



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

DC Retail Water and Sewer Rates Committee

Tuesday March 26, 2013

9:30am

- 1. **Call to Order**Howard Gibbs, Chairman
- 2. **Monthly Update (Attachment A)**..... Randy Hayman
 - Soldier’s Home
- 3. **Discussion of Clean Rivers IAC Incentive Program Budget Options (Attachment B)**Yvette Downs
- 4. **Action Item (Attachment C)**.....Yvette Downs
 - Proposal of Clean Rivers IAC Incentive Program (Action Item 1)
- 5. **Retail Rates Committee Workplan (Attachment D)**.....Yvette Downs
- 6. **Other Business**..... Mark Kim
- 7. **Agenda for April 23, 2013 Committee Meeting (Attachment E)**..... Howard Gibbs, Chairman
- 8. **Adjournment**

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (February 26, 2013)

- 1. Allocated credits based on the customer class for Clean Rivers IAC Incentive analysis. **(Chairman Gibbs)** Status: See agenda
- 2. Contact the Planning Office to review the growth of construction in the District of Columbia for the Clean Rivers IAC Incentive analysis. **(Chairman Gibbs)** Status: To be discussed under agenda item #3 above.

March 2013 Update on
Soldiers' Home Delinquent Accounts

Soldiers' Home

DC Water and the Armed Forces Retirement Home ("Soldiers' Home") are in dispute over unpaid sewer charges that date back many years. On January 17, 2013, DC Water entered into a 180 day tolling agreement in order to halt the applicable statute of limitations. This period will allow the parties to negotiate a resolution to the overdue billing and payment issues that Soldiers' Home has refused to pay. On March 8, 2013, the parties met to discuss resolution of issues going forward. As a first step, it was agreed that DC Water and Soldiers' Home engineering staffs will meet at the Soldiers' Home facility to walk the footprint of the property to explore separate metering on the exempt accounts. This meeting should occur in the next several weeks.

NEXT STEPS

1. Provided the parties negotiate in good faith, the tolling agreement should allow for a 180 day window to negotiate a settlement that is not impacted by the statute of limitations.
2. DC Water and Soldiers' Home Engineering staffs will meet at the facility to explore separate metering.
3. Soldiers' Home agreed to submit its position paper on the current agreement and possible revisions thereto.
4. In the event the negotiations are not effective or break down, DC Water will file for a declaratory judgment in federal court that seeks to void any earlier agreement exempting Soldiers Home for water and sewer service charges.
5. Other options for future projects on the Soldiers' Home site may be explored.



Attachment B

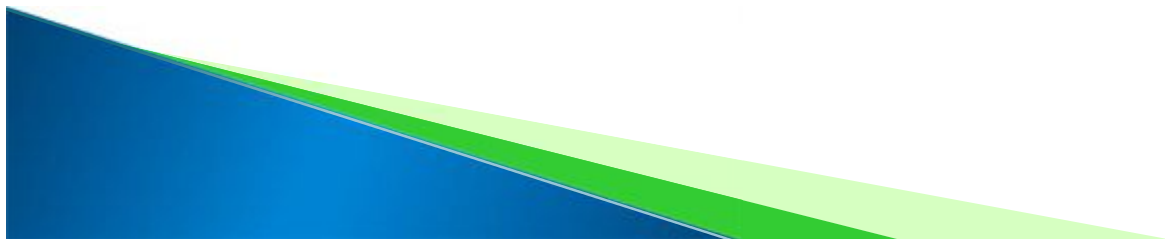
Clean Rivers IAC Incentive Program Budget & Customer Impacts

DC Retail Water and Sewer Rates Committee
March 26, 2013



Background

- DC Water in coordination with the District Department of Environment (“DDOE”) is developing a credit program for Clean Rivers IAC customers
- The goal of the credit program is to provide an incentive to install eligible stormwater management practices that reduce stormwater pollutants as well as the amount of stormwater runoff generated from a customer property





Assumptions

- ◆ In 2011, DDOE estimated that 44,548 ERUs may implement eligible BMPs – that has been revised to 924 properties or 81,455 ERUs, an 83% increase
- ◆ Data does not include residential properties (DDOE assumes that the residential impact will not be significant based upon the DDOE stormwater fee)
- ◆ Currently DDOE is not able to forecast the growth of potentially eligible properties
- ◆ Data does not include unregulated sites that may also be eligible for discounts
- ◆ Properties include approved (not necessarily constructed) BMPs and assumes 100% eligibility for full credits
- ◆ DC Water assumes credits are a percentage reduction to its CRIAC
- ◆ DC Water's CRIAC model used a \$500,000 placeholder for lost revenue due to credits



Scenario Variables

- ◆ **Discount scenario:**
 - 4% of the current and projected CRIAC
- ◆ **Eligible participants:**
 - 81,500 ERUs non-residential customers (including MF)
 - Zero residential customers participants
- ◆ **Two scenarios for lost revenue recovery:**
 - Recover from non-residential customer only
 - Recover from all customer categories
- ◆ **Scenario results show how the lost revenue differs from the budget of \$500,000 annually and how customer rates would be impacted**



Scenario Results

4% CRIAC Credit

4% CRAIC credit with 81,500 qualifying ERUs

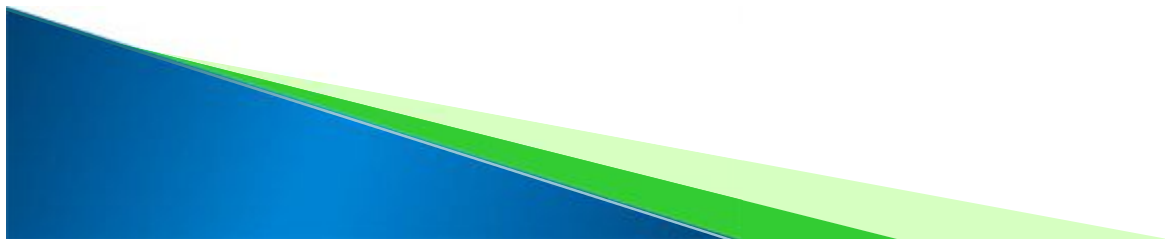
Credit Percentage	4.0%	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Eligible Non-Res ERUs	81,500								
% Discount Based Credit Program									
Projected CRIAC (\$/ERU)		\$ 12.77	\$ 16.79	\$ 20.68	\$ 23.12	\$ 24.52	\$ 26.08	\$ 28.32	\$ 30.67
Current Credit Budget		\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Proposed Credit Budget (% Discount)		\$ 499,562	\$ 656,825	\$ 809,002	\$ 904,454	\$ 959,222	\$ 1,020,250	\$ 1,107,878	\$ 1,199,810
<i>Delta</i>		\$ 438	\$ (156,825)	\$ (309,002)	\$ (404,454)	\$ (459,222)	\$ (520,250)	\$ (607,878)	\$ (699,810)
Incremental Program Cost		\$ -	\$ 156,825	\$ 309,002	\$ 404,454	\$ 459,222	\$ 520,250	\$ 607,878	\$ 699,810
Incremental Program Cost (per monthly ERU)									
Funded By:									
Non-Residential Only (\$/ERU)		\$ -	\$ 0.08	\$ 0.16	\$ 0.22	\$ 0.24	\$ 0.28	\$ 0.32	\$ 0.37
All Customers (\$/ERU)		\$ -	\$ 0.04	\$ 0.08	\$ 0.11	\$ 0.12	\$ 0.14	\$ 0.16	\$ 0.18
Adjusted CRIAC									
Non-Residential Only (\$/ERU)		\$ 12.77	\$ 16.87	\$ 20.84	\$ 23.34	\$ 24.76	\$ 26.36	\$ 28.64	\$ 31.04
All Customers (\$/ERU)		\$ 12.77	\$ 16.83	\$ 20.76	\$ 23.23	\$ 24.64	\$ 26.22	\$ 28.48	\$ 30.85



Scenario Observations

4% CRIAC Credit

- If DC Water gives a 4% credit and 81,500 ERUs qualify, lost revenue would approach \$1.2 million by 2021, \$700,000 over the current budget
- This gap may be greater if program growth exceeds 81,500 eligible ERUs
- If all customers absorbed that cost, rates would increase by \$0.04/ERU per month in 2015 and \$0.18/ERU per month in 2021
- If only Non-Res customers absorbed the increase, rates would go up \$0.08/ERU per month in 2015 and \$0.37/ERU per month in 2021





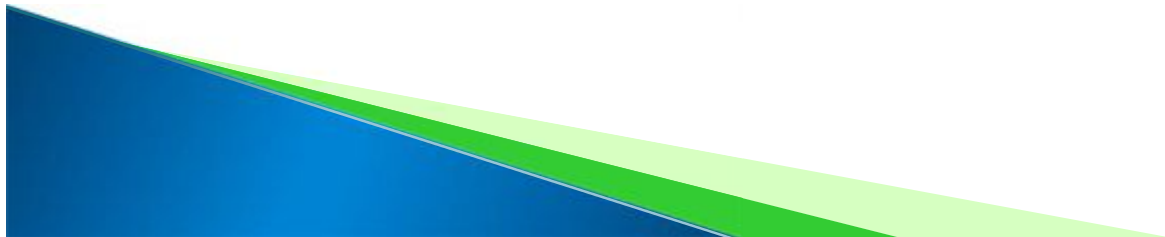
Recommendation

- Establish a three year pilot credit program for the DC Clean Rivers IAC:
 - 4% maximum incentive credit (actual to be calculated based upon the proposed DDOE formula)
 - Cost of the credits will be applied to the rate of the associated customer category
 - Effective date October 1, 2013
 - Program to be re-evaluated at the end of the 2nd year of the pilot



Proposed Calendar

- Board Proposal April 4, 2013
- Publish in DC Register April 2013
- Public Outreach April 2013
- Public Hearing May 8, 2013
- Committee Discussion June 2013
- Board Approval July 2013
- Implementation October 1, 2013 (FY 2014)



ATTACHMENT C

DC Retail Water and Sewer Rates Committee
Action Items

1. Proposal of FY 2014 Clean Rivers IAC Incentive Program Budget

ACTION ITEM 1

DC Retail Water and Sewer Rates Committee
Proposed FY 2014 Clean Rivers IAC Incentive Program Budget
(Effective October 1, 2013)
Action Item

1. Adoption of a Clean Rivers IAC Incentive Program Budget:

Consistent with Board Resolution #08-34 adopted in March 2008

- a. Establish a three year pilot credit program for the DC Clean Rivers IAC with a 4% maximum incentive credit (actual to be calculated based upon the proposed DDOE formula). Cost of the credits will be applied to the rate of the associated customer category. Effective date October 1, 2013. Program to be re-evaluated at the end of the 2nd year of the pilot.

ATTACHMENT D

FY 2013 Committee Workplan			
Objective/Activities/Task	Date of Activity	Completed	Responsible Department

1. Develop Realistic Retail Rate Revenue Projections and Alternative Retail Revenue Sources			
<i>a. Propose and establish Retail Rates in FY 2014</i> <ul style="list-style-type: none"> i. Rate Proposal to Joint Committee ii. Review rate design options (customer segmentation) iii. Committee recommendation iv. Board approval v. Publish DCMR vi. Public Outreach vii. Public Hearing viii. Committee recommendation on FY 2014 rates 	<ul style="list-style-type: none"> October 2012 November 2012 December 2012 January 2013 March 2013 March/April 2013 May 2013 June 2013 	<ul style="list-style-type: none"> √ √ √ √ √ √ √ 	Rates and Revenue
<i>b. Review draft Developer Fees</i>	November 2012	√	Rates and Revenue
<i>c. Final FY 2012 Cost of Service Study</i>	November 2012	√	Rates and Revenue
<i>d. Potomac Interceptor Cost of Service</i>	July 2013		Rates and Revenue
<i>e. Soldiers Home Negotiations</i>	Monthly		General Counsel

2. DC Water Affordability			
<i>a. Revisit CAP program and possible modifications (Expansion and or methodology)</i> <ul style="list-style-type: none"> i. Committee review of CAP program with FY 2014 Budget Submission ii. Explore CAP water conservation options 	<ul style="list-style-type: none"> December 2012 On-going 	<ul style="list-style-type: none"> √ 	Rates and Revenue
<i>b. Implement LID Incentive Program for customers who utilize Best Management Practice in conjunction with DDOE</i> <ul style="list-style-type: none"> i. Legal evaluation of the DDOE proposed program; and ii. Evaluate alternatives for the Clean Rivers IAC discounts iii. Prepare revenue impact analysis 	<ul style="list-style-type: none"> December 2012 February/March 2013 February/March 2013 	<ul style="list-style-type: none"> √ √ √ 	Rates and Revenue

FY 2013 Committee Workplan			
Objective/Activities/Task	Date of Activity	Completed	Responsible Department
2. DC Water Affordability			
iv. Committee review on CRIAC Incentive Program with FY 2014 Budget Submission	December 2012	√	Rates and Revenue
v. Committee Recommendation	March 2013	√	
vi. Board Approval	April 2013		
vii. Publish DC Register	April 2013		
viii. Public Outreach	April 2013		
ix. Public Hearing	May 2013		
x. Committee recommendation on FY 2014 CRIAC Discount Program	June 2013		
<i>c. Implement Customer Segmentation water volumetric rates by customer class with differentiation based on peaking characteristics</i>	October 1, 2015		Rates and Revenue
<i>d. Implement Re-Development Impact Fee</i>	October 1, 2015		Rates and Revenue
<i>e. High Strength Rate Alternatives</i>	October 1, 2015		Rates and Revenue
3. Develop Alternative Revenue Sources and Achieve Realistic Revenue Projections (DC Water Strategic Plan Framework)			
<i>a. Identify and evaluate potential revenue generating initiatives annually</i>	To be incorporated within Strategic Planning Initiatives		Rates and Revenue
4. 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			
	TBD based upon availability of data		Customer Service
5. Review of the Potomac Interceptor contracts to see if there are opportunities to modify contracts to be similar to the IMA contracts			
	Defer Pending Final IMA		General Counsel



ATTACHMENT E

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

**TUESDAY, April 23, 2013; 9:30 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 June 25, 2013 Committee Meeting	Committee Chairman
Adjournment	

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