The charges reflect rates that were in effect in late 2010 or early 2011

Figure 1: Comparative User Charges – Large National Utilities



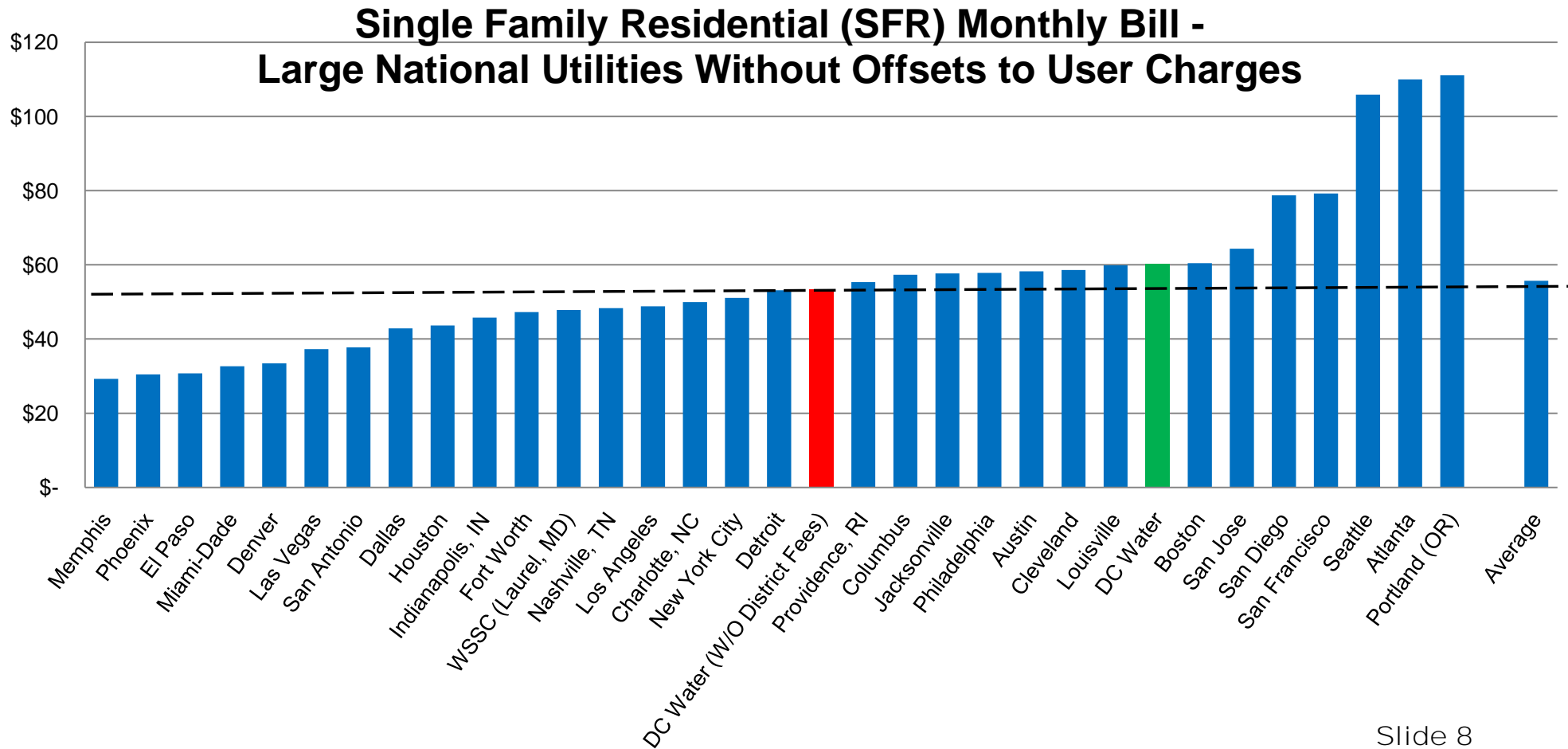
Methodology – Step 3

- From publicly-available data, we researched apparent offsets to the revenues to be raised from user charges for utilities in the large universe. We define these offsets as outside revenue sources that are independent of the utility system such as property or sales taxes. Without such revenue offsets, it is assumed that the user charges for these utilities would be higher than what is currently calculated
- We deleted those utilities with significant revenue offsets that have user charges below DC Water in order to prepare Figure 2

Methodology – Step 3

- Examples of utilities with outside revenue sources include:
 - Chicago & Milwaukee – significant property tax revenues are applied towards the cost of wastewater treatment; City of Milwaukee also provides a backstop for water bill collections
 - St. Louis – property tax revenues are expected to generate \$26M annually to pay for the costs of stormwater service
 - Baltimore – part of the cost of stormwater services is paid through the General Fund of the City. City documents indicate that it is exploring financing options for stormwater services

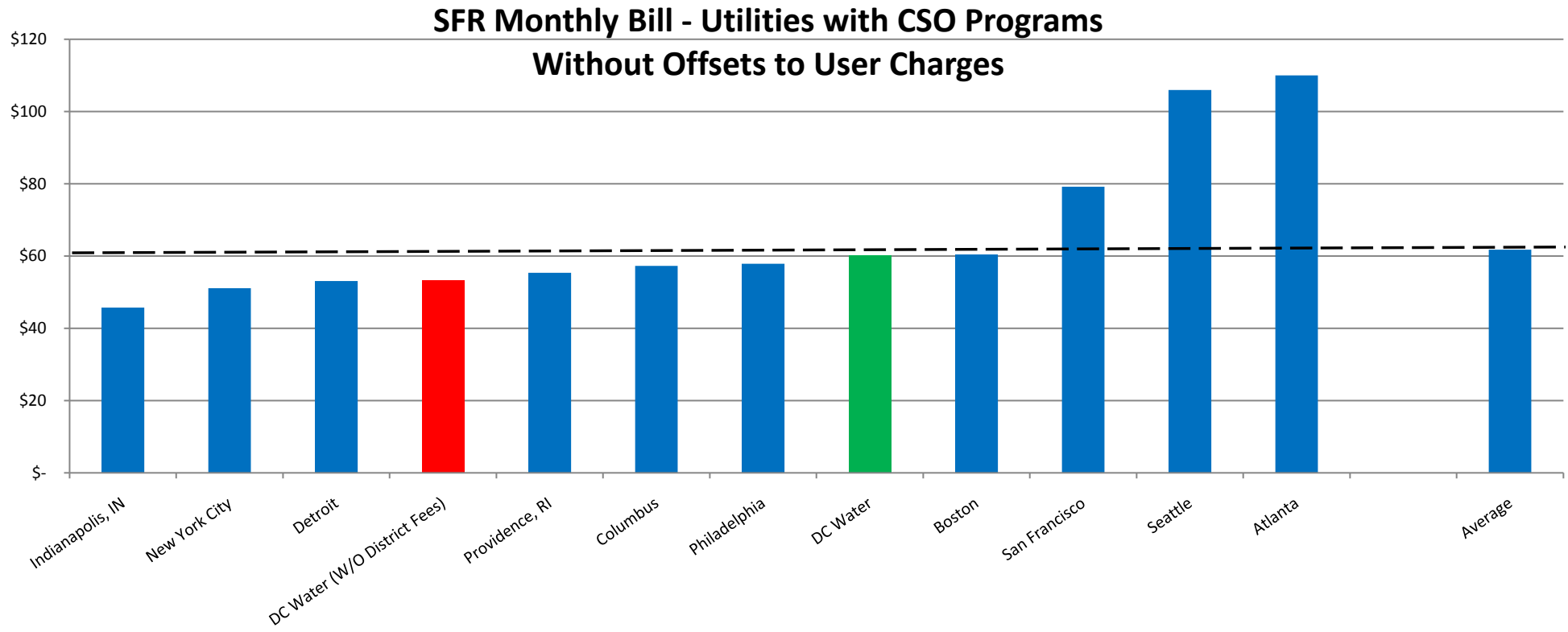
Figure 2: Comparative User Charges - Without Outside Revenue Sources & Lower Charges



Methodology – Step 4

- From the utilities presented in Figure 2, we identified those that have CSO abatement programs. This list is far more limited but includes utilities that have spent significant amounts of money on CSO programs and/or will be spending significant amounts of money
- The SFR charges for these utilities are presented in Figure 3. The systems have other differences with DC Water in their system characteristics, rate structure, etc. but are deemed most comparable using the screening criteria of revenue offsets and CSO abatement

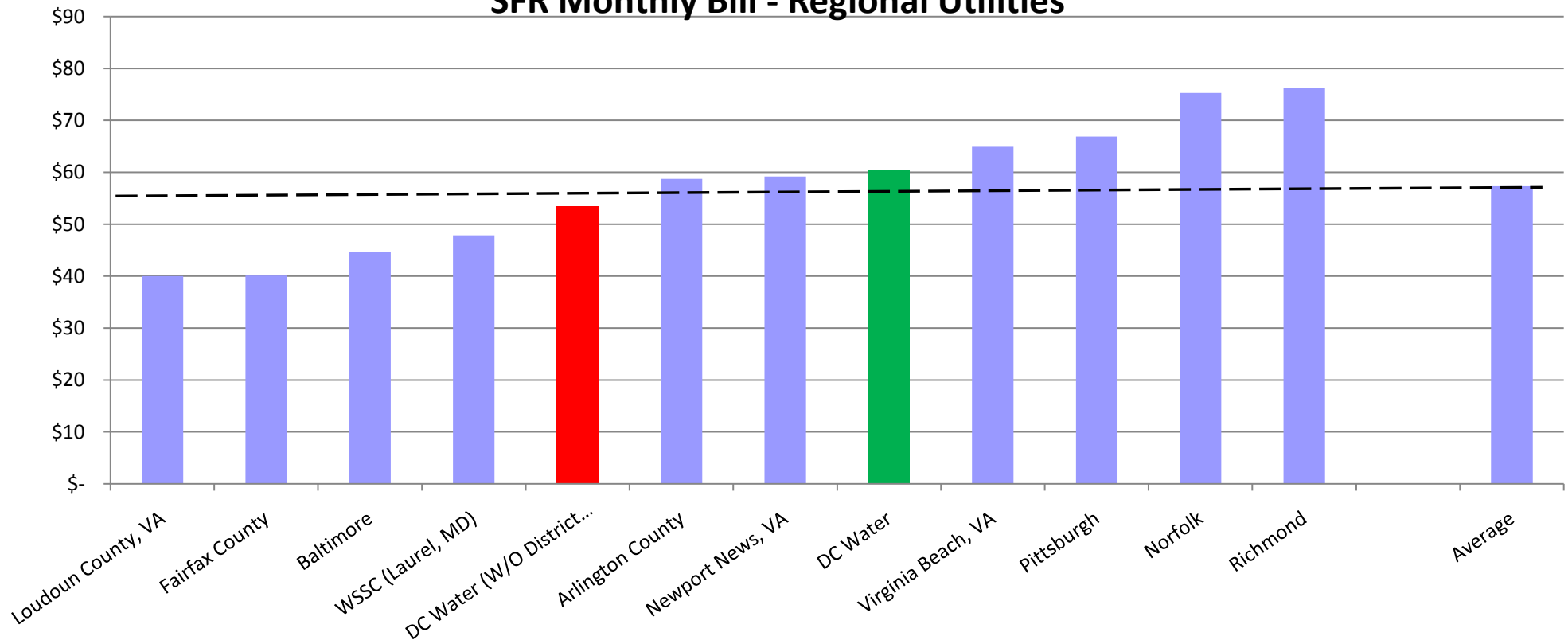
Figure 3: Comparative User Charges – Using Figure 2 Utilities, But With CSO



Methodology – Step 5

- The final comparison in Figure 4 below shows the SFR charges for DC Water with those of utilities in the region around the District

SFR Monthly Bill - Regional Utilities



Conclusions

- DC Water SFR charges are:
 - Average to slightly above the average compared to others on a large national city basis
 - Average to slightly above the average compared to others on the large national city basis less utilities that are receiving revenue offsets & have lower resulting charges
 - Slightly below average to about average among the utilities with no revenue offsets & CSO programs
- No utilities are identical; relative position compared to other systems is important
- The data is subject to interpretation, change (e.g., utilities adjust their rates at different times of the year) and availability – please see the last slide

Notes Regarding the Methodology

- The results that are presented herein were prepared using publicly available information from documents and other information made available by the utilities – the information provided by utilities may not be complete and is subject to change
 - Sources include: utility budget plans, financial statements, comprehensive annual financial reports, Amawalk internal sources, communication with utility representatives, NACWA 2008 Survey, and AWWA/RFC 2008 Survey.

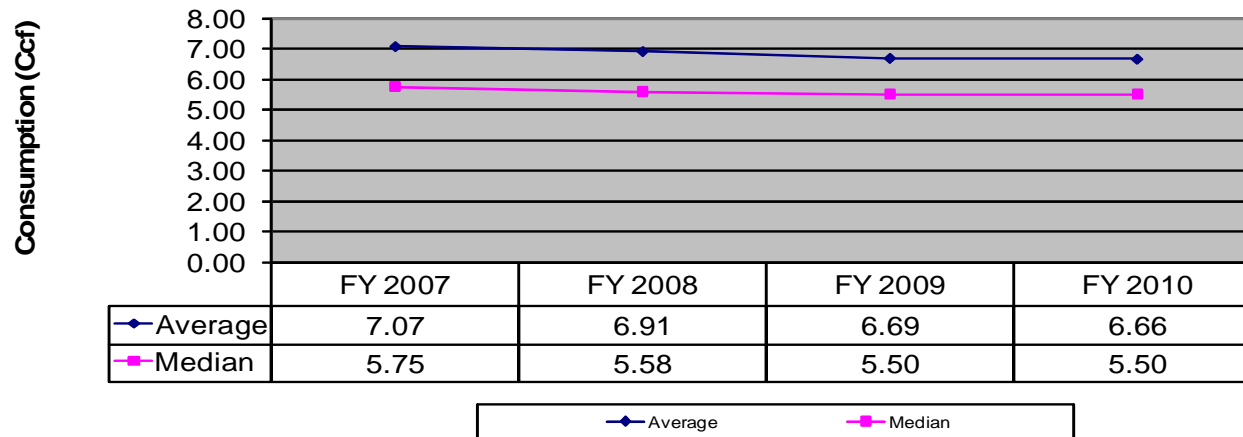
- The presentation includes information that we found for utilities where revenue offsets occur; while we are certain that some utilities have no outside revenue sources, it is possible that certain other utilities have revenue offsets that could not be identified based on the information that was available

Attachment B

FY 2010 Residential Customer Consumption

Quartile	Number of Accounts	Annual Usage Ccf	Monthly Usage Ccf	Average Usage Ccf	Median Usage Ccf
1st Quartile	1-26,017	544,654	45,388	1.74	1.92
2nd Quartile	26,018 - 52,034	1,353,563	112,797	4.34	4.33
3rd Quartile	52,035 - 78,051	2,133,494	177,791	6.83	6.75
4th Quartile	78,052 - 104,070	4,286,710	357,226	13.73	11.50
Total Usage	104,070	8,318,421	693,202	6.66	5.50

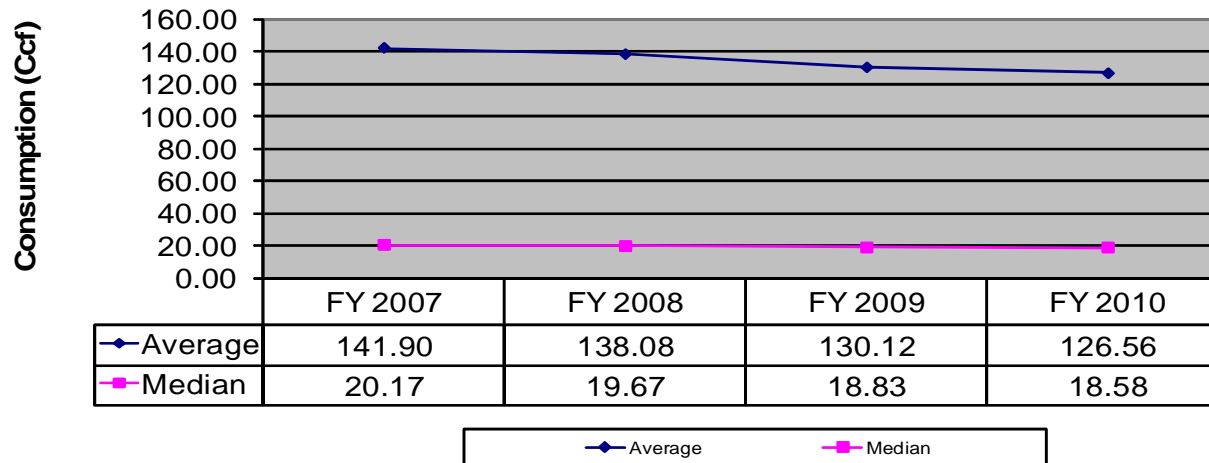
FY 2007 - 2010 Residential Average and Median Usage



FY 2010 Non-Residential Customer Consumption

Quartile	Number of Accounts	Annual Usage Ccf	Monthly Usage Ccf	Average Usage Ccf	Median Usage Ccf
1st Quartile	1- 4,939	29,601	2,467	0.50	3.25
2nd Quartile	4,940 - 9,878	737,072	61,423	12.44	12.17
3rd Quartile	9,879 - 14,817	2,066,735	172,228	34.87	31.58
4th Quartile	14,818 - 19,755	27,168,366	2,264,031	458.49	177.67
Total Usage	19,756	30,001,774	2,500,148	126.56	18.58

FY 2007 - 2010 Non-Residential Average and Median Usage

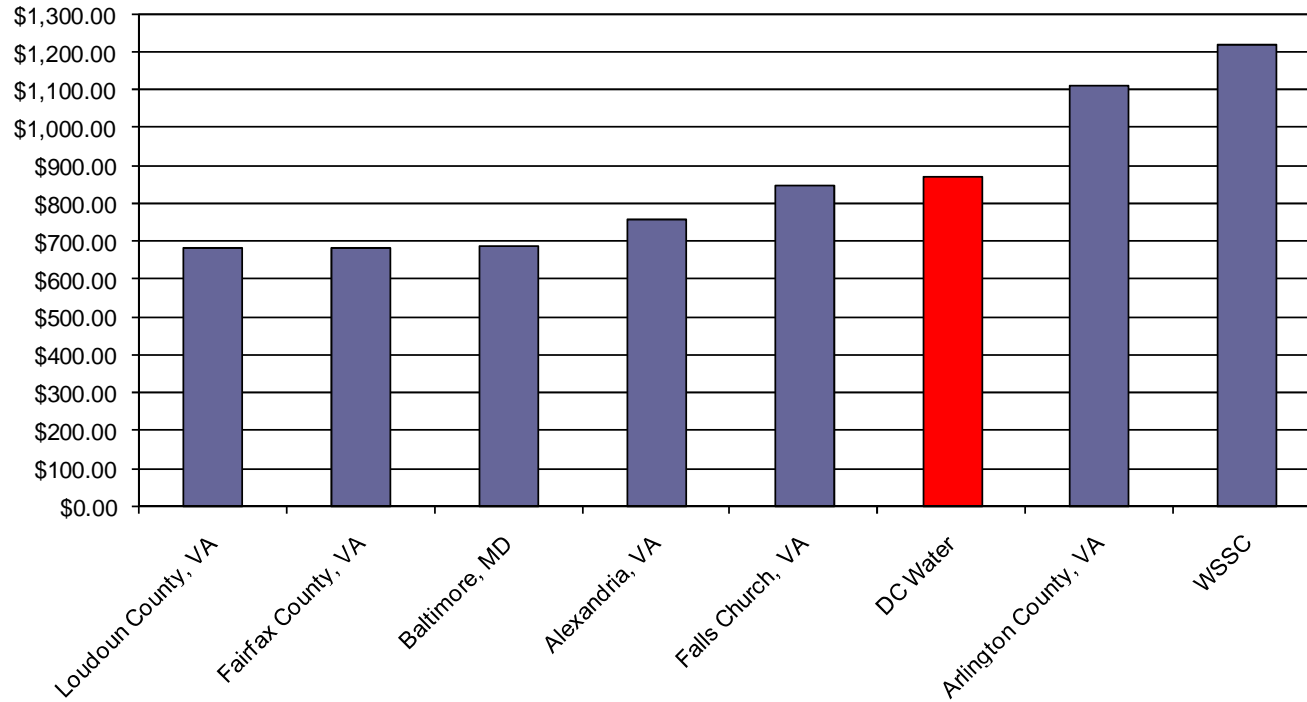


FY 2010 Non-Residential Average and Median Usage by Customer Class

Customer Class	Mean Usage Ccf	Median Usage Ccf
Commercial	105.59	13.33
Federal	1292.4	218.17
DCHA	69.41	12.00
Municipal	223.44	56.33
Multi-Family	90.79	25.5
DC Water	1518.02	29.25

Fiscal Year	W & S Rate	Average Usage Ccf	Median Usage Ccf	Average (\$)	Median (\$)
FY 2010	\$6.12	126.56	18.58	\$774.55	\$113.71
FY 2009	\$5.61	130.12	18.83	\$729.97	\$105.64
FY 2008	\$5.37	138.08	19.67	\$741.49	\$105.63
FY 2007	\$5.09	141.90	20.17	\$722.27	\$102.67

**DC Water Non-Residential Customers Average Consumption Comparison to Other Local Utilities
(Based on Fall FY 2010 Data)**



(1) Assumes non-residential consumption of 126.56 Ccf, or 94,667 gallons, per month. Ccf = hundred cubic feet, or 748 gallons
 (2) Reflects FY 2011 volumetric water and sewer non peak rates excluding other fees

Miscellaneous Fees & Charges



Miscellaneous Fees & Charges

Retail Rates Committee

March 22, 2011



Attachment C

Background

- RFC conducted a review of DC Water Miscellaneous Fees and Charges as part of our 2009 Cost of Service Study
- Benchmarked existing charges against those charged by other similar utilities
 - Types of charges – Is DC Water charging for all the non-traditional services they provide?
 - Adequacy of charges – Do the charges seem adequate to cover costs of providing these services?

Background

- Existing Categories of Fees and Charges:
 - Water taps and connections
 - Sewer taps
 - Meter purchase and installation
 - Fire hydrant charges
 - Water bubbler installation and removal
 - Engineering reviews and sale of documents
 - Pretreatment
 - Legal charges
 - Copying charges

Background Summary of 2009 COS Recommendations

- ◆ There are opportunities to update existing fees and charges to more adequately recover cost of service
 - Meter purchase and installation
 - Engineering review and permitting

- ◆ There are opportunities to develop additional fees and charges to help recover the costs of specialized services and enhance revenue
 - Industrial user permitting and sampling
 - Temporary discharge fees

Miscellaneous Fees & Charges

Background Benchmarking Sample Set

- ◆ Allegheny County (PA) Sanitary Authority
- ◆ Baltimore (MD) Bureaus of Water and Wastewater
- ◆ Birmingham (AL) Water Works Board
- ◆ Charlotte-Mecklenburg (NC) Utilities
- ◆ City of Dayton, Ohio
- ◆ City of Raleigh, NC
- ◆ Cleveland (OH) Water
- ◆ First Utility District, Knoxville, TN
- ◆ Jacksonville (FL) Electric Authority
- ◆ Jefferson County (AL) Wastewater
- ◆ Little Rock (AR) Wastewater
- ◆ Metro Water Services, Nashville, TN
- ◆ Mobile (AL) Area Water and Sewer System
- ◆ Northeast Ohio Regional Sewer District
- ◆ Philadelphia (PA) Water Department
- ◆ Pittsburgh (PA) Water and Sewer Authority
- ◆ Richmond (VA) Department of Public Utilities
- ◆ Washington Suburban Sanitary Commission (MD)

Miscellaneous Fees & Charges

Scope of Current Engagement

- Fees and Charges identified for Analysis
 - Engineering & Permitting fees (Existing)
 - Environmental Impact Study fee review (New)
 - Large meter installation (Existing)
 - Turn-on turn-off cost of service (Existing)
 - Industrial user permitting and sampling (New)
 - Temporary discharge fees (New)
 - Waste hauler fees (Existing)
 - High strength surcharges (New)
- Develop cost of service basis for fees
- Make recommendations to Retail Rates Committee

Miscellaneous Fees & Charges

Engineering Review and Permitting Fees

Time to Implement:
Short-term

Revenue Potential:
Moderately Positive

Impacted Customers:
Developers

Difficulty to Implement:
Moderate

- ◆ Permit Operations Sections reviews developer plans and issues permits
- ◆ Current fee structure is inadequate to recover costs
- ◆ Co-location of District developer services offers opportunity to restructure fees

Miscellaneous Fees & Charges

Environmental Impact Study Fees (New)

Time to Implement:
Short-term

Revenue Potential:
Minimal

Impacted Customers:
Developers

Difficulty to Implement:
Minimal

- DC Water reviews preliminary development plans for water and sewer impact
- DC Water can implement a cost-based fee to recover the effort involved in their review

Miscellaneous Fees & Charges

Large Meter Purchase and Installation

Time to Implement:
Short-term

Revenue Potential:
Minimal

Impacted Customers:
New Customers

Difficulty to Implement:
Minimal

- DC Water charges for large meter purchase and installation was below peer group
- Charge should reflect the cost to purchase meter and the labor and materials for installation

Miscellaneous Fees & Charges

Turn-on/Turn-off Fees

Time to Implement:
Short-term

Revenue Potential:
Minimal

Impacted Customers:
Non-paying and delinquent customers

Difficulty to Implement:
Moderate

- DC Water turn-on/turn-off fees probably do not recover the full cost of service
- Determining the actual cost for turn-on/turn-off service will provide a basis for potential update of the fee

Miscellaneous Fees & Charges

Industrial User Permitting and Sampling (New)

Time to Implement:
Mid-term

Revenue Potential:
Minimal

Impacted Customers:
Industrial Users

Difficulty to Implement:
Moderate

- Industrial users do not pay for their permitting and sampling provided by the Pretreatment Section
- A billing and collections process must be developed
- Imposing fees may increase the service level required for permitted customers

Miscellaneous Fees & Charges

Temporary Discharge Fees (New)

Time to Implement:
Mid-term

Revenue Potential:
Minimal

Impacted Customers:
To be determined

Difficulty to Implement:
Moderate

- Limited demand for low strength, unmetered discharges into the sanitary sewer
- Cost of service principles typically require fees be on a volumetric basis
- Legal and technical review done to ensure appropriate fee calculation

Miscellaneous Fees & Charges

Waste Hauler Fees

Time to Implement:
Short-term

Revenue Potential:
Minimal

Impacted Customers:
Waste Haulers

Difficulty to Implement:
Moderate

- DC Water wants to structure fees on a volumetric basis
- Fees should also recognize that hauled waste varies in strength
- Fees should recognize the cost to administer the program

High Strength Surcharges (New)

Time to Implement:
Mid-term

Revenue Potential:
Moderately Positive

Impacted Customers:
High Strength Dischargers

Difficulty to Implement:
Moderate

- High strength customers do not pay for the added cost of treating their waste
- Surcharges require detailed cost of service scheduled for update in 2012
- Surcharges may be extended to non-monitored customers

Miscellaneous Fees & Charges

Miscellaneous Fees and Charges Summary

Miscellaneous Fee Description	Time to Implement*	Revenue Potential
Engineering Review and Permitting Fees	FY 2012	Moderately Positive
Environmental Impact Study Fees	FY 2012	Minimal
Large Meter Purchase and Installation	FY 2012	Minimal
Turn-on/Turn-offs	FY 2012	Minimal
Industrial User Permitting and Sampling	FY 2012	Minimal
Temporary Discharge Fees	Future	Minimal
Waste Hauler Fees	FY 2012	Minimal
High Strength Surcharges	Future	Moderately Positive

* Anticipated effective date

Next Steps

- Continue analysis of Miscellaneous Fees and Charges
- FY 2012 Miscellaneous Fee Recommendations at April meeting of the Retail Rates Committee
 - Fees, fee structure, and implementation recommendations
 - Timeline for additional study needed to finalize recommendations

Attachment D

Conceptual Scenarios to Scale Back the
Proposed FY 2012 Retail Rate Increases

Retail Rates Committee Meeting

March 22, 2011



Agenda

- Reduction and Management of Operating Expenditures
- Reduction and Deferral of Capital Expenditures
- Revenue Enhancements
 - Increase Non-Retail Revenues
 - Reduce Discount Programs
 - Resolve Howard University and Soldier's Home Dispute
 - Revisit Clean Rivers IAC Exemption for Streets

Reduction and Management of Operating Expenditures

Reduction and Management of Operating Expenditures

Quickest to implement with immediate impact on current cash expenditures – each 1 percent rate increase funds \$2.6m of expenditures. Approaches for reducing expenditures include:

- Long term operating savings requiring initial investment but high payback
- Focus on efficiency measures to sustain current service levels
- Short term stop gaps that could result in lower service levels

□ Major Cost Categories to explore, are:

- Personnel - \$113.4m or 27% of FY 12 budget. This budget already anticipates a salary freeze. To accommodate further reduction in this line item, the Authority could consider other short term stop gaps (which may not be sustainable) such as: a hiring freeze, furloughs or even layoffs. The biggest uncertainty in this line item is that the Authority's current labor contract expires at the end of FY 2011. The Authority is also exploring other ways to efficiently manage and deploy our labor force, including:
 - Better Job planning
 - Schedule optimization
 - Reevaluating crew sizes
 - Selling advertising space

Reduction and Management of Operating Expenditures - contd

❑ Major Cost Categories to explore, are:

- Energy – \$37.4m or 9% of FY 12 budget, primarily energy used in the treatment process. It is unlikely that we can take any short term stop gaps to mitigate cost in this area. FY 12 budget anticipates savings resulting from long term capital investments and quick win projects to optimize our usage and purchase of energy. FY 11 budget includes funding (\$400k) for energy saving initiatives (Quick wins) that should result in long term operating savings .
- Chemicals - \$30m or 7% of FY 12 budget . In addition to long term capital investments that would result in optimizing chemical usage at our facilities, we could try to optimize pricing by relooking at our chemical purchase contracts prior to exercising options to see if any market opportunities exist to rebid.
- Payment in Lieu of Taxes(PILOT), Right of Way (ROW) and Other Permit Fees – \$23.4m or 5.5% of FY 12 budget is budgeted for PILOT/ROW. Although, the PILOT is supposed to cover all cost of services provided by the City, the Authority is also being assessed millions of dollars in additional permit fees by the District Govt (DDOT, DCRA and DDOE).

Reduction and Deferral of Capital Expenditures

Reduction and Deferral of Capital Expenditures

Due to the high capital intensity of our industry and in light of the current economic environment, it is essential that we continue to efficiently and effectively manage our capital projects— each 1 percent rate increase provides funding for debt service on \$40m of capital projects. Emphasis should be placed on:

- Planning, project selection, prioritization and scoping - if the board desires, certain projects could be deferred. Note however that the long term impact of deferring capital projects usually far outweigh the short term gains from expenditure savings.
- Acquisition – ironically the current economic environment continues to provide opportunities for lower bid prices on many of our projects. Although, we cannot currently quantify, we expect to revise certain project budgets downwards based on bid results.
- Financing – the authority currently finances a significant portion of its capital projects through long term financing. The availability of which is dependent on credit rating. Many of the stop gaps that can be deployed to reduce financing expenditures (lowering reserve, pay-go or coverage requirements) typically result in lower credit quality and tend to drive financing costs up in the long term.

Revenue Enhancement Initiatives

Increase Non-Retail Revenue

☐ Increase non-retail revenue:

- Develop/Update Miscellaneous fees and charges
 - Authority receives on average \$5m annually
- Increase grant funding
 - Authority receives on average \$12 m per year in EPA grants
 - Authority has received annual congressional appropriation for the Clean Rivers - Long Term Control Plan of between \$3 - \$20m
- Increase Wholesale customers allocation
 - Recent study reveals wholesale customers should share in cost of certain sewer facilities
- Develop and Implement New Innovative Revenue sources:
 - Cell phone towers
 - Bottle water
 - Fee to pay water bill by credit or debit card

Reduce Discount Programs

Reduce Discount Programs:

- Customer Assistance Program (CAP) budget = \$1.9 million
- Clean Rivers IAC Incentive Program budget = \$0.5 million

Resolve Howard University and Soldiers Home Dispute

□ Howard University and Soldier's Home

- Since FY 2007, Authority has challenged basis for free water services, which is not currently billed.
 - This challenge has been reinvigorated in FY 2010, with planned resolution in FY 2011
- Starting FY 2004 Authority has been billing for other services (primarily sewer), but neither customer has paid.
 - Authority is aggressively working to resolve issue in FY 2011.

	HOWARD UNIVERSITY	SOLDIERS HOME	TOTAL
FY 2010 BILLED AMOUNT	\$834,672.93	\$1,078,327.04	\$1,912,999.97
FY 2010 WATER (Not Billed)	\$477,904.00	\$562,573.83	\$1,040,477.83
TOTAL	\$1,312,576.93	\$1,640,900.87	\$2,953,477.80



Revisit Clean Rivers IAC Exemption for Streets

❑ Current Board policy exempts Impervious Area Charge on public rights of way (ROW):

- We currently estimate that between 30 – 40 percent of Impervious Area is located in the public (ROW)
 - A policy change to eliminate or reduce exemption would result in a higher charge to both the Federal and Municipal governments who own these public ROW. However the positive impact of a policy change on other retail customer charges should be weighed against the negative reaction of such a charge by these government entities.

Impervious Area in Public Space

Feature Type	Area (m ²)	Area (Sq. Ft)	ERU
Roads	21,652,736	233,068,111	233,068
Sidewalks	5,247,999	56,488,987	56,489
Bridges	71,124	765,574	766
Rec area	1,805	19,433	19
Stairs	19,774	212,848	213
Total		290,554,952	290,555



DISTRICT OF COLUMBIA REGISTER

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

NOTICE OF PROPOSED RULEMAKING

The Board of Directors of the District of Columbia Water and Sewer Authority (the Board), pursuant to the authority set forth in Section 216 of the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, effective April 18, 1996 (D.C. Law 11-111, §§ 203(3), (11) and 216; D.C. Official Code §§ 34-2202.03(3), (11) and 34-2202.16), Section 6(a) of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1206; D.C. Official Code § 2-505(a)), and in accordance with Chapter 40 of Title 21 of the District of Columbia Municipal Regulations (DCMR), hereby gives notice of its intention to amend Sections 4100, "Rates for Water Service," and 4101, "Rates for Sewer Service," of Chapter 41, "Retail Water and Sewer Rates," and Sections 112, "Fees," and 199, "Definitions," of Chapter 1, "Water Supply," of Title 21, "Water and Sanitation," of the DCMR.

The Board expressed its intention to amend the DCMR at its regularly scheduled Board meeting held on February 3, 2011, pursuant to Board Resolution # 11-23. Final rulemaking action shall be taken in not less than thirty (30) days from the date of publication of this notice in the *D.C. Register*.

In addition, the Board will receive comments on these proposed rates at a public hearing at a later date. The public hearing notice will be published in a subsequent edition of the *D.C. Register*.

Section 4100, "Rates for Water Service," of Chapter 41, "Retail Water and Sewer Rates," of Title 21, "Water and Sanitation," of the DCMR is amended as follows:

Subsection 4100.3 is amended to read as follows:

4100 RATES FOR WATER SERVICE

4100.3 Effective October 1, 2011, the rate for retail metered water service shall be increased from Three Dollars and Ten Cents (\$3.10) for each One Hundred Cubic Feet (CCF) (or the equivalent of Four Dollars and Fourteen Cents (\$4.14) for each One Thousand (1,000) Gallons (1 CCF equals Seven Hundred Forty-Eight and Five hundredths (748.05) Gallons)) of water used to:

- (a) Residential Customers: Three Dollars and Twenty-Nine Cents (\$3.29) per CCF (or the equivalent of Four Dollars and Forty Cents (\$4.40) for each One Thousand (1,000) Gallons) of water used.
- (b) Non-Residential Customers: Three Dollars and Twenty-Nine Cents (\$3.29) per CCF (or the equivalent of Four Dollars and Forty Cents (\$4.40) for each One Thousand (1,000) Gallons) of water used.

Section 4101, "Rates for Sewer Service," of Chapter 41, "Retail Water and Sewer Rates," of Title 21, "Water and Sanitation," of the DCMR is amended as follows:

1

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Subsection 4101.1 is amended to read as follows:

4101 RATES FOR SEWER SERVICE

4101.1 Effective October 1, 2011, the rates for sanitary sewer service shall be:

- (a) The retail sanitary sewer service rate shall be increased from Three Dollars and Seventy-Nine Cents (\$3.79) for each One Hundred Cubic Feet (CCF) (or Five Dollars and Seven Cents (\$5.07) for each One Thousand (1,000) Gallons (1 CCF equals Seven Hundred Forty-Eight and Five hundredths (748.05) Gallons)) of water used to:
 - (1) Residential Customers: Four Dollars and One Cent (\$4.01) per CCF (or the equivalent of Five Dollars and Thirty-Six Cents (\$ 5.36) for each One Thousand (1,000) Gallons) of water used;
 - (2) Non-Residential Customers: Four Dollars and One Cent (\$4.01) per CCF (or the equivalent of Five Dollars and Thirty-Six Cents (\$5.36) for each One Thousand (1,000) Gallons) of water used; and
- (b) The annual Clean Rivers Impervious Surface Area Charge (IAC) shall be increased from Forty-One Dollars and Forty Cents (\$41.40), billed monthly at Three Dollars and Forty-Five Cents (\$3.45), per Equivalent Residential Unit (ERU) to Eighty-Two Dollars and Forty-Four Cents (\$82.44) per ERU, billed monthly as follows:
 - (1) Residential Customers: Six Dollars and Eighty-Seven Cents (\$6.87) per month for each ERU;
 - (2) Non-Residential Customers: Six Dollars and Eighty-Seven Cents (\$6.87) per month for each ERU.

Section 112, "Fees," of Chapter 1, "Water Supply," of Title 21, "Water and Sanitation," of the DCMR is amended as follows:

Subsection 112.8 is amended to read as follows:

112.8 RIGHT OF WAY OCCUPANCY FEE PASS THROUGH CHARGE/PILOT FEE - Effective October 1, 2011, the District of Columbia Right of Way Occupancy Fee Pass Through Charge and the Payment in Lieu of Taxes (PILOT) Fee, shall be increased from Sixty-Three Cents (\$0.63) for each One Hundred Cubic Feet (1 CCF) (or the equivalent of Eighty-Four Cents (\$0.84) for each One Thousand (1,000) Gallons (1 CCF equals Seven Hundred Forty-Eight and Five hundredths (748.05) Gallons)) to Sixty-Eight Cents (\$0.68) for each One Hundred Cubic Feet (1 CCF) (or the equivalent of Ninety-One Cents (\$0.91) for each One Thousand (1,000) Gallons) of water used, divided as follows:

- (a) District of Columbia Right of Way Fee, assessed to recover the cost of fees charged by the District of Columbia to D.C. Water and Sewer Authority for use of District of Columbia public space and rights of way: An increase from Fourteen Cents (\$0.14) per CCF (or the equivalent of Nineteen Cents (\$0.19) per One Thousand (1,000) Gallons) of water used to:
 - (1) Residential Customers: Fifteen Cents (\$0.15) per CCF (or the equivalent of Twenty Cents (\$0.20) per One Thousand (1,000) Gallons) of water used;
 - (2) Non-Residential Customers: Fifteen Cents (\$0.15) per CCF (or the equivalent of Twenty Cents (\$0.20) per One Thousand (1,000) Gallons) of water used; and

- (b) Payment in Lieu of Taxes to the Office of the Chief Financial Officer (OCFO) of the District of Columbia, assessed to cover the amount which D.C. Water and Sewer Authority pays each fiscal year to the District of Columbia, consistent with D.C. Water and Sewer Authority’s enabling statute for public goods and services received from the District of Columbia: An increase from Forty-Nine Cents (\$0.49) per CCF (or the equivalent of Sixty-Five Cents (\$0.65) per One Thousand (1,000) Gallons) of water used to:
 - (1) Residential Customers: Fifty-Three Cents (\$0.53) per CCF (or the equivalent of Seventy-One Cents (\$0.71) per One Thousand (1,000) Gallons) of water used;
 - (2) Non-Residential Customers: Fifty-Three Cents (\$0.53) per CCF (or the equivalent of Seventy-One Cents (\$0.71) per One Thousand (1,000) Gallons) of water used.

Section 199, “Definitions,” of Chapter 1, “Water Supply,” of Title 21, “Water and Sanitation,” of the DCMR is amended to read as follows:

199 DEFINITIONS

199.1 When used in this chapter, the following words and phrases shall have the meanings ascribed:



Department - the District of Columbia Water and Sewer Authority.

Director - the General Manager of the District of Columbia Water and Sewer Authority or his or her lawful agent, representative, or designee.

MEMORANDUM

DATE: March 16, 2011

TO: George S. Hawkins
General Manager

FROM:  Leonard R. Benson 
Chief Engineer

CC: Olu Adebo

RE: Determination of Cost Allocation for CIP Project D2 – Blue Plains Influent Sewers

A board member has requested that staff provide an explanation and history of the determination of allocation of costs for CIP Project D2 – Blue Plains Influent Sewers. This memorandum responds to that request.

The Three Party Consent Decree required DC Water to ensure the sewerage collection and transmission system had the capacity to convey 1076 mgd to Blue Plains by September 1, 2008. The Decree provided for extension of this date if DC Water found conditions in the sewer system that prevented achieving the required conveyance capacity. As part of its sewer system assessment program, conditions requiring rehabilitation of portions of the Blue Plains Influent Sewers were found. Based on this, the Consent Decree deadline was extended to April 11, 2011 and DC Water implemented a plan to rehabilitate portions of the Blue Plains influent sewers based on the sewer inspection results.

Prior to beginning preliminary design work on Project D2, these influent sewers were identified as non-joint use. This was based on the influent sewers not being listed as joint-use in DC WASA's enabling legislation. However during the design phase, beginning Fall 2007, DC Water recognized that the sewers being rehabilitated carried flow from the District and also the suburban jurisdictions, notably both WSSC and Fairfax County, as well as the PI Users. Accordingly, DC Water began discussions with representatives of the suburban users regarding cost allocation. These discussions were guided by the cost allocation principles stated in the IMA. During these discussions beginning in June 2008, DC Water recommended as a rational basis for cost allocation that the influent sewers to Blue Plains were substantially interconnected and that the sewers should be considered as one facility, essentially as an extension of the BPAWTP. Based on this rationale, the suburban users share for the project would be in proportion to their allocation at Blue Plains, i.e., the standard "Blue Plains 60:40 split".

Alternative approaches for allocating costs were also discussed. One alternative approach involved calculation of the District and suburban flows in the individual pipe segments being rehabilitated and then using this data to allocate costs. However, there was no data available, i.e., no design basis or flow analysis, to support the use of that methodology – though it was acknowledged by all to be a more exact approach.

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At the time the construction contract was awarded, in Spring 2009, resolution of the cost allocation method had not been finalized, but allocating costs based on treating the influent sewers as one interconnected system was considered by DC Water staff to be the most rational based on then existing data. The suburban users did not agree to this split.

During BOD meetings in the Spring of 2009 (EQ & SS Committee in March 2009, Full BOD in April 2009), there was discussion that resulted in the final Fact Sheet for the construction contract for this project indicating that there had not been a final determination of cost allocation for this project.

Meanwhile the sewer system facility planning was progressing. There was recognition that many of the sewers identified for rehabilitation had suburban flow and were therefore multi-jurisdiction use. It was also noted that many, if not most, of these multi-jurisdiction use sewers were not listed as "Joint-Use" Facilities in the WASA enabling legislation. There was also recognition that there was no flow or design data necessary for allocation of costs for these projects. Recognizing that flow and/or design basis would be necessary for equitable allocation of costs in accordance with IMA methodologies, DC Water developed a state of the art model of the sewer collection and transmission system to calculate the relative portions of District and Suburban flow in each multi-jurisdiction use pipe. The results of this model were presented to the Environmental and Sewage services Committee on February 18, 2010, and were provided to the suburban users in a "draft" report in March 2010, with revisions in July, 2010. Both DC Water and the representatives of the suburban users were satisfied in concept with the model methodology, and in August, 2010 agreed to recommend its use broadly for all multi-jurisdiction use pipelines and appurtenances, and also specifically as an interim basis for cost allocations for Project D2.

DC Water subsequently presented the multi-jurisdiction use facilities model and report to the Blue Plains Regional Committee in September, 2010. The BPRC approved this model based approach because it accounted for the interconnectivity of the sewer system, was technically defensible, and was based on the design of the system. The model inputs are currently being revised to improve accuracy and utility of the model outputs, in accordance with discussion at the BPTC in December 2010.

The approach made possible by the "new" model generated data resulted in cost allocation as follows for the Blue Plains Influent Sewer Rehabilitation:

DC	41.7%
WSSC	15.1%
Fairfax	0.94%
Loudon Water	0.41%
PI Users	0.09%

The percentages shown are provisional, for interim payment purposes, pending results based upon the additional model runs with revised input from the BPRC in December 2010.

Below please find a table titled "Summary: Blue Plains Influent Sewer Rehabilitation Cost Allocation History." This table summarizes the history of allocations for CIP Project D2.

Summary: Blue Plains Influent Sewer Rehabilitation – Cost Allocation History

DATE	EVENT
Feb-2007	Project Introduced to CIP at 100% DCWater Allocation Basis: DCWASA Legislation, Not listed Joint-Use
Sep-2007	Design Fact Sheet with 40/60 splits Allocation Basis: Preliminary design reveals multi-jurisdiction flow
Oct-2007	Project Splits changed to 40/60 Split in Budget Book Allocation Basis: Extension of AWTP/IMA 60:40
May-2008	First Billing to WSSC at 40/60 splits Allocation Basis: Extension of AWTP/IMA 60:40
June-2008	Suburbs request review of 40/60 splits Allocation Basis: Alternative approach under discussion
Mar-2009	Construction Fact Sheet to EQ & SS Allocation Basis: Allocation basis stated as “undetermined”
Mar-2009	Meeting with Suburbs to discuss cost allocation basis continues Allocation Basis: Allocation not determined
Apr-2009	Construction Fact Sheet to BOD Allocation Basis: Allocation not determined
May-2009	Meeting with Suburbs to discuss cost allocation basis continues Allocation Basis: Allocation not determined
Mar-2010	Multi-Jurisdiction Use Facilities Report Introduced Allocation Basis: Allocation Discussion around ‘new’ model developed information
Sept-2010	Suburbs/DC agreement at BPRC to new split of 16.54% for suburbs Allocation Basis: BPRC agrees on allocation methodology/basis
Nov-2010	New Billing to Suburbs at 16.54% Allocation Basis: Interim allocation pending additional refinement of model inputs.

Attachment F

FY 2010 Revised Retail Rates Committee & FY 2011 Proposed Workplan

Committee Activity	Committee Calendar	Completed
1. FY 2012 Retail Rate Activities <ul style="list-style-type: none"> a. Rate Proposal to committee b. Committee recommendation c. Public Outreach d. Public Hearing e. Committee recommendation on FY 2012 rates 	October 2010 December 2010 March/April 2011 May 2011 June 2011	√ √
2. Implement LID Incentive Program for customers who utilize Best Management Practice	Ongoing-Coordinating with DDOE on program planning; Overview presented December 15, 2010; Request to post public notice to be determined	
3. Review and Update BOD Resolution for Rate Setting <ul style="list-style-type: none"> a. Last reviewed in 1997 b. Ways to Minimize Customer Impacts from Rate Increases 	January 6, 2011, Board approved resolutions	√
4. Review and Update Committee on long-range rate issues, including follow-up on FY 2009 Cost of Service Study results, prior to next cost of service study <ul style="list-style-type: none"> a. Review and understand customer demographics b. Consider/Review Other Misc Charges/Fees c. Consider Implementation of Developer/Impact Fees 	April, 2011 March - April, 2011 March – April, 2011 March 22, 2011: Management update on items 4b & 4c for FY 2012 implementation April 26, 2011: Retail Rate Committee to approve and recommend to Board implementation of items 4b & 4c in FY 2012 May 5, 2011: Board to adopt Retail Rates Committee proposal of items 4b & 4c for FY 2012	

Attachment F

<ul style="list-style-type: none"> d. Evaluate future strategies for unbundling volumetric rates (Fixed/Volumetric rates) e. Alternative rate structures review f. Revisit CAP program and possible modifications (Expansion and or methodology) g. Preliminary understanding of revenue subtractions, discounts, exemptions 	<p>April - June, 2011</p> <p>FY 2012</p> <p>FY 2012</p> <p>April, 2011</p>	
<p>5. Effectively Communicate Rates/Charges</p> <ul style="list-style-type: none"> a. Determine appropriate benchmark <ul style="list-style-type: none"> i. Typical Residential Customer & Non – Residential Customer ii. Utility and City Peer Comparison b. Consider changing from Ccf to Gallons c. Review names/titles of certain bill line items d. Howard University and Soldier’s Home Negotiations Update e. Improving cost allocations communications with Board (e.g., NMC Outfall Sewer Rehab D2) 	<p>March, 2011</p> <p>January, 2011</p> <p>March, 2011</p> <p>Monthly</p> <p>March 2011</p>	√
<p>6. “PILOT” evaluation – In coordination with District Government Review and Propose new methodology for assessing PILOT and unrelated issues.</p>	<p>To be determined</p>	
<p>7. PI Settlement Status</p>	<p>TBD</p>	
<p>8. IAC Program Evaluation</p>	<p>FY 2012</p>	



Attachment G

FY 2012 Retail Rates & Fees Proposal Schedule

Activity	Date	Responsibility
Approval of Proposed FY 2012 Water & Sewer Retail Rate Adjustments	January 6, 2011	Board of Directors
Approval of Amended Proposed FY 2012 Water and Sewer Retail Rate Adjustments	February 3, 2011	Board of Directors
Posting in DC Register notice of Amended proposed rulemaking FY 2012 Retail Rate Adjustments	March 04, 2011	General Counsel
Retail Rates Committee Miscellaneous Fee Update	March 22, 2011	Finance & Budget
Retail Rates Committee FY 2012 Miscellaneous Fees Recommendation	April 26, 2011	Retail Rates Committee
Town Hall/Community Meetings: <i>Ward 3 Meeting, University of the District of Columbia, 4200 Connecticut Avenue, NW</i> <i>Ward 6 Meeting, Watkins Elementary School, 420 12th Street, SE</i> <i>Ward 5 Meeting, Luke C. Moore Academy, 1001 Monroe Street NE</i> <i>Federation of Civic Associations, 441 4th Street, NW Room 117</i> <i>Ward 8 Meeting, Temple of Praise 700 Southern Ave., SE</i>	March – April, 2011 <i>March 8, 2011</i> <i>March 17, 2011</i> <i>March 22, 2011</i> <i>March 23, 2011</i> <i>March 29, 2011</i>	Public Affairs



Attachment G

Activity	Date	Responsibility
<i>Ward 7 Meeting, Deanwood Recreation Center, 1350 49th Street, NE</i>	<i>April 5, 2011</i>	
<i>Ward 2 Meeting, Location TBD</i>	<i>April 12, 2011</i>	
<i>Ward 4 Meeting, Shepherd Elementary School, 7800 13th Street, NE</i>	<i>April 21, 2011</i>	
<i>Ward 1 Meeting, Columbia Heights Education Campus, 3101 16th Street, NW</i>	<i>April 28, 2011</i>	
Board of Directors approval of proposed FY 2012 Miscellaneous Fee adjustments	May 5, 2011	Board of Directors
Post in DC Register Notice of FY 2012 Miscellaneous Fees for Public Comment	May 5, 2011	Board Secretary
Development of Public Record Document	May, 2011	Board Secretary
Public Hearing (FY 2012 Retail Rates)	May 11, 2011	Board Secretary
Committee Recommendation of FY 2012 Retail Rates & Miscellaneous Fees Adjustments	June 28, 2011	Retail Rates Committee
Board of Directors approval of FY 2012 Retail Rates & Miscellaneous Fee Adjustments	July 7, 2011	Board of Directors
Posting in DC Register notice of final Rulemaking for FY 2012 Retail Rates & Fee Adjustments	Sept. 27, 2011	General Counsel
Effective date for rates & fees adjustments	Oct. 1, 2011	Customer Service