

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Retail Rates Committee

Tuesday, July 26, 2011

9:30 A.M.

1. **Call to Order** David J. Bardin, Chairman
2. **Monthly Update (Attachment A)** Randy Hayman
 - Howard University
 - Soldier's Home
 - **Town of Vienna (Attachment B)**
3. **Discussion of Low-Impact Development (LID) (Attachment C)**..... Randy Hayman
4. **Action Items** Olu Adebo
 - **FY 2012 Rate & Fee Changes (effective October 1, 2011) (Attachment D)**
 - a) Approval of proposed Pretreatment Fees (Management request action to be deferred until September)
5. **Update on Clean Rivers IAC**..... Yvette Downs
 - **Status Update on IAC Incentive Program (Attachment E)**
 - **Preliminary Update on Clean Rivers IAC Customer Complaints (Attachment F)**
6. **Update on DC Water Customer Class Segmentation Review (Attachment G)** Yvette Downs
7. **Retail Rates Committee Workplan (Attachment H)** Olu Adebo
8. **Emerging Issues/Other Business** Olu Adebo
9. **Agenda for September 27, 2011 Committee Meeting (Attachment I)** David J. Bardin, Chairman
10. **Adjournment**

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (June 28, 2011)

1. Provide a preliminary update on customer complaints on Clean Rivers IAC (Chairman. Bardin) Status: See agenda item #5

2. Revise the Committee work plan as noted. (Chairman Bardin) Status: See agenda item #7
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.

July 2011 Update on Howard University and Soldiers' Home Delinquent Accounts

Howard University

Without waiving rights to contest, Howard accepted terms of agreement under which they would begin making payments on current bills on the "Disputed Accounts". Check for approximately \$64,000 received on June 24, 2011. Howard will continue paying current billings while we work cooperatively on resolving the \$5.5 million arrearage.

NEXT STEPS

1. Howard will provide list of street addresses of its properties to update our records tying meters to properties served.
2. DC Water will furnish remainder of invoices for the arrearage amounts not previously delivered.
3. Provided the parties work in good faith to diligently pursue resolution, DC Water will forbear any further enforcement action.
4. If Howard fails to perform, DC Water's GM shall send notification of intent to lien to HU president.
5. DC Water will place liens on affected HU assets.
6. DC Water will pursue legal remedies to enforce collection against HU.
7. Effective Oct. 1, 2011, DC Water will bill Howard for water services on accounts.

Soldiers' Home

The Office of the General Counsel is preparing a legal opinion regarding sewer services, which were not referenced in the 1938 agreement providing for perpetual free water service.

NEXT STEPS

1. Preliminary pricing for professional appraisal of the value of the Reservoir site (both current and proposed facilities) was considerably higher than anticipated, so staff is meeting to refine the scope of work for the appraisal to achieve cost savings.
2. Engage Soldiers' Home in discussions to determine baseline for negotiations including:
 - a. Footprint for planned development
 - b. Metering to track current usage, as well as possible sub-metering to track usage for new facilities brought online through expanded development

3. Write letter from GM to the Soldiers' Home
 - a. Identify issues (reference new OGC legal opinion and Board Resolution 96-27)
 - b. Confirm Soldiers' Home's interest to renegotiate agreement equitably
 - c. Discuss next steps
 - d. Confirm identity of person authorized to negotiate on behalf of the Home

Attachment B



*Town of Vienna
1964-2007
PI Interceptor User Cost Settlement*

*Presentation To DC Water Retail
Rates Committee*

July 2011

Agenda

- Executive Summary
- Background
- Study Results
- Next Steps

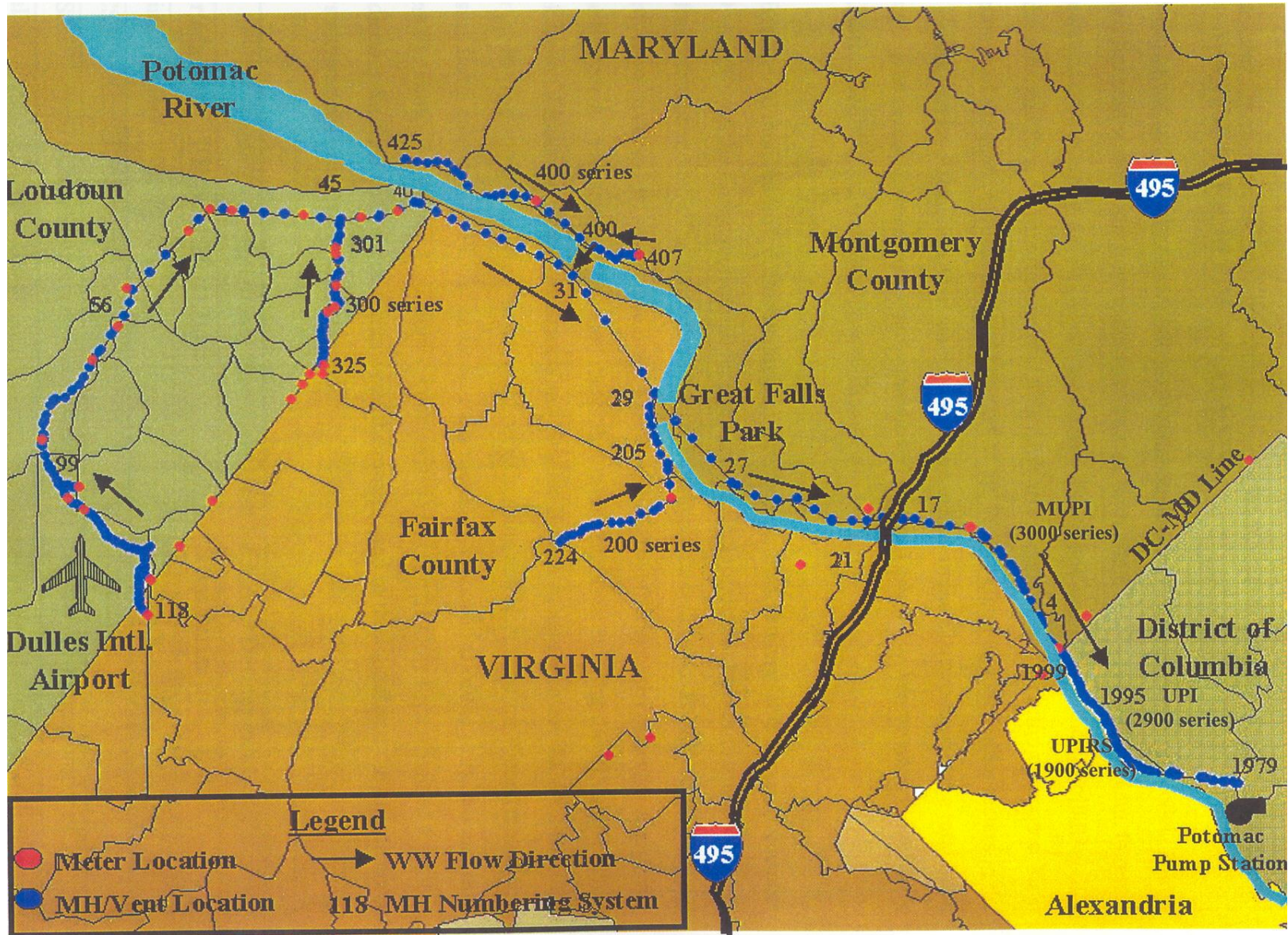
Executive Summary

- DC Water and Town of Vienna (Vienna) have been involved in a long standing dispute related to unrecovered historic cost for providing sewage treatment services.
- Based on Independent cost of service studies performed in 2003 and again in 2007, DC Water determined that several of the Small Potomac Interceptor Customers, including Vienna owed DC Water for unrecovered costs of services for the period of 1964 through 2007.
- Vienna and Metropolitan Washington Airport Authority (Dulles) disputed DC Water's claim and hired their own independent consultants to evaluate the claim.
- In October 2010, DC Water accepted a negotiated settlement from Dulles while continuing to negotiate with Vienna.
- After several more months of intense negotiation, in June 2011, the negotiating parties at Vienna and DC Water agreed to a settlement amount (subject to final approval by governing bodies).
 - Management believes this settlement amount is fair and reasonable.
 - Management also believes the amount is consistent with the settlement terms for Dulles

Background

- The 86th U.S. Congress authorized the design and construction of the Potomac Interceptor (PI) on June 12, 1960.
- DC Water charges the “Small PI Customers” (Dulles, National Park Service, Navy, Vienna) for wholesale wastewater treatment services pursuant to separate but similar Agreements signed in the 1960s.
 - These Small PI Customer Agreements are separate from the IMA agreements and the Loudon County Sanitation Authority Agreement – no duplication of cost recovery
 - Under the Agreements, the Small PI Customers’ rates are to be adjusted periodically (three year or greater intervals)
 - Charges are based on a proportionate allocation of capital and operating costs and are to be recovered through a rate per million gallons of wastewater flow.
 - Billings are made quarterly and based on measured flow.

Location of Potomac Interceptor (PI)



Small PI Customer Rate Studies

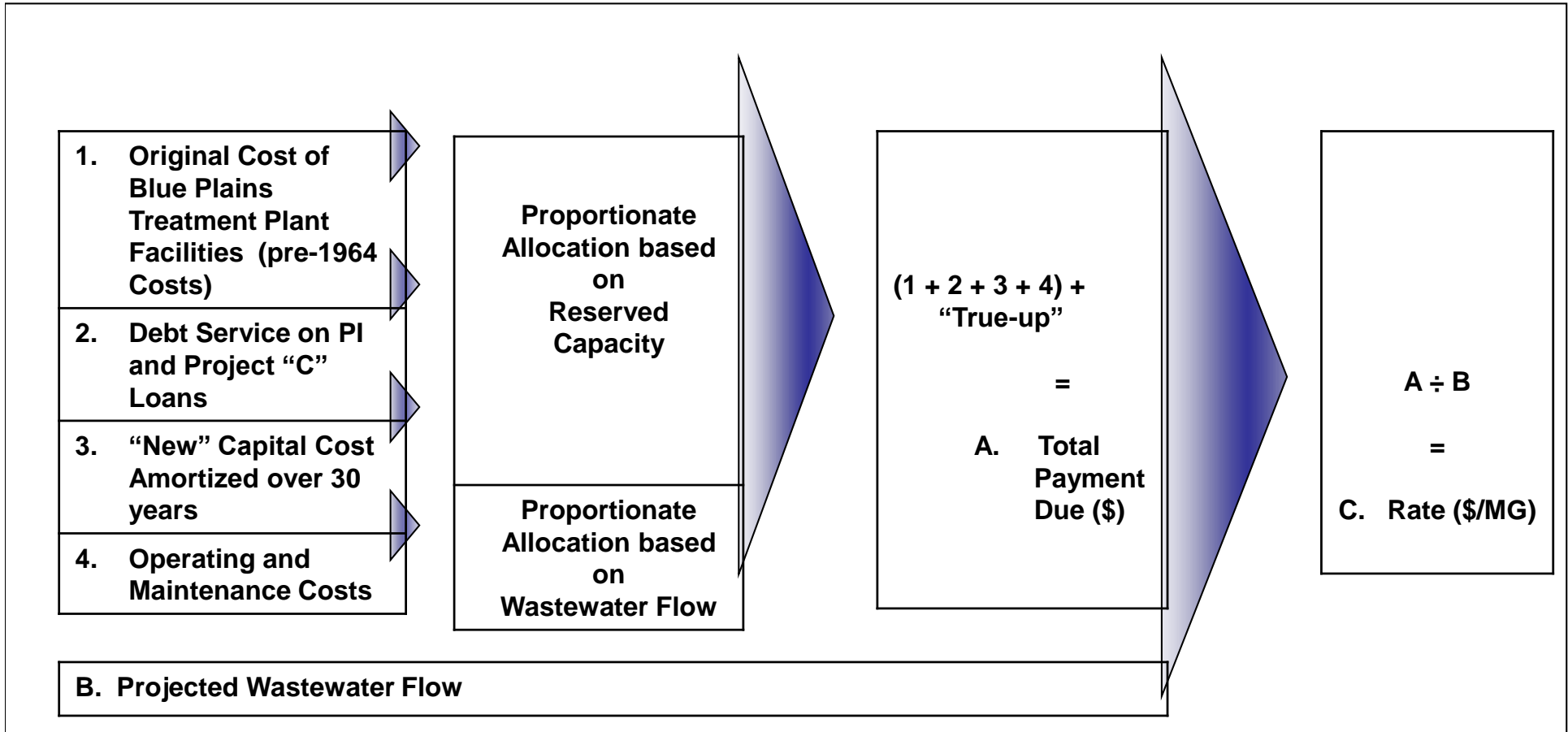
DC Water undertakes periodic rate studies to:

1. Determine costs of providing service to the PI Customers annually, including true-up and settlement
 - Prior to 2003 studies were done intermittently
 - Starting in FY 2003, studies are now done every 3 years
2. Estimate costs of services and PI Customer flows for next 3 years
3. Establish a rate for cost recovery for next 3 years

Small PI Customer Rate Studies - contd

- Previous Studies:
 - 1969 by Greeley and Hansen
 - 1975 by Camp Dresser and McKee
 - 1989 by Gannet Fleming Valuation and Rate Consultants, Inc. (rate increase was never implemented)
 - 2004 by PB Consult Inc.
 - Prior to 2004 Study, rates were last updated in 1979 at a uniform rate of \$1,000 per million gallons.
 - 2004 Study recommended Vienna rate of \$1,997 per million gallons.
 - 2007 by PB Consult Inc.
 - 2007 Study recommended Vienna rate of \$2,628 per million gallons (which included recapture of prior years under billings).
 - 2007 Study recommended Vienna rate of \$1,890 per million gallons (assuming separate check to settle prior year under billings).
 - 2010 study by Raftelis Financial Consultants (RFC) and SOA Financial (sub-consultant)

Rate Model



Each PI customer is required to pay the Authority for a proportionate share of capital costs based on its capacity allocation, and a proportionate share of operating and maintenance costs based on actual wastewater flow. The primary cost pools are:

- 1) The original cost of Blue Plains facilities (pre 1964 costs);
- 2) Associated debt service costs;
- 3) New capital costs (post 1964 costs); and
- 4) Operating & maintenance costs.

Study Results

Fiscal Year	Over/(Under)
1964 - 1999	126,108.00
2000 - 2003	(838,741.00)
2004	(235,801.00)
2005	121,246.00
2006	(15,329.00)
2007	(48,326.00)
Total	(890,843.00)

DC Water's independent consultants estimated in the 2007 rate study that the actual costs incurred for providing services through 2007 resulted in the Town of Vienna underpaying for services to the tune of \$890,843 for the respective periods shown in the table above

Key Issues Raised by Customer

Town of Vienna disputed DC Water's study and hired its own independent consultants, who raised the following issues:

1. Time Frame (1964 – 2004) – Retro Billings
 - Is this remedy available/practicable under the contract and law
 - DC did not adjust rates since 1979 despite clear evidence of change in cost of service
 - Availability of “hard data” to support cost for certain periods

2. Treatment of Over/Under payment over the period
 - Contract is silent on treatment
 - Should interest accrue on over/underpayment
 - Should overpayments be applied to offset any capital obligations (lower principal owed)

3. Estimation method used for O/M calculation
 - O/M costs were estimated for 1990- 1998 due to unavailability of data

Town of Vienna's Consultant Review Results

Fiscal Year	DC Water 2007 Independent COS results	Town of Vienna's Consultant Result - V1 (principal plus accrued interest)	Town of Vienna's Consultant Result - V2 (overpayments applied to reduce O/S debt principal)
1964 - 1999	126,108.00	4,633,931.00	(47,432.00)
2000 - 2003	(838,741.00)	367,769.00	(176,184.00)
2004	(235,801.00)	(18,716.00)	(68,116.00)
2005	121,246.00	429,693.00	129,542.00
2006	(15,329.00)	415,520.00	(12,250.00)
2007	(48,326.00)	842,519.00	13,245.00
Total	(890,843.00)	6,670,716.00	(161,195.00)

Town of Vienna's consultants disputed various assumptions in DC Water study

and offered two alternate conclusions based on:

1. V1 - Accruing interest on over/(under) amount would result in DC Water owing Vienna approx \$6.7 million – DC water study ignored interest
2. V2 - Applying overpayments from customers towards reduction of outstanding loan principal amount would result in Vienna owing DC Water approx \$161k.

Negotiated Settlement Results

	Over/(Under) Payment			
Fiscal Year	2007 COS Results	DC Water Initial Settlement Proposal	Vienna's Counter Proposal	Final Offer
1964-1999	126,108.00	126,108.00	475,561.00	347,580.50
2000-2003	(838,741.00)	(419,370.50)	(419,370.50)	(419,370.50)
2004	(235,801.00)	(235,801.00)	(235,801.00)	(235,801.00)
2005	121,246.00	121,246.00	121,246.00	121,246.00
2006	(15,329.00)	(15,329.00)	(15,329.00)	(15,329.00)
2007	(48,326.00)	(48,326.00)	(48,326.00)	(48,326.00)
Total	(890,843.00)	(471,472.50)	(122,019.50)	(250,000.00)

In June 2011, the negotiating parties agreed (subject to final approval by governing bodies) to a settlement amount of \$250,000 to resolve all outstanding claims for the period of 1964 – 2007.

Next Steps


1. Brief DC Water Board of Directors on settlement offer
2. Communicate acceptance of offer to Vienna
3. Draft settlement documents
4. Execute settlement documents and collect payment
5. The End



ATTACHMENT C

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 5000 OVERLOOK AVENUE, SW | WASHINGTON, DC 20032

MEMORANDUM

To: David Bardin, Member, DC Water Board of Trustees
Through: Randy E. Hayman, General Counsel 
From: Katherine Cahill, Principal Counsel
Date: July 14, 2011
Re: Low Impact Development "LID"

You have requested the Office of the General Counsel (OGC) to review and comment on certain questions regarding the referenced matter. The OGC's review included the District of Columbia Official Code (Code) and the District of Columbia Municipal Regulations (DCMR).

your questions, along with the OGC's response, follow:

Is the District of Columbia Law (L 17-370) entitled "Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008" the only law that requires the District Department of the Environment "DDOE" to have a program which includes LID discounts from DDOE's stormwater fees?

The OGC's review did not find any other law, statute, or regulation that specifically requires the DDOE to provide LID discounts from DDOE's stormwater fees.

However, various sections of the Code require DDOE to undertake certain actions with regards to LID. For example, § 8-152.04 of the Code, **Stormwater Management and Low Impact Development Grants**, requires the Director of the DDOE to: (i) prepare a study, along with other stormwater agencies which recommends policies and measures developed to implement LID and stormwater best practices on District properties; (ii) include among DDOE's public educational efforts a campaign to inform the public on the benefits of preventing pollution from stormwater runoff; and (iii) to work with DC Water to collect and evaluate scientific data on the effects of low impact development on reducing stormwater runoff to develop a plan for aggressive use of low impact development technologies to reduce the cost and size of any large scale civil engineering solutions to reducing stormwater pollution of the area's waterways. Additionally, § 8-152.05 **Stormwater Advisory Panel**, establishes a Stormwater Advisory Panel (Panel) within the DDOE. The Technical Working Group (TWG) of this Panel is directed to make recommendations to the Panel regarding existing District agency rules, regulations, and policies that might create barriers to the implementation of LID or stormwater best management practices within the District.

How does the “Water and Sewer Authority Equitable Ratemaking Act of 2008” give DDOE authority to have a program which includes LID discounts from DDOE’s stormwater fees?

§34-2202.16 of the Code, **Charges and Fees and Rate Setting**, requires DDOE to establish a stormwater fee by rule and amend it from time to time. This section further states that the Mayor shall coordinate the development and implementation of the MS4 stormwater user fee with DC Water’s impervious area surface charge, to ensure that both systems employ consistent methodologies (emphasis added). This section further states that the Mayor shall offer financial assistance programs to mitigate the impact of user fees on low income residents in the District, and shall evaluate the applicability of similar existing District low-income assistance programs to the stormwater user fee.

The “Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008” added a new § 34-2202.16a to the Code, **Low Impact Design Incentive Program and Fee Discounts**, that requires both DC Water and DDOE to establish within DDOE, a low impact design incentive program, to reduce the surface area that either prevents or retards the entry of water into the ground as occurring under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow, relative to the flow present under natural conditions (emphasis added).

The two previous paragraphs together form the basis for DDOE to have a program which includes LID discounts from DDOE’s stormwater fees.

What does LID mean?

§ 8-151.01 of the Code, **Definitions**, subsection 8, defines LID as follows:

(8) “Low Impact Development “ or “LID” means stormwater management practices that mimic site hydrology under natural conditions , by using design techniques in construction and development that store, infiltrate, evaporate, detain, or reuse or recycle runoff.

Is “low impact design” defined in the regulations or agency practice? Is it the same as “low impact development”?

The OGC’s review did not find a definition for “low impact design”. However, the definition of LID includes the use of design techniques to achieve the goal of low impact development. As the working definition of LID includes ‘design’, it is the opinion of the OGC that the terms “low impact development” and “low impact design” are interchangeable.

What does it mean to conclude on page 2 (page 3?) that subsection (c) requires DC Water to offer incentives? How does that square with earlier list of mandates for DC Water? Does DC Water have discretion to deviate from DDOE’s program structure?

The OGC requests clarification for the first portion of this question. Without such clarification, the OGC continues to hold the position stated in its earlier memorandum of January 25, 2011 – that subsection (c) of the Act does require DC Water to offer incentives. The subsection states affirmatively, that impervious surface fee discounts (which would act as incentives) approved by the Authority shall be

retroactive to no earlier than the date of the implementation of the impervious surface fee. This statement would be superfluous if DC Water were not required to offer incentives.

Regarding whether DC Water has discretion to deviate from DDOE's program structure, §§34-2202.16 and 34-2202.16a should once again be reviewed. §34-2202.16 states that the Mayor shall ensure that that the stormwater fee and the impervious surface area charge employ consistent methodologies. Webster's Third New International Dictionary defines 'consistent' as 'showing no noteworthy opposition'. 'Methodology' is defined as the 'processes, techniques or approaches used in the solution of a problem'. Given these parameters, while both the stormwater user fee and the impervious area surface charge must include the same fundamental processes, there is no statute or regulation which requires these processes to be identical. For example, both must be based on a measurement of the impervious area of real property, and both must have an appeal process. The offering of an incentive is a fundamental process that both also should have. However, these fundamental processes, while they could be identical, are not required to be identical.

It is the opinion of the OGC that while the stormwater user fee and the impervious area surface charge programs should include the same fundamental processes, these processes need not be identical.

DC Retail Water and Sewer Rates Committee Meeting - 6. Follow Up LID Incentive Program - George Hawkins



Privileged and Confidential: Subject to Attorney/Client; Attorney Work Product Privileges

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 5000 OVERLOOK AVENUE, SW | WASHINGTON, DC 20032

Office of the General Counsel

MEMORANDUM

To: David J. Bardin, Chairperson, District of Columbia Retail Water and Sewer Rates Committee
Members of the District of Columbia Retail Water and Sewer Rates Committee

From: Randy Hayman, General Counsel

Date: January 25, 2011

Re: LID Incentive Program Legal Requirement

Legal Authority - Overview

The legal authority for the referenced program is found in District of Columbia Law (L17 – 0370) entitled “Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008” (Act), effective March 25, 2009. This authority is codified in the District of Columbia Official Code (Code) by the addition of a new subsection (b-1) to § 34 – 2202.06.

This Act sets out the following **mandates** for DC Water:

- (i) DC Water shall offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low –income residents of the District, including a low-income design incentive program;
- (ii) DC Water shall establish, together with the District Department of the Environment (DDOE), a low –impact design incentive program within the DDOE, to reduce the surface area that either prevents or retards the entry of water into the ground as occurring under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow, relative to the flow under natural conditions;
- (iii) DC Water and DDOE will continue to collect and document low-impact design techniques throughout the District on reducing stormwater runoff ,and the possible implications of how proven, long-term reductions in stormwater runoff may be used to renegotiate the consent decree and the cost and size of the Long- Term Control Plan; and
- (iv) DC Water shall, once a discount is approved, grant discounts retroactively to no earlier than the date of the implementation of the impervious surface fee.

DC Retail Water and Sewer Rates Committee Meeting - 6. Follow Up LID Incentive Program - George Hawkins

Criteria and procedures **not mandated** by the Act

The DDOE notice of Proposed Rulemaking "Stormwater Fee Discount Program" establishes certain criteria and procedures that are **not mandated** by the Act: These include:

- (i) the granting of discounts of a maximum of thirty percent (30%) of the stormwater fee;
- (ii) the granting of the discount for a five (5) year period, which may be renewed upon re-application if eligibility continues; and

Specific Questions Regarding Legal Authority

The following questions were addressed to the Office of the General Counsel (OGC):

Question #1 - What is the statute (or statutes) and does it directly amend DC Water's enabling legislation?

Answer – The earlier referenced Act directly amends DC Water's enabling statute through the addition of three new subsections.

§ 34-2202.06 of the Code is amended by the addition of a new subsection (b) which reads as follows:

(b)The General Manager, in his or her sole discretion, may restrict combined sewer flow into the district from Maryland and Virginia , so long as the action does not violate §34-2202.18¹

§34-2202.16 of the Code is amended by the addition of a new subsection (b-1) which reads as follows:

(b-1)

(1) The Authority shall offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program.

(2) Within 6 months of March 25, 2009, the authority shall provide a report to the Council of the District of Columbia detailing the number of low-income residents affected by increases in retail water and sewer rates and strategies that will significantly increase enrollment in existing discount programs available to low-income ratepayers.

§ 34-2202.01 *et seq.* of the Code is amended by adding a new § 34-2202.16a **Low-impact design incentive programs and fee discounts** which reads as follows:

(a) Within one year of March 25, 2009, the Authority shall establish, together with the District Department of the Environment ("DDOE"), a low-impact design incentive program within the DDOE, to reduce the surface area that either prevents or retards the entry of water into the ground as occurring

¹ This section states that the enabling statute shall not amend, alter, modify or repeal existing regional agreements including the 1985 Blue Plains Intermunicipal Agreement

DC Retail Water and Sewer Rates Committee Meeting - 6. Follow Up LID Incentive Program - George Hawkins

under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow, relative to the flow present under natural conditions.

(b) The Authority and the DDOE will continue to collect and document the effects of the low-impact design techniques throughout the District on reducing stormwater runoff and the possible implications of how proven, long-term reductions in stormwater runoff may be used to renegotiate the consent decree and reduce the cost and size of the Long-Term Control Plan.

(c) Impervious surface fee discounts approved by the Authority shall be retroactive to no earlier than the date of the implementation of the impervious surface fee. A property owner may not qualify for an impervious surface fee discount until the stormwater management measures for which the property owner seeks a discount are demonstrated to be fully functional.

Question#2 - Does the statute require Low Impact Development (LID) incentives for poor people, as such? If yes, does that mean C.A.P. customers of DC Water, all of whom are residential customers? I.e., could DDOE's plan to exclude residential customers for the foreseeable future be compatible with the statute?

Answer – Yes, the new subsection (b-1) added to § 34-2202.06 of the Code requires DC Water to offer low-impact design incentive programs to low-income residents of the District. Yes, DC Water's CAP customers would qualify. DDOE's plan initially appeared to be inconsistent. However, DC Water has received verbal confirmation from DDOE, that its proposed rulemaking will now include language addressing the phasing in of incentives for residential customers (including low-income residents).

Question#3 - Does the statute require DC Water to offer anyone an incentive to engage in LID practices, or does it merely call for non-compulsory coordination with DDOE?

Answer – Subsection (c) of the new § 34-2202.16a **Low –impact design incentive program and fee discounts** requires DC Water to offer incentives.

Question #4-If the statute requires DC Water to offer incentives, must the incentive take the form of a discount reducing some of DC Water's IAC bills?

Answer – Yes, the referenced subsection (c) uses the phrase “impervious surface fee discount”. Also, the newly added subsection (b-1) (1) of § 34-2202.16 states that the low-impact design incentive program, one of the financial assistance programs to be offered to low –income residents of the District, shall mitigate the impact of any increases in retail water and sewer rates on such low income residents. The statute does not state that an ‘impervious surface fee discount is the only form of incentive that can be offered.

Question#5 - If the statute requires incentives and DC Water must (or chooses to) provide them through IAC bill discounts, must the discounts be effective as of some date?

Answer – No, the statute only sets out (i) a date for DC Water's submittal of a report to the District Council detailing the number of low income residents affected by increases in retail water and sewer rates and strategies that will significantly increase enrollment in existing discount programs and (ii) a date for the establishment of a low-impact design incentive program.

DC Retail Water and Sewer Rates Committee Meeting - 6. Follow Up LID Incentive Program - George Hawkins

Question#6 - May DC Water establish a discount incentive program first effective for bills for FY 2013 without violating the statute?

Answer – The referenced subsection (c) requires that discounts shall be retroactive to no earlier than the date of the implementation of the of the impervious surface fee (emphasis added). The statute requires that the discount incentive program be applied retroactively. Therefore, the program could not first be effective for FY 2013. However, as written, the statute does not mandate that the discounts be retroactive to the date of the implementation of the impervious surface fee; rather, that they cannot be applied earlier than that date.

Question#7 - Does the statute define what LID activities it wishes incentivized? (E.g., green roofs, trees, etc.)

Answer – No, the statute does not list specific LID activities. However, the statute in the newly added § 34-2202.16a (a) states the objective of the low-impact design incentive program: *to reduce the surface area that either prevents or retards the entry of water into the ground as occurring under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow, relative to the flow present under natural conditions.*

Question#8 - Does the statute define incentive? Does it seek targeted incentives that may influence behavior or merely rewards for approved behavior. (E.g., Would a 50-year old green roof qualify?)

Answer – No, the statute does not define incentive nor discuss the intent of the incentive other than stating the objective of the low-impact design incentive program as cited above. A 50 –year old green roof may qualify as an incentive if it is fully functional at the time the discount incentive program becomes effective.

Question#9 – What kind of rule making process must the Board follow if it wishes to propose and later adopt IAC discounts? What DCMR text would that process likeliest be amending?

Answer – The Board would be required to publish notice of proposed rulemaking in the *DC Register*, hold a public hearing, adopt the IAC discount by a majority vote of the Board, and publish a notice of final rulemaking in the *DC Register*. The addition of new subsections to Section 4101, "Rates for Sewer Service of Chapter 41, "Retail Water and Sewer Rates , of Title 21, "Water and Sanitation" of the District of Columbia Municipal Regulations (DCMR) may be an appropriate location for the text. An alternative would be to add a new section to Chapter 41 of Title 21 of the DCMR.

As highlighted above, the statute allows DC Water to exercise discretion in crafting the discount incentive program, such as: (i) the amount of discount to be granted; (ii) the period of time a discount will be in effect prior to renewal (if renewed); and (iii) the time period during which the discount will be applied retroactively (so long as it is no earlier than the date of the implementation of the impervious surface fee).

ENROLLED ORIGINAL

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

*Codification
District of
Columbia
Official Code*

2001 Edition

2009 Summer
Supp.

West Group
Publisher

To amend the District of Columbia Public Works Act of 1954 to broaden the bases for the determination of sanitary sewer service charges to include impervious surface area and to provide for an appeal process for the assessment of an impervious surface fee; and to amend the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996 to authorize the General Manager of the District of Columbia Water and Sewer Authority to restrict combined sewer flow into the District from Maryland and Virginia, to require the District of Columbia Water and Sewer Authority to develop a comprehensive report to assess the impact of rate increases on low-income households, to develop a aggressive strategy to enroll qualified low-income customers in assistance programs, to create a low-impact design incentive program for low-income customers, to institute an ongoing analysis and assessment of the overall impact of low-impact development projects on the reduction of pollutants, and to establish a retroactive credit program for impervious surface fee discounts.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008".

Sec. 2. Section 207 of the District of Columbia Public Works Act of 1954, approved May 18, 1954 (68 Stat. 106; D.C. Official Code § 34-2107), is amended as follows:

Amend
§ 34-2107

(a) Subsection (a) is amended as follows:

(1) The lead-in language is amended to read as follows:

"(a) The sanitary sewer service charges established under the authority of this title shall be based on the following:"

(2) Paragraph (1) is amended to read as follows:

"(1) A billing methodology which takes into account both the water consumption of, and water service to, a property and the amount of impervious surface on a property that either prevents or retards the entry of water into the ground as occurring under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow,

ENROLLED ORIGINAL

relative to the flow present under natural conditions. For the purposes of this paragraph, the term “surface” shall include rooftops, footprints of patios, driveways, private streets, other paved areas, athletic courts and swimming pools, and any path or walkway that is covered by impervious material”.

(3) Paragraph (2) is repealed.

(b) A new subsection (c) is added to read as follows:

“(c) Any owner or occupant of a property that is assessed an impervious surface fee has a right to an appeal under section 1805.”.

Sec. 3. The Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, effective April 18, 1996 (D.C. Law 11-111; D.C. Official Code § 34-2201.01 *et seq.*), is amended as follows:

(a) Section 206 (D.C. Official Code § 34-2202.06) is amended as follows:

Amend
§ 34-2202.06

(1) Designate the existing text as subsection (a).

(2) A new subsection (b) is added to read as follows:

“(b) The General Manager, in his or her sole discretion, may restrict combined sewer flow into the District from Maryland and Virginia, so long as the action does not violate section 218.”.

(b) Section 216 (D.C. Official Code § 34-2202.16) is amended by adding a new subsection (b-1) to read as follows:

Amend
§ 34-2202.16

“(b-1)(1) The Authority shall offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program.

(2) Within 6 months of the effective date of the Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008, passed on 2nd reading on December 16, 2008 (Enrolled version of Bill 17-935), the authority shall provide a report to the Council of the District of Columbia detailing the number of low-income residents affected by increases in retail water and sewer rates and strategies that will significantly increase enrollment in existing discount programs available to low-income ratepayers.”.

(c) A new section 216a is added to read as follows:

“Sec. 216a. Low-impact design incentive program and fee discounts.

“(a) Within one year of the effective date of the Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008, passed on 2nd reading on December 16, 2008 (Enrolled version of Bill 17-935), the Authority shall establish, together with the District Department of the Environment (“DDOE”), a low-impact design incentive program within the DDOE, to reduce the surface area that either prevents or retards the entry of water into the ground as occurring under natural conditions, or that causes water to run off the surface in greater quantities or at an increased rate of flow, relative to the flow present under natural conditions.

“(b) The Authority and the DDOE will continue to collect and document the effects of

ENROLLED ORIGINAL

the low-impact design techniques throughout the District on reducing stormwater runoff and the possible implications of how proven, long-term reductions in stormwater runoff may be used to renegotiate the consent decree and reduce the cost and size of the Long-Term Control Plan .

“(c) Impervious surface fee discounts approved by the Authority shall be retroactive to no earlier than the date of the implementation of the impervious surface fee. A property owner may not qualify for an impervious surface fee discount until the stormwater management measures for which the property owner seeks a discount are demonstrated to be fully functional.”.

Sec. 4. Fiscal impact statement.

The Council adopts the December 16, 2008 fiscal impact statement of the Chief Financial Officer as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

Chairman
Council of the District of Columbia

Mayor
District of Columbia

Action Item
FY 2012 Rate & Fee Changes
(Effective October 1, 2011)

1. Adopt the following Miscellaneous Fees & Charges:

a. **Pretreatment Fees**

Industrial User Permitting Fee	
Permit Initial Fee	\$2,000.00
Permit Renewal Fee	\$600.00
Industrial User Annual Compliance Fees	
Significant or Non-Significant Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more Outfalls	\$3,500.00
Significant Non-Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more Outfalls	\$3,500.00
Non-Significant Non-Categorical User	
1 Outfall	\$550.00
2 or more Outfalls	\$700.00

Attachment E

Clean Rivers Impervious Area Charge Credit (Incentive) Program

Update of the IAC Credit Program

Retail Rates Committee

July 26, 2011

Agenda

- Background/Purpose
- Stakeholder Responsibilities
- Program Proposed Policies
- Credit Calculation
- Next Steps

Background/Purpose

DC Water in coordination with the District Department of Environment (“DDOE”) is developing a credits program for IAC customers. In November 2010, management provided an overview of the anticipated credit program as presented within this presentation:

- ❑ Consistent with Resolution # 08-34 adopted by the Board of Directors in March 2008 which states the “need to consider....to implement a credit and incentives policy”, and
- ❑ Per DC Council 2008 Water and Sewer Authority Equitable Ratemaking Amendment Act, which states that “within one year of the effective date of the act, the Authority shall establish, together with the District Department of Environment (“DDOE”), a low-impact design incentive program within DDOE
- ❑ The goal of the credit program is to:
 - provide an incentive to install certain eligible stormwater management practices that reduce the amount of stormwater runoff generated from a property.

Stakeholder Responsibilities

□ DDOE

- Will design and implement credit program (in coordination with DC Water)
- Will be responsible for programmatic administration, including
 - Accepting and reviewing applications for eligibility
 - Determining eligibility for credits
 - Determining and approving credit amounts
 - Inspection, approval and administration
 - Providing administrative dispute processes for any challenge resulting from the application/approval process

□ DC Water

- Will provide support to DDOE in designing and implementing program
- Will make required changes to billing system to accommodate program requirements
- Will include approved credits on customer bills

Program Proposed Policies

□ Requirements

- Would provide incentives for use of eligible best management practices to reduce stormwater runoff from properties
 - Practices are defined in 21 DCMR 556.3 and include green roofs, bioretention cells, permeable pavements, stormwater harvesting and reuse systems, and downspout disconnections
- Tenants must have approval of property owner in order to apply for the discounts
- The customer bill must be current

Program Proposed Policies - contd

□ Requirements

- **Incentives would be subject to a cap**
 - DDOE will offer 55% credit under their current proposal
 - DC Water will offer 30% credit under their current proposal
- **Incentives would be initially provided to Non-Residential customers only**
 - Residential customers would be phased in after the first year
- **Customer must apply to get a credit**
- **Credits would last for 3 years and may be renewed upon re-application if eligibility continues**
- **Effective dates:**
 - Credits can be applied retroactively to no earlier than date of installation or approved BMP:
 - May 1, 2009 (DDOE program)
 - October 1, 2011 (DC Water program)

Program Proposed Policies - contd

Enforcement

- As part of the application review process or at any time during credit program, DDOE may inspect the property to determine eligibility or compliance to program requirements
 1. Approved management practices must be maintained and effective during the period that the credit is received
 2. During the entire period of any credit issued the customer must grant DDOE access to the property to allow for an inspection
 3. DDOE retains the right to inspect during the period the discount is in effect

Program Proposed Policies - contd

- During the credit period, if inspection reveals lack of compliance, DDOE may revoke or reduce amount of credit issued
 - DDOE may also require reimbursement of credit amounts previously issued to the property
 - Failure to pay such reimbursement amount may result in a lien against the property
- Disputes and Appeals
 - DDOE will provide an appeal process for all determinations made under this program

Credit Calculation

The IAC Credit will be calculated by multiplying the square footage of the property's impervious surface area served by the eligible stormwater management practice by the percentage of a one (1.0) inch volume of stormwater runoff across that area which the stormwater management practice is designed to manage. An example of the calculation using a property with 20,000 square foot of impervious surface is shown below:

EXAMPLE

Impervious Surface Area	20,000
Total ERUs charged	20
Stormwater fee (@\$2.67/ERU) \$	53.40
Eligible Best Practice treated area	17,500
Ratio of treated area [17,500/20,000]	0.875
Maximum allowable discount [.875 X 30%]	26%
No. of ERUs credited	-5.2
Credit on bill \$	(13.88)
Total stormwater charge	\$ 39.52

DC Water Policy Decisions

1. Determine whether to implement a credit/incentive program, pursuant to
 - Board resolution
 - DC Law
2. Determine funding level for program
 - Direct correlation below credit cap and funding level (e.g. provide up to 30% or 50% credit on IAC)
3. Determine implementation date of credit and if any retroactive future

Next Steps

- ❑ DDOE is seeking executive board approval on proposed rulemaking
- ❑ Committee and Board approval to post rulemaking in DC Register
- ❑ DDOE & DC Water will post the proposed rulemaking in DC Register (TBD)
- ❑ Procedural guidance and processes must be written
 - Data sharing protocols to be defined
 - Billing databases need to be updated
 - Administrative procedures
- ❑ Final Board approvals
 - Date for initial appearance of credits on bills will be dependent upon DDOE readiness to administer program

1. In the May 26 Retail Rates Committee meeting Chairman Bardin ask staff to provide a preliminary update on the Clean Rivers IAC customer complaints.

Response: Since inception of the Clean Rivers IAC program in FY 2009 DC Water has received numerous calls regarding the Clean Rivers IAC. The table below lists contact information in DC Water’s customer information system regarding inquiries related to the Clean Rivers IAC. As expected calls were higher in the initial year and half (May 2009 – September 2010) and have tapered off in FY 2011.

DC Water annually records on average 123,051 contacts from its customers. Relative to DC Water’s annual average the Clean Rivers IAC make up approximately 1.3% of contacts.

Clean Rivers IAC Utility Contact Calls

Contact	Contact Description	FY 2009 May 2009 - September 2009	FY 2010 October 2009 - September 2010	FY 2011 October 2010 - June 2011
ERUI	Impervious ERU/Property Inquiry regarding property disputes, ownership	200	675	69
GREEN	Incentive requests by customers for adjustments to Impervious Area	8	3	0
IACI	Impervious General Inquiry	1687	1580	329
Total		1895	2258	398

The above numbers reflect the call volumes received since the go live date of May 2009. Additional inquiries received via email or by mail are not included. There is an impervious area mailbox where staff members respond to internal and external inquiries. Written challenges are identified below.

Impervious Area Surface Disputes

May 2009 to June 2011

Cases (Won)

Account	Name	Date of Hearing	Dispute	Result	Credit Adjustment
218271-5	Willco, Inc.	3/15/2010	Mr. Lash disputed the size of his parking lot because it was gravel.	Per site visit, hearing officer found in favor of DC Water since lot was compacted	Not applicable

				gravel.	
217779-8, 218077-6, 217617-0, 218024-8	Holy Trinity United Baptist Church	10/26/2010	Pastor Gilbert disputed the four square and lots associated with his property, which was a parking lot with gravel.	The hearing officer ruled in favor of DC Water per GIS and the photographs taken during the site visit.	Not applicable

Cases (Lost)

Account	Name	Date of Hearing	Dispute	Result	Credit Adjustment
71029-3 ⁽¹⁾	Gordon Kit	2/23/2011	Customer disputed the amount of graveled driveway with impeded plant growth based on the definition provided on DC Water's website	The hearing officer found in favor of the customer since gravel is not defined on the DC Water web site and customer showed pictures of sporadic plant growth through the gravel. Adjusted ERU's from 8.6 to 3.4.	ERU- \$82.80 Storm water- \$51.24
203905-5	Hugh Winkler	3/16/2011	Customer disputed ownership of easement property not updated in DC OTR.	The hearing officer found in favor of the customer and further allowed the customer to supply title information after the hearing was complete. Adjusted ERU's from 2.4 to 1 ERU.	ERU- \$28.98 StormWater- \$22.30
<p>Grand Total of Adjustments: ERU value = \$111.78 Storm water = \$73.54</p>					

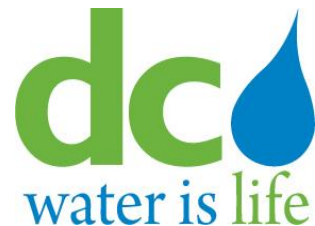
Footnotes:

1. Based on account number 71029-3, the DC Water website was updated to provide clarity for all IAB surfaces (06/2011).
2. These numbers reflect our case activity since the inception of Impervious Area in May 2009. In anticipation for future disputes (i.e. rate increases, ERUs, etc.), the IAB department has developed a comprehensive tracking form to better identify and report on trends that impact DCW's financials.



DC WATER

Class Segmentation Status Report



Attachment G

Class Segmentation Status Report

Background

- In 2009, Raftelis Financial Consultants (RFC) performed a Cost of Service (COS) Study for DC Water
- In FY 2010, RFC conducted an exercise to have senior staff prioritize the utility's pricing objectives
- After synthesizing the results of the prioritization exercise, RFC proposed areas where DC Water might look to adjust its rate structure to better fit its pricing objectives
- Rate structure alternatives include options to segment the customer base
- Identify additional customers other than residential/non-residential
- Review alternative fees or surcharges for existing water customers or other users who may impact sewer collection and or treatment

A close-up photograph of water flowing from a chrome faucet. The water is captured in motion, creating a blurred stream that tapers as it moves away from the spout. The background is a soft-focus bokeh of brown and green, suggesting an outdoor setting like a garden or park. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the title text.

Water Customer Segmentation

Class Segmentation Status Report

Water Customer Segmentation

- Customer segmentation is used in the water industry to identify classes of customers for purposes of rate-setting, planning, supply management and cost analysis among others. Typically this classification is based on:
 - General service characteristics; and
 - Demand patterns

- Each class is assumed to have somewhat different needs and progressively higher demands than the previous class.

- Most water utilities typically have three principal classes of customers:
 - Residential;
 - Commercial; and
 - industrial.

Class Segmentation Status Report

Water Customer Segmentation

- ◆ Demand patterns of various customers differ, depending on their peak use characteristics
 - Peak-day relative to average demand
 - Peak-hour relative to average demand

- ◆ Classes with higher peaking are allocated more of the system peaking costs (primarily driven by electricity and system capacity costs)

- ◆ DC Water currently has two customer classes:
 - Residential
 - Non-Residential

Class Segmentation Status Report

DC Water Review

- A study of DC Water customer demand characteristics was undertaken to determine if additional customer classes should be defined for the purpose of cost allocation.
- DC Water data review
 - Existing CIS class identification is adequate for segmentation analysis
 - Compiled customer usage data for 1 year
 - Daily usage is available through meter reading database
 - Monthly usage is available through billing database
- Analyzed customer data to determine demand patterns

Class Segmentation Status Report

Preliminary Data Analysis Results

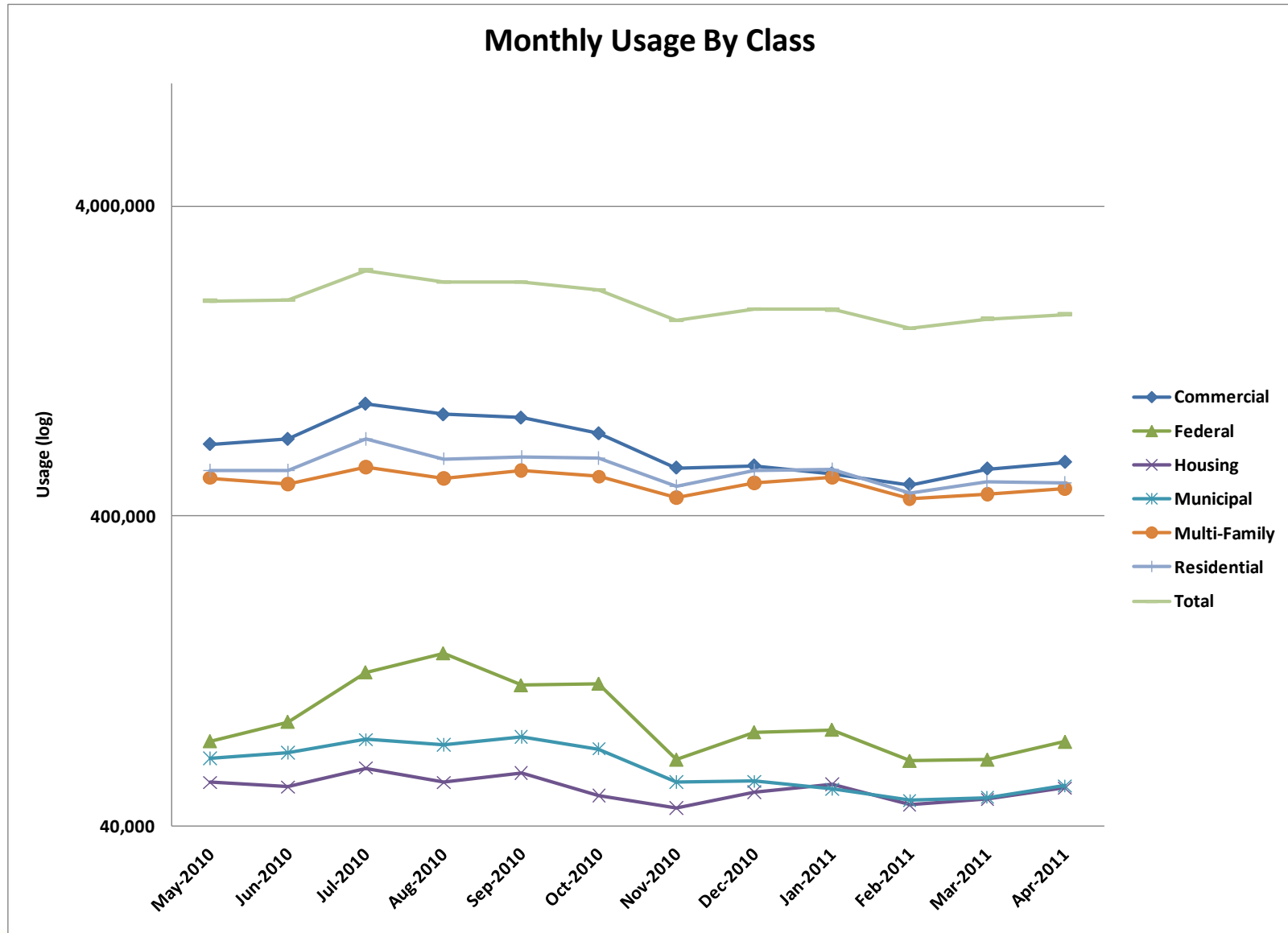
- Review of 12 months of data (May 2010 to April 2011) identified three different demand characteristics
 - Federal customers had the highest peaking factor
 - Commercial and Exempt customers had the next highest peaking factor
 - Housing, Municipal, Residential and Multi-Family customers had the lowest peaking factor
- High peaking patterns were most common in the summer months for all classes

Class Segmentation Status Report

Consumption Analysis by Class

Customer Class	Average Monthly Usage (kgals)	Avg. Monthly Usage as a % of Total Usage	Max Monthly Usage (kgals)	Max Month Peaking Factor	Most Frequent Peak Month
Commercial	675,409	34.15%	922,739	1.37	July
Residential	567,402	28.69%	711,140	1.25	July
Multi-Family	513,168	25.95%	576,451	1.12	July
Federal	90,992	4.60%	144,365	1.59	August
Municipal	62,252	3.15%	77,321	1.24	July
Housing	52,808	2.67%	61,424	1.16	July
Exempt	15,059	0.76%	20,605	1.37	August
DC Water	682	0.03%	1,718	2.52	June

Class Segmentation Status Report



Class Segmentation Status Report

Benchmarking

- Compared peaking patterns by class to benchmark utilities
- Compared rate structure alternatives to benchmark utilities

Class Segmentation Status Report

Peaking Factor Comparison (Max Month)

Customer Class	DC Water	SAWS	Raleigh	CMU
Residential	1.24	1.53	1.22	1.24
Non-Residential	1.37	1.17	1.31	1.17
Wholesale	---	1.53	---	---
Irrigation/Sprinkler	---	1.90	2.77	2.23
Total System	1.26	1.43	1.22	1.22

Class Segmentation Status Report

Benchmarking Water Rate Structure Examples

Large, Urban Utilities

- Philadelphia Water (declining block)
- City of Baltimore (declining block)
- New York City (Uniform)
- Richmond DPU (declining)
- Greater Cincinnati Water Works (Declining block)
- Cleveland Water (inclining block)
- Pittsburgh Water & Sewer (declining block)
- City of Atlanta DWM (inclining block)
- Boston Water & Sewer (inclining block)
- Los Angeles (inclining block)

Regional Utilities

- WSSC (inclining block)
- Fairfax Water (uniform-seasonal)
- Loudoun Water (inclining block)
- Prince William Co
- Charlotte-Mecklenburg Utilities
 - Residential/Irrigation: Inclining block
 - Non-residential: Uniform block
- City of Raleigh
 - Residential/Irrigation: Inclining block
 - Non-residential: Uniform block
- Other: San Antonio Water System
 - Residential/Irrigation: Inclining block
 - Non-residential: demand management

Class Segmentation Status Report

Rate Structure by Customer Type

Utilities	Residential	Non-Residential	Applicable Season
Philadelphia Water	Declining Block	Declining Block	All Year Long
City of Baltimore	Declining Block	Declining Block	All Year Long
New York City	Uniform Block	Uniform Block	All Year Long
Richmond DPU	Declining Block	Declining Block	All Year Long
Greater Cincinnati Water Works	Declining Block	Declining Block	All Year Long
Cleveland Water	Uniform Block	Uniform Block	All Year Long
Pittsburgh Water & Sewer	Uniform Block	Uniform Block	All Year Long
City of Atlanta DWM	Inclining Block	Inclining Block	All Year Long
Boston Water & Sewer	Inclining Block	Inclining Block	All Year Long
Los Angeles	Inclining Block	Inclining Block	June thru October
WSSC	Inclining Block	Inclining Block	All Year Long
Charlotte-Macklenburg	Inclining Block	Uniform Block	All Year Long
San Antonio Water system	Inclining Block	Inclining Block	Seasonal

Class Segmentation Status Report

Common Rate Structures

- ◆ AWWA Rate Survey compares DC Water with other water utilities that sell 75 MGD or more.
 - When comparing rate structures, there is no common structure among this group surveyed
 - Additional comparison utilities tended to have more conservation-based rates and rate premiums for irrigation customers
- Pittsburgh Water & Sewer uses a class-based differential that discounts commercial and industrial and assesses “health and education” a premium
- Prince William County Service Authority uses a class-based differential that charges an 8-9% premium to non-residential customers

Class Segmentation Status Report

Water Segmentation Options

- Individualized Demand Management rates – each customer would pay a premium rate for peak usage in excess of winter average use
- Class-based rates comprised of base use plus a proportionate share of peak use
- Irrigation rate - DC Water does not currently identify irrigation customers, who should pay higher water rates due to their peaking characteristics

Class Segmentation Status Report

Next Steps

- Examine two additional years of data
 - To confirm pattern in sample year data
- Deep dive within data set to confirm root cause of demand characteristic
 - Analyze peak day data
 - Analyze impact of seasonal demand on peak day
- Explore water segmentation options
- Update committee on the findings

A close-up photograph of water flowing from a chrome faucet. The water is captured in motion, creating a blurred stream that tapers as it falls. The background is a soft-focus bokeh of brown and green, suggesting an outdoor setting like a garden. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the title text.

Sewer Customer Segmentation

Class Segmentation Status Report

Sewer Customer Segmentation

- Sewer customer segmentation is typically based on discharge strength characteristics⁽¹⁾
- Discharge strengths for monitored industrial customers are collected on a regular basis
- Discharge strengths for non-monitored customers are typically extrapolated based on the type of business and monitoring studies performed by utilities across the country
 - Assumed strengths based on Standard Industrial Classification (SIC) Codes
 - Monitoring studies may be augmented by local sampling

Class Segmentation Status Report

Sewer Segmentation Methodology

- Proposed DC Water rule-making review for high strength customers
- Benchmarking
 - Compiled high strength discharge standards for 22 utilities
 - Compiled average standards for primary pollutants (BOD, TSS, and NH3) and 11 common industrial classifications
- Developed Next Steps

Class Segmentation Status Report

Biological Oxygen Demand (BOD) Discharges

SIC	Description	Average, mg/L	Low, mg/L	High, mg/L
2051	Bakery Products: Bread & Other	1,206	796	5,326
2099	Food Preparation, NEC	808	622	2,436
2750	Commercial Printing	593	3	986
5411	Grocery Stores	350	14	914
5812	Eating Places	691	155	2,350
7011	Hotels and Motels	271	117	2,160
7218	Industrial Launderers	702	115	1,318
7538	General Automotive Repair Shops	1,141	58	2,690
7542	Carwashes	355	58	1,985
8060	Hospitals	527	206	3,322
9199	General Government	428	254	475

Domestic strength standard: 300 mg/L

Class Segmentation Status Report

Total Suspended Solids (TSS) Discharges

SIC	Description	Average, mg/L	Low, mg/L	High, mg/L
2051	Bakery Products: Bread & Other	533	344	2,802
2099	Food Preparation, NEC	713	157	5,120
2750	Commercial Printing	561	122	853
5411	Grocery Stores	---	---	---
5812	Eating Places	432	12	2,465
7011	Hotels and Motels	---	---	---
7218	Industrial Launderers	692	149	994
7538	General Automotive Repair Shops	1,017	56	1,164
7542	Carwashes	436	16	5,857
8060	Hospitals	---	---	---
9199	General Government	297	184	297

Domestic strength standard: 300 mg/L

Class Segmentation Status Report

Ammonia (NH₃) Discharge Benchmarking

SIC	Description	Average, mg/L	Low, mg/L	High, mg/L
2051	Bakery Products: Bread & Other	---	---	---
2099	Food Preparation, NEC	---	---	---
2750	Commercial Printing	74	74	74
5411	Grocery Stores	---	---	---
5812	Eating Places	97	37	184
7011	Hotels and Motels	---	---	---
7218	Industrial Launderers	2	0.1	5
7538	General Automotive Repair Shops	6	0.2	11
7542	Carwashes	---	---	---
8060	Hospitals	---	---	---
9199	General Government	---	---	---

Domestic strength standard (for TKN): 45 mg/L

Class Segmentation Status Report

Utility Customer Segmentation Examples

- Utilities surcharge for different parameters and different SIC Codes

Data Source	BOD	TSS	NH ₃	SIC Count	Data Based on Sampling
Baltimore, MD	X	X		1	Y
Buffalo, NY	X	X			
City of Los Angeles, CA	X	X			Y
City of Portland, OR	X	X	X		Y
Durham, NC	X	X	X		Y
EBMUD, CA		X			Y
Fort Worth, TX	X	X			
Greenville, SC	X	X			
Honolulu, HI		X		16	
Independence, MO	X	X			
Indianapolis, IN	X	X			
King County, WA	X	X			Y
LA County, CA		X			Y
Los Angeles, CA	X	X			
Oregon City, Oregon	X	X			
Raleigh, NC		X	X		Y
San Antonio, TX	X	X			
San Diego, CA	X	X		96	Y
San Francisco, CA		X			Y
St. Petersburg, FL	X	X			
Tacoma, WA Survey	X	X	X		Y
Tucson, AZ		X			Y
Winston-Salem, NC			X		Y
Wichita, KS	X	X			Y

Class Segmentation Status Report

Next Steps

- Determine pollutants for which we want to surcharge
- Determine appropriate number of customer classes based on SIC Codes
- Determine if benchmark loadings standards should be supplemented with local monitoring
- Update committee on findings in September

Class Segmentation Status Report

New Retail Rate Setting Policy

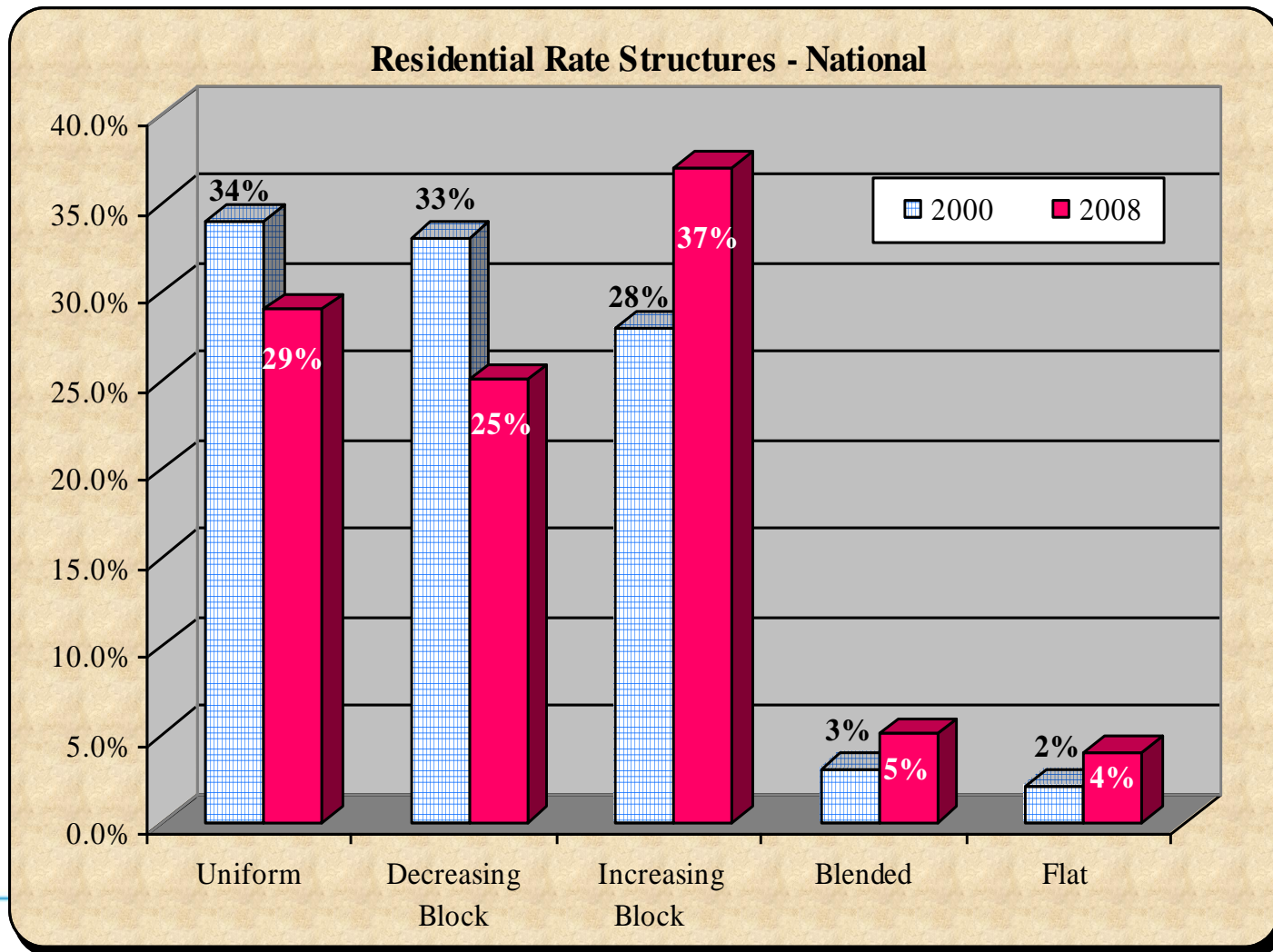
It is the policy of the Board of Directors of DC Water in setting retail rates, including charges and fees, pursuant to its statutory authority to strive to achieve the following:

- ◆ Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board
- ◆ Rates that yield a reliable and predictable stream of revenues, taking into account trends in costs and in units of service
- ◆ Rates based on annually updated forecasts or operating and capital budgets
- ◆ Rate structures that are legally defensible, based on object criteria, and transparently designed
- ◆ Rate structures that customers can understand and DC Water can implement efficiently and efficaciously
- ◆ Rate increases, if required, that are implemented transparently and predictably

To the extent annual revenues exceed costs, the Board's policy will continue to utilize all available options to mitigate future customer impacts and annual rate increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

Class Segmentation Status Report

Prevalent Water Rate Structures



Class Segmentation Status Report

Water Rate Structure Comparison

- ◆ Philadelphia Water Department: DB-4
 - <http://www.phila.gov/water/>
- ◆ City of Baltimore: DB-3
 - <http://www.baltimorecity.gov/Government/AgenciesDepartments/PublicWorks/BureauofWaterWastewater/Customercare/Fees>
- ◆ New York City: Uniform
 - http://www.nyc.gov/html/dep/html/water_rates/index.shtml
- ◆ Richmond DPU: DB-3
 - <http://www.richmondgov.com/dpu/UtilityRates.aspx>
- ◆ Greater Cincinnati Water Works: DB-3 (separated by area)
 - <http://www.cincinnati-oh.gov/water/pages/-3348/>
- ◆ Cleveland Water: Uniform
 - <http://www.clevelandwater.com/Resident/rates.aspx>
- ◆ Pittsburgh Water & Sewer: Class-based differential (residential, commercial(-4.2%), industrial(-10.1%), health & education(+31.1%)
 - <http://www.pgh2o.com/fees.htm>
- ◆ City of Atlanta: IB-3 (separated by inside city/outside city)
 - http://www.atlantawatershed.org/custsrv/water_and_sewer_rates.htm
- ◆ Boston Water & Sewer: IB-6 based on gpd use
 - <http://www.bwsc.org/SERVICES/Rates/rates.asp>
- ◆ WSSC: IB-16 based on gpd use
 - <http://www.wsscwater.com/home/jsp/content/rates.faces>
- ◆ Fairfax Water: Seasonal with 45% peak differential
 - <http://www.fcwa.org/rates/index.htm>
- ◆ Loudoun Water: IB-3 for residential, IB-3 for commercial
 - <http://www.loudounwater.org/About/Rates-and-Billing/>
- ◆ Prince William Co Service Authority: Class-based differential (residential, commercial(+9.4%)
 - http://www.pwcsa.org/index.php?option=com_content&view=category&layout=blog&id=3&Itemid=13
- ◆ Charlotte-Mecklenburg Utilities: IB-4 residential, uniform non-residential, IB-2 irrigation (55% premium)
 - <http://charmeck.org/city/charlotte/Utilities/Customercare/guidetorates/Pages/CurrentRates.aspx>
- ◆ City of Raleigh: IB-3 residential, uniform non-residential, IB-2 irrigation (72% premium)
 - <http://www.raleighnc.gov/home/content/FinUtilityBilling/Articles/UtilityPayments.html>
- ◆ San Antonio Water System: IB-4 + seasonal premium for residential, demand management (67% seasonal premium) non-residential
 - <http://www.saws.org/service/rates/index.shtml>

Attachment – H

FY 2011 Retail Rates Committee Workplan & FY 2012 Proposed Workplan

Committee Activity	Committee Calendar	Completed
1. FY 2012 Retail Rate Activities 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 a. Prepare revenue impact analysis b. Clean Rivers IAC discounts for low income residents, including consideration of recommendations or alternatives.	Ongoing-Coordinating with DDOE on program planning; Overview presented December 15, 2010: Request to post public notice to be determined TBD FY 2012	
3. Review and Update BOD Resolution for Rate Setting 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 a. Review and understand customer demographics b. Consider/Review Other Misc Charges/Fees c. Consider Implementation of Developer/Impact Fees	April - July, 2011 March - April, 2011 FY 2012 March 22, 2011: Management update on items 4b for FY 2012 implementation April 26, 2011: Retail Rate Committee to approve and recommend to Board implementation of items 4b in FY 2012	√ √ √

Attachment – H

<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>May 5, 2011: Board to adopt Retail Rates Committee proposal of items 4b for FY 2012</p> <p>April - July, 2011</p> <p>FY 2012 Cost of Service Study FY 2012</p> <p>April, 2011</p>	<p>√</p> <p>√</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>√</p> <p>√</p> <p>√</p> <p>√</p>
<p>6. “PILOT” evaluation – In coordination with District Government Review and Propose replacement for assessing PILOT and related issues.</p>	<p>To be determined</p>	
<p>7. IAC Program Evaluation</p>	<p>February 2012</p>	
<p>8. FY 2013 Retail Rate Activities</p> <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 2013 rates 	<p>October 2011</p> <p>December 2011</p> <p>March/April 2012</p> <p>May 2012</p> <p>June 2012</p>	

Attachment – H

9. FY 2012 Cost of Service Study	July 2012	
i. Notice to Proceed	October 2011	
ii. Receive Draft Report	February 2012	
iii. Present to the Retail Rates Committee	March 2012	
iv. Final Report	April 2012	



Attachment I

D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
RETAIL WATER & SEWER RATES
COMMITTEE MEETING

TUESDAY, September 27, 2011; 9:00 a.m.
AGENDA

Call to Order	Committee Chairman
Monthly Updates	Chief Financial Officer
Committee Workplan	Chief Financial Officer
Emerging Issues/Other Business	Chief Financial Officer
Agenda for October 25, 2011 Committee Meeting	Chief Financial Officer
Adjournment	Committee Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm