



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

DC Retail Water and Sewer Rates Committee

Tuesday March 27, 2012

MEETING MINUTES

COMMITTEE MEMBERS

Howard Gibbs, Chairman
Howard Croft
Brenda Richardson
Alan Roth
Joseph Cotruvo

DC WATER STAFF

Randy Hayman, General Counsel
Linda Manley, Board Secretary
Yvette Downs, Director of Finance & Budget
George Hawkins, General Manager
Jodye Russell, Manager, Planning

Call to Order

Chairman Gibbs called the Committee meeting to order at 9:35am.

Monthly Update

Howard University (HU)

General Counsel Hayman gave the Committee a brief update on the status of Howard University. As noted in the package, DC Water General Counsel Hayman plans to schedule a meeting with Howard University prior to the end of March 2012 to discuss the counter-offer. After some discussion by the Committee, Mr. Hayman noted that the large meters were tested in December 2011 and January 2012 and service orders have been prepared for testing on the remaining meters in Howard II between April 30, 2012 and May 31, 2012.

Soldiers Home

On the status of negotiations with the US Airmen and Soldiers Home, DC Water General Counsel has prepared a legal opinion regarding sewer services that were not referenced in the 1938 agreement which provided free water services for the Home. General Counsel Hayman stated that it has been discussed internally and should be completed in April. DC Water has received the Appraisal Report prepared by RCDH & Company of Maryland and conveyed the results to the COO of Soldiers' Home on March 6, 2012. The Office of the General Counsel will finalize the legal opinion regarding sewer payments to be transmitted to Soldiers' Home from the DC Water General Manager. Management will confirm Soldiers' Home's intent to renegotiate the agreement and discuss next steps.

Armed Forces Retirement Appraisal

Ms. Downs and Ms. Russell reviewed the results of the Armed Forces Retirement Appraisal. Currently, DC Water has an underground reservoir below the golf course at the Home and is seeking to locate an additional above ground reservoir at Soldiers' Home. The Soldier's Home has grown significantly in size over the decades and is planning to redevelop a portion of the property with potential increases in water and sewer requirements for use unrelated to the residential housing for retired soldiers. The appraisal determined that the value of the land housing the existing water tank is \$311K and the value of the land under consideration for location of a new above grade tank is \$545K.

Ms. Downs noted that PB Consulting Group was tasked in 2004 to review the cost of services provided to the Soldier's Home. The study showed cumulative costs from 1938-2003 of \$13 million. When consumption for fiscal years 2004 -2012 was calculated, an additional \$11 million of free services were provided, bringing the 1938-2011 total to \$24 million.

Clean Rivers IAC Program Review

Ms. Downs gave the Committee a brief history on the Clean Rivers Impervious Area Charge (IAC) implemented in May 2009 to recoup the costs of the federally mandated twenty-year \$2.6 billion Combined Sewer Overflow-Long Term Control Program (CSO-LTCP). Between November 2007 and March 2008, The Board approved three resolutions on impervious surface that set forth policy guidelines for the development and implementation of the new fee. To date, most of the guidance has been fulfilled and many are ongoing or in process.

The presentation discussed project methodology, database design architecture, staffing, appeals, financial impacts and customer impacts. Dr. Cutrovo asked whether the administrative cost is paid from general revenue. Ms. Downs stated that the cost is partially paid from general revenue with a prorated share paid by DDOE for billing/collections on their behalf.

It was noted that several Board policy items are still in progress. This includes consideration of gradations or variations of imperviousness which has been identified for consideration under the credit program currently under development with DDOE. Other items to be taken include: a proposed change in billing frequency for impervious only accounts beginning October 1, 2012; the cost allocations for Clean Rivers IAC will be included in the FY 2012 Cost of Service Study; DC Water will evaluate the known flyover revisions from OCTO for potential data updates; and the impact of Clean Rivers IAC upon CAP customers will be reviewed in spring 2012.

CAP Expansion and Methodology Review

As noted, the 2008 Board policy on the Clean Rivers IAC required consideration of expansion to the CAP program to include impervious area rates. In FY 2009, the Board expanded the CAP program to include the first 4 Ccfs of sewer in addition to the 4Ccfs of

water previously provided for free to eligible CAP customers. This more than doubled the potential savings for this group of customers and substantially offset the new Clean Rivers IAC that was implemented in the middle of the fiscal year, May 2009. In FY 2011, the discount was expanded to include the first 4 Ccf associated with the PILOT/ROW fee in addition to the current discount provided on water and sewer services. In FY 2012, approved CAP customers can receive up to \$376 credited to their bill; this is larger than the discounts available by either Pepco or Washington Gas whose residential bills are typically much higher than a residential DC Water bill.

Ms. Downs noted that the average DC Water bill in FY 2012 is approximately 2 percent of the average household income in the District of Columbia; DC Water charges are still affordable and competitive with other major cities. However, the variation between the high income and low income households in DC can be dramatic. While only approximately 25% of low income residents receive a DC Water bill, the CAP program seeks to identify and support those households, thus encouraging the delivery of water to each household. The District Department of the Environment (DDOE) certifies CAP eligibility based on federal low-income guidelines and DC Water uses that information to provide a discount to customer certified by DDOE. DC Water provides assistance to 5,000 – 6,000 customers every year through the CAP program.

DC Water staff reviewed a lot of data including consumption data and household size. A review of consumption of FY 2011 CAP customers showed that a little over 20 percent of the CAP customers use less than 4 Ccf (and thus receive the full credit) and 54 percent use greater than 8 Ccf (which is reflected in higher bills).

The Committee discussed various options for consideration including education conservation, increasing the current CAP assistance to 5 or 6 Ccfs, adjust the eligibility requirements or include a credit on the Clean Rivers IAC. Mr. Cotruvo suggested that management should make systemic changes in the area of facility changes in the homes which would significantly reduce consumption for these customers. Mr. Roth suggested that management look at shifting some of the existing CAP credits from the volumetric portion of the bill to the fixed portion (Clean Rivers IAC), and provides a recommendation in the FY 2014 budget cycle. After some discussion, it was agreed that any changes should be thoughtful changes, and that any proposal for change would be within the existing cost expectations. Staff will continue evaluation and include a proposal within a future budget cycle.

Action Items

There was a question regarding the identification of both residential and non-residential on the pre-construction groundwater fee proposal. It was agreed that General Counsel would review the wording prior to submission to the full Board.

By consensus of the Committee, Chairman Gibbs recommended that both action items on the agenda be forwarded to the full Board of Directors pending General Counsel review as noted.

DC Retail Water and Sewer Rates Committee WorkPlan

Ms. Downs updated the Committee on the DC Retail Water and Sewer Rates Committee Workplan. She noted item#3 (ii) Committee recommendation on CAP program; will be updated based on the Committee discussion.

Emerging Issues/Other Business

No Discussion

Agenda for April 24, 2012 Committee Meeting

Chairman Gibbs approved the agenda for the next meeting.

Adjournment

Hearing no further business the meeting was adjourned at 11:35am.

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (March 27, 2012)

1. Provide an example of the updating required and quality controls available to reconcile non-residential data found in the DCGIS 2005 flyover information and a more recent update to the flyover data. This example should be provided at a future Retail Rates Committee meeting (Mr. Bardin) Status: FY 2012
2. Review of the Potomac Interceptor contracts to see if there are opportunities to modify contracts to be similar to the IMA contracts (Mr. Bardin) Status: Defer Pending Final IMA