



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

*Retail Rates Committee
Tuesday, October 28, 2008
9:00 a.m.*

MEETING MINUTES

COMMITTEE MEMBERS

Robin B. Martin, Chairman
Howard Gibbs
Joseph Cotruvo
Alan Roth

WASA STAFF

Jerry N. Johnson, General Manager
Olu Adebo, Acting Chief Financial Officer
Avis Russell, General Counsel
Linda R. Manley, Board Secretary

Presenter

Louis Desjardins, Tessadi Contractor (IT)

Call to Order

Chairman Martin called the scheduled Retail Rates Committee meeting to order at 9:00 a.m. It was agreed to move directly to agenda item #3, and to discuss the Impervious Surface Project after the presentation of the FY 2010 rate and fee proposal.

FY 2010 Rate and Fee Proposal

Mr. Johnson reviewed the presentation, Attachment C-3, within the committee package. The highlights include a recommendation of 10 percent increase for the water and sewer consumption rates, a monthly fee for impervious surface area charge of \$2.20 per ERU compared to the \$1.24 monthly fee that is anticipated for implementation in April, 2009, a PILOT fee increase of 10.3 percent and an ROW fee increase of 7.7 percent. It is projected that these adjustments would increase the average residential customer bill by \$6.04, or 10.7 percent. Revenue increases are required to support the debt service for financing of the \$3.2 billion 10-year capital improvement plan, over 50% of which is federally mandated. By 2017, DC WASA projects that 39 percent of the operating expenditures will be to meet debt service requirements, which grow an average of 14.5 percent annually. Despite the proposed increases, a comparison of DC WASA average residential bills to various other utilities demonstrates that DC WASA's average monthly bills remain in the median range when compared to fall 2008 rates. Projected FY 2010 rates are not included for the other utilities. A revised calendar of activities/actions for rates during FY 2010 was distributed and reviewed.

Committee members had numerous questions about the proposal and the operating and capital budget requirements. A copy of the budget presentation provided to the Finance and Budget Committee on October 23, 2008, was distributed for the Committee's reference. Chairman Martin asked that the graph depicting projected rate increases for the ten year period include another line showing the average monthly bill as projected. That information will be provided to the Board. Also, Chairman Martin asked that the Committee review the impact of other rate adjustments through a scenario model used in previous years. Mr. Adebo stated that this would be done in the

November, 2008, committee meeting. It was suggested that careful consideration be given to the communication of the rate increase message. For instance, it might be helpful to break out the percentage of each dollar or each Ccf receipt that covers the BTN project, low income discount programs, utilities, etc. Also, future press releases should focus on the performance and benefits of the budget rather than rate increases.

Impervious Surface Project Update

The Committee discussed the Impervious Surface Area project. Mr. Adebo briefed the Committee on the key project milestones by stating that WASA is on schedule for the April, 2009, go-live date. He noted that a milestone to provide a status report on Single Family multi-tier ERUs has been added to the project milestone list for discussion in January, 2009.

Mr. Desjardins continued and provided an update on the activities surrounding the impervious surface project. Mr. Desjardin reviewed the QA process noting that WASA's uses the same standard used nationally to determine database integrity. Mr. Desjardins stated that the QA is made up of a number of automated and manual verifications. The data from delivery of data from the first geographic grid (Grid 1) was returned to PB Consult because it failed to pass the automated checks. Mr. Desjardin noted that the source data are not perfect and when the District of Columbia Geographic Information System (DCGIS) database was created it did not take into account impervious surface area so it is not unexpected that there would be some data returns and re-submissions. That is part of the QA process. Grid 1 has been resubmitted and the QA process is being performed. Grid 2 was delivered on time and included some impervious-only premises for the first time. A number of adjustments were required on the impervious-only premises that caused those data to be returned to PB. Mr. Desjardins stated that overall quality of the work is significantly superior to what had been delivered in either March or June. Mr. Desjardin reviewed the slides demonstrating the various layer types and the typical single family and non-single family property "polygons" that have been cleaned to include premise numbers. Further discussion included business rules on how properties boundaries are defined in the database and how charges will be assessed.

The Committee moved to discussion of the impervious area legislation introduced by Councilmember Graham's committee. Mr. Fry reviewed the status which is outlined on the Retail Rates Calendar. He noted that currently the next opportunity for first reading of the legislation is November 18, 2008. Both a first and second reading must take place prior to the legislation becoming law and both readings must be identical. If the legislation is not passed by the Council prior to the end of the calendar year, then it must be re-introduced in January and the process starts over. A revised version of the legislation received after the package mailout was distributed. It includes a definition of impervious surface that would, among other things, severely limit DC WASA's ability to complete the project and may not allow implementation using existing DC data as the basis for the charges, given that the restrictions would not be discernible through DC GIS data. Comments from DC WASA have been drafted and are under review. Mark-up has not been scheduled, but a meeting with Councilmember Graham and his staff has been requested so that all concerns can be discussed prior to markup.

Chairman Martin mentioned that during the October 10th hearing a number of questions were asked and Councilmember Graham mentioned that he wanted DC WASA to come back with language to narrow the authority given to WASA to charge for impervious area by defining it in the legislation. Mr. Fry noted that several meetings have been held with committee staff to express concern over various features of the bill. This most recent update of the legislation was not shared with DC WASA staff directly during its drafting. Chairman Martin mentioned that the rate restriction for low income residents is still in the draft legislation and suggested that staff offer to draft revised language for Councilmember's Committee. Mr. Fry responded that WASA has offered to do so and the committee staff turned down the offer. Mr. Johnson noted that an update of the impact analysis of the rate cap was included in the Retail Rates Committee package. The impact would add over 4

percent to the retail rate structure and is not included within the current FY 2008-2017 proposed financial plan. The Board proposal to expand the CAP to include a discount on the first 4 Ccfs of sewer service to qualified low income customers will add a little over 6 percent to the rate structure and is included within the 10-year financial projections just presented to the Retail Rates Committee. Mr. Roth noted that while DC WASA should continue with the scheduled public hearing, the Board might need to take more time before making a final decision given the pending legislative actions.

Mr. Johnson asked the Committee to provide management with guidance with respect to responding to the Councilmember on the language in the impervious legislation. Chairman Martin noted that Mr. Adebo should ask WASA's financial advisors as to whether there would be an effect on WASA's bond ratings with regards to DC Council legislation determining DC WASA rates rather than the Board of Directors. After much discussion, it was determined that staff should address the latest legislative revision considering the following: documentation from the financial advisors on the effect of the rate making powers suggested in the legislative language; potentially higher rent costs to tenants that don't have a meter; concerns expressed by several groups that fixed rates may not support environmental conservation or awareness; concerns expressed by DDOE and others that this may be construed as a tax rather than a fee for service if a particular group is excluded from the impervious service area charge; and a review by DC WASA general counsel to ensure conformance with the recent federal legislation regarding DC WASA that reaffirmed the Authority's financial independence – this legislation provided that all issues of financial management for DC WASA were under the exclusive purview of rules and regulations adopted by the Board of Directors.

Brendan Shane of DDOE asked to address the Committee on behalf of the DDOE Director and expressed their concerns over definition language that does not match language in concurrent legislation on stormwater management. Additionally, DDOE has concerns within stormwater legislation regarding fee restrictions for low income residents, as their fee is not a tax and they do not want it to be questioned as a tax. DDOE would caution DC WASA to review the suggested rate restrictions with this legal issue in mind.

Adjournment

Hearing no further business, Chairman Martin adjourned the meeting at 11:35 am.