



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS**

DC Water Retail Water and Sewer Rates Committee

Tuesday June 28, 2011

MEETING MINUTES

COMMITTEE MEMBERS

David J. Bardin, Chair
Howard Gibbs, Vice-Chair
Howard Croft
Alan Roth
Alethia Nancoo
Alexis Roberson - Teleconference

DC WATER STAFF

George Hawkins, General Manager
Olu Adebo, Chief Financial Officer
Randy Hayman, General Counsel
Linda Manley, Board Secretary

Call to Order

Chairman Bardin called the Committee meeting to order at 9:02 am. The agenda is posted at <http://www.dewater.com/news/publications/DCWSR%20Committee%20Material%2006-28-11.pdf> with links to its Attachments A through F.

Monthly Updates (Attachment A)

Supplementing written updates on the Howard University, Soldier's Home and Town of Vienna status of delinquent accounts, Mr. Hayman told the Committee that on June 24th Howard University paid \$67,000 -- the current sewer bill including IAC -- and will continue to pay bills going forward (under protest) pending further investigations and negotiations of past amounts. Also, DC Water will begin to bill Howard for water services no later than October 2011.

Miscellaneous Fees & Charges Presentation (Attachments B and D)

Chairman Bardin noted that DC Water published in the D.C. Register for a 30-day comment period a single notice covering three sets of proposed changes of miscellaneous fees & charges in accordance with Board Resolution #11-62. As discussed below, the Committee decided to move forward to the Board for final action all proposed changes in (a) engineering and review fees and (b) waste hauler fees, but delayed as to (c) industrial pre-treatment fees.

Engineering and review fees. DC Water received no public comments. Management recommends Board approval without modification. Responding to Chairman Bardin and Vice-chair Gibbs, General Manager Hawkins said DC Water expects to be able to implement a new fast track permit review service with higher fees by October 1, 2011, and assured the Committee that staff will collect fast-track fees only to the extent it is capable of performance.

Waste hauler fees. DC Water received one comment which objects to raising annual fees for trucks with 1500 gallons or more capacity from \$1,650 to \$14,640. Management recommends approval of the proposed changes without modification. Staff has listed 37 trucks with permits to dispose of septic and grease trap wastes at Blue Plains as of May 2, 2011. The sole commenter owns one of those trucks and it makes multiple trips to Blue Plains. Mr. Roth indicated that the CFO had advised him that the waste hauling fees were set to mirror rates charged by WSSC, a neighboring utility, and were not determined by cost of service. Asked whether such rates are defensible, the General Counsel noted that value – or market-based fees are defensible, although using a cost of service study would be the strongest position to any fee challenge. Mr. Adebo noted that the current rate greatly under-recovers costs and that in the next year additional data will be sought regarding strength and volumes of waste that waste haulers are discharging. He deems it likely that the fee will be adjusted in the future to a volumetric fee per delivery rather than the current annual fee tied to truck size. Mr. Hawkins said that these materials may be useful in the future after the digesters are up and running and tested. Extensive testing will be ongoing to ascertain whether such materials can help “fuel” the process to create clean power.

Industrial user permitting and annual compliance fees. DC Water received no public comments. But Mr. Hawkins recommended postponement of Committee consideration of these fees pending close of the comment period recently extended to July 20 on related, non-fee regulations proposed in the D.C. Register in accordance with Board Resolution #11-59, approved by the Board on May 5, 2011, when it also approved Resolution #11-62. The Committee is delaying its review of the set of fee proposals until its July 26 meeting.

FY 2012 Management Recommendation on Retail Rates (Attachments C and D)

The Committee had before it proposed changes in retail rates that were published in the D.C. Register (in accordance with Board Resolution #11-23 approved February 2, 2011) and the *Summary Report of the Board’s Public Hearing on FY 2012 Proposed Rate Increases* held on May 11, 2011, and chaired by Ms. Nancoo. Public witnesses did not object to the rate increases; but one written comment objected to the proposed 6 percent increase in volumetric and sewer rates and especially the proposed 99 percent increase in Clean Rivers IAC rates.

General Manager Hawkins and Chairman Bardin summarized how Management’s recommendations in Attachment C would trim back increases and affect monthly bills:

- Volumetric water and sewer rate increases trimmed from 6 percent to 4.5 percent;
- Volumetric PILOT fee increases trimmed from 8.2 percent to 6.1 percent; and
- Clean Rivers IACs increases trimmed from 99 percent to 92 percent.

Impacts of GM’s Current Recommendations on Monthly Bills to Residential Customer Class			
Rates or fees	Δ \$ / mo.	Δ %	Units billed
Volumetric sewer & water service	\$2.08	4.5%	6.69 Ccf
Clean Rivers IAC	\$3.19	92.4%	1 ERU
PILOT fee	\$0.20	6.1%	6.69 Ccf
ROW fee	\$0.06	7.1%	6.69 Ccf
Metering fee	none	none	1 5/8” meter
DC Stormwater fee	none	none	1 ERU

These current proposals would have had DC Water taking \$5.53 more per month – compared to \$6.50 in the proposal that went to Public Hearing -- out of the pockets of an average single-

family residential customer [assumed to use 669 cubic feet = 5,004 gallons per month and one ERU of impervious area]. That would have increased the average bill in FY2012 by 9.2 percent under Management's current proposal instead of 10.8 percent as previously proposed:

- As discussed below, the Committee recommends no increase in PILOT fees charged DC Water customers, disagreeing in this respect with Management.
- Otherwise the Committee defers to the General Manager's recommendations.
- The result would be to trim from \$5.53 (9.2 percent) to \$5.33 (8.8 percent) the FY 2012 increase in the average residential bill.

Mr. Roth pointed out that Clean Rivers IACs account for most of the retail rate increase for FY 2012 and years to come. See Slide 26 of Attachment C (and graphic version). The 4.5 percent increase in the volumetric sewer and water service rates is the lowest in years.

Management's current proposal trimmed the increase in PILOT fees to be charged customers in proportion to its trimming the increase in volumetric rates to 4.5 percent, replacing the earlier 6 percent proposal. The Committee reviewed legal issues as to DCWASA's PILOT MOU, why PILOT fees already collected from customers aren't at least enough to compensate for goods and services DC Government provides, and a history of negotiation for over a year. Mr. Hawkins urged the Committee to recommend approval of increased PILOT fees even though DC Water holds the extra funds rather than paying them over. Mr. Bardin urged no increase of these fees in FY 2012. Mr. Roth suggested that any action to reduce or eliminate the PILOT fees increase be delayed until the new City Administrator joins the Board. Ms. Nancoo noted that there is no guarantee that negotiations will be concluded before the next rate cycle (FY 2013), yet the rate payers will pay a higher rate for amassing cash that won't be transferred to the City. Mr. Bardin asked, if the outcome of negotiations requires more payments to DC Government, why couldn't FY 2013 rates provide extra cash, if any is really needed? As noted, the Committee recommends against adding to existing PILOT fees. Whether to lower the existing fees themselves, Chairman Bardin said, may be a matter for negotiations but was not raised as an issue by the D.C. Register notice of rulemaking.

The Committee agreed to move forward to the Board the proposed one cent per Ccf increase in ROW fees, as proposed by management, as well as the volumetric water and sewer service rate increases and the increased Impervious Area Charges (IACs) recommendation from management. Mr. Bardin recommended that management further reduce the proposed IAC rate by \$0.20 per Equivalent Residential Unit (ERU) per month because amounts budgeted for an IAC LID incentive program (\$500,000 per year) remain unexpended and no program seems imminent. But Mr. Hawkins said that despite their complexities, initiating appropriate IAC discounts remains a high priority for DC Water. And Mr. Roth said future years' funding needs for the Clean Rivers Project argue against cutting back on management's recommendation.

Mr. Croft asked management to review Clean Rivers IAC to find ways to provide assistance for low-income residents. CFO Adebo replied that management plans to explore this and could consider expanding the CAP program which is scheduled to be evaluated in FY 2012.

Action Items (Attachment D)

Chairman Bardin said the Committee had dealt with each action item by consensus, although not necessarily unanimously, during previous discussions and is forwarding all management's recommendations to the Board except for the proposed increases in PILOT fees.

Retail Rates Committee Workplan (Attachment E)

Item #2: LID Incentive Program.

- Chairman Bardin asked management to add low impact design (LID) incentives for low income customers, either by means of Clean Rivers IAC discounts for low income residents or otherwise.
- Chairman Bardin asked that an update and review of LID incentive program proposals be provided to the Committee. Mr. Adebo committed that staff would provide a status update at the July meeting.

Item #6: "PILOT" evaluation

- Chairman Bardin asked for revision calling for replacement, not merely new methodology as the goal, and to change "unrelated" to "related" issues in the last sentence.

Item #9: FY2012 Cost of Service Study

- Chairman Bardin requested that a schedule with milestones be provided to the Committee and Mr. Adebo said the end date would be April rather than July 2012.

Emerging Issues / Other Business

No discussion

Agenda for Next Committee Meeting (Attachment F)

Chairman Bardin approved the pro-forma agenda for the July 26 meeting.

Adjournment

Hearing no further business, Chairman Bardin adjourned the meeting at 11:31am.

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (July 26, 2011)

1. Provide a preliminary update on customer complaints on Clean Rivers IAC (Chairman. Bardin) Status: July 2011
2. Revise the Committee work plan as noted. (Chairman Bardin) Status: July 2011
3. 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 2012.