



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

*DC Retail Water and
Sewer Rates Committee
Tuesday May 25, 2010
11:00 a.m.*

MEETING MINUTES

COMMITTEE MEMBERS

David J. Bardin, Chair
Howard C. Gibbs, Vice-Chair
Howard Croft
Joseph Cotruvo
Brenda Richardson
Alethia Nancoo

DCWASA STAFF

George Hawkins, General Manager
Olu Adebo, Chief Financial Officer
Linda R. Manley, Board Secretary
Charles Kiely, Assistant General Manager Customer Service
Avis Russell, General Counsel
Yvette Downs, Director of Finance and Budget
Donna Lewis, Customer Service Manager

Call to Order

Chairman Bardin called the DC Retail Water and Sewer Rates Committee meeting to order at 11:00am.

Review Proposed FY 2010 Retail Rates Committee Workplan

Discussion

Mr. Adebo reviewed the proposed work plan for the committee for the remainder of FY 2010. Mr. Adebo stated the work plan was prepared based on a series of discussion and inputs over the past several months. Mr. Adebo reminded the Committee of the ongoing rate outreach activities and upcoming June 9 Public Hearing on proposed changes in retail rates and fees to become effective October 1.

Ms. Nancoo asked whether questions (and their responses) raised at public meetings are posted on the website for others to see. Mr. Adebo stated that DC WASA public outreach is primarily to educate the public. The public hearing on June 9 is the formal forum for public input. At this meeting, management presents the rate proposal to the DC members of the Board and the Board hears comments from any public witness that wish to speak. Also, there is a thirty day comment period after the date of the public hearing for people that want to provide input or have further questions. So, any time prior to the public hearing, at the public hearing or within 30 days after the public hearing, people can ask questions or provide comments for the Board's deliberation on the rate proposal. There is a

record that summarizes all activities and formal comments/questions that is produced as a book and provided to the Retail Rates Committee for their review at the July meeting.

General Manager Hawkins added that DC WASA has a tremendous amount of information about the rate proposal and the financial background on the website. This information is updated regularly if it adds value. He urged Board members to review the web site and welcomed suggestions for adding more Frequently Asked Questions.

Ms. Richardson requested that DC WASA include the public hearing date on the DC Mayor's calendar to provide additional outreach opportunity. She also suggested that DC WASA put together a public service announcement. General Manager Hawkins stated he would have Alan Heymann look into those suggestions.

Mr. Bardin stated that the public hearing is a Board responsibility under DC WASA's enabling law. It will be held by the Board, consisting of DC Members only for this purpose, and not by the committee. After the post-hearing 30-day written comment period, the committee will consider recommendations at its July meeting, scheduled for July 27, for transmission to the Board for Board action on FY 2011 retail rates and fees at its September meeting.

Mr. Adebo reviewed the entire work plan proposal and calendar under seven headings.

1. FY 2011 Retail Rate activities
2. Impervious Area Charge Projects
3. Review and Update Committee on long-range rate issues
4. Review and Update Board's 1997 Resolution for Rate Setting
5. Effectively Communicate Rates/Charges
6. "PILOT" evaluation in coordination with DC Government; new methodology
7. Cost of service study for Potomac Interceptor Customers.

Discussion of item 3 touched on analyses, future Committee discussion and recommendation of additional rate options, including some as outlined by the 2009 cost of service study and, possibly, others. Staff will review the cost of service findings with the Committee to include available rate methodologies and comparisons to similar utilities. At the July committee meeting, staff will provide a list of rate related activities with an implementation schedule in FY 2012 or later. Chairman Bardin stated that Mr. Bunn, a public witness, raised a question at the fire hydrant public hearing on whether a separate rate class could be set up for businesses. Chairman Bardin asked that management consider such items in its analysis. He also noted that as DC WASA replaces water supply infrastructure, it will have to provide for peak demands (e.g., daily and seasonal peaks), but its current rate structure does not charge accordingly.

Mr. Adebo noted that recommendations for enhanced rate communication (noted in item 5 of the work plan) would be provided to the Committee no later than its September meeting. These will include a better description of "impervious area charges" or rates.

As to the 1997 Board resolution on retail rate setting (item 3 of the work plan), management will provide recommendations for the committee's July meeting and would welcome ideas from Board members. Ms. Manley will again email that Resolution #97-124 of December 4,

1997, to all Board members. Chairman Bardin asked that questions or suggestions be submitted to management through Ms. Manley's office.

Chairman Bardin asked when management proposes that the Retail Rates Committee review rates for the next budget cycle (FY 2012). General Manager Hawkins stated the budget kickoff was two weeks ago and FY 2012 budget cycle is underway. A rate proposal will be made in October 2010 and a calendar will be provided.

Impervious Area Charge (IAC) Projects Update

IAC Six – Tier Residential Rate Structure

Mr. Kiely updated the committee on the IAC Six – Tier Residential Rate Structure. The database conversion and system development is ongoing. DC WASA is on track to implement the IAC Six – tier Rate Structure on October 1, 2010 and at the moment management sees no impediment to deter the implementation. One major effort will be the completion of an exhaustive training during the summer. Chairman Bardin asked Mr. Kiely to identify the biggest risk. Mr. Kiely replied that there is no major show stopper in the development. He noted that over ninety percent of our customers will have no increase or a lower IAC. Chairman Bardin asked whether there is somehow in the outreach process to communicate with people that will be billed one ERU or those who will be billed less (sixth tenths of one ERU) beginning in October. Mr. Kiely replied that the Director of Public Affairs, Alan Heymann, will inform customers of what the structure will look like through detailed inserts.

IAC Credit Program

Ms. Downs updated the Committee on the status of IAC Credit Program. The District Department of Environment (DDOE) has been working on this program for roughly nine months. DC WASA received a new draft version of the guidelines from DDOE last week along with a draft notice of proposed rulemaking. Ms. Downs emphasized that this is a DDOE program. Similarly to the Customer Assistance Program (CAP), DDOE will determine customer eligibility and qualified Best Management Practices (BMP). DC WASA management would recommend acceptance of customers qualified by DDOE and apply a credit (yet to be determined) to DC WASA customers. Chairman Bardin asked whether DDOE is proposing to make this effective October 1. Ms. Downs replied, that the draft received last week proposes an effective date of October 1. There is a lot of ongoing discussion regarding timelines and feasibility of the effective date. Mr. Gibbs asked what type of BMP's will receive credits. Ms. Downs noted that the draft guidelines include some proposed BMP's for DC WASA review. There was some further discussion regarding the calculation of method of credits and bill application. Mr. Kiely noted that whenever DC WASA makes changes to the bill, those changes need to be done months in advance because of programming changes. Staff is proposing to have 1 IAC credit item printed on the bill rather than multiple lines. By July, DC WASA management will provide a proposal and timeline for implementation of a compatible DC WASA discount program. However, this is a work in progress. Mr. Gibbs asked management to make sure that DDOE includes some strong enforcement of these BMP's as far as maintenance since DC WASA is dependent upon DDOE determination. Mr. Bardin observed that there seem to be quite a few open issues, for both DDOE's program and any DC WASA program, and expressed appreciation to CFO and GC staff for keeping the Committee informed.

Update on Rate Proposal Outreach

Mr. Adebo reviewed the rate proposal outreach activities with the Committee. Chairman Bardin asked to include addresses of all the meetings on future updates. General Manager Hawkins stated the rate proposal meetings have been listed on neighborhood list services, DC WASA website and newsletters.

Financial Update

Billing and Consumption

Mr. Adebo updated the committee on the billing and consumption in Ccf and ERU's and provided a handout summarizing the status. He summarized the consumption variances by noting that federal payments include pre-payment of water use for each quarter, therefore, the dollars are higher than the consumption. Also, this time last year DC WASA was at fifty-five percent of the total annual Ccf and this year DC WASA is at fifty-four (roughly one percent difference) and generally on track as the summer months approach. Chairman Bardin stated that the number of ERU's seemed almost five percent below the level used in the FY 2010 Revised Budget anticipation of IAC revenues. Mr. Adebo replied that he would like to come back in July after more research is done. Mr. Bardin also asked for more explanation in July of actual Ccf billed for FY 2010 to date compared to the Revised Budget's anticipation, a variance that the handout showed at over 7 percent.

Mr. Adebo referred to the account delinquency table and Ms. Lewis updated the committee on the delinquent accounts. At the end of April, DC WASA had \$5 million dollars in delinquencies representing thirteen thousand accounts and of that impervious only accounts represent two hundred fifty thousand. Of the delinquent accounts, about 71 percent are secured with a lien. Those not secured are either pending investigation, a payment hold or waiting for administrative hearing. Mr. Adebo noted that DC WASA is having some difficulties with District of Columbia Housing Authority (DCHA) with collections of water and sewer payments for the past two months. Ms. Kolade stated that DC WASA has been in contact with DCHA and they have stated their intent on making payment for both months outstanding by June 1. Mr. Bardin requested that management update the Board no later than its June meeting as to DCHA fulfilling this commitment.

Ms. Richardson asked how long does DC WASA allow a customer to be delinquent. Mr. Adebo replied that the collection process begins after the due date, but delinquency for the purposes of the handout is restricted to over ninety-days.

Chairman Bardin asked whether the impervious only delinquent accounts could be reported separately. Ms. Lewis replied affirmatively. Chairman Bardin asked when the Federal Government will show up as a delinquent account. General Manager Hawkins believes they will not be delinquent until FY 2011 and only if the protest issue is not settled by October 1, 2010.

General Manager Hawkins assured the Committee that management and staff closely monitor both collections (dollars) and billings (Ccf and ERUs) in relation to budget.

Federal IAC Protest Update

General Manager Hawkins updated the committee on the federal IAC protest. General Counsel, Avis Russell, met with lawyers from GAO, Architect of the Capitol, United States

Postal Service (USPS), and Department of Agriculture (DOA). There are responses on several fronts from groups such as the National Association of Clean Water Agencies, Apartment Office and Building Association (AOBA) and National Resource Defense Council (NRDC) because every other rate payer would have to make up the CSO-LTCP cost. The IAC rate is for sewer infrastructure and equitably charged amongst all rate payers. DC WASA has made contacts both directly and indirectly with the United States Environmental Protection Agency (EPA) and Counsel for Environmental Quality (CEQ) which is the White House Advisory Office on the environment, and the heads of these agencies are in support of the federal government paying this fee. Ms. Russell stated that she is scheduled to meet with the Department of Justice (DOJ) on June 4.

Mr. Bardin stated that DC WASA may need alternative methods to charge LTCP costs to Federal Government customers that refuse to pay their share through the IAC.

Fire Hydrant Fee/PILOT Issues Update

General Manager Hawkins updated the committee on the fire hydrant fee. DC WASA has increased its charge to the District to the revised amount posted in the municipal regulations. However, DC WASA has not successfully completed negotiations with the District regarding aspects of implementing the new fire hydrant fee and related issues. Chair Bardin asked for updates on the fire hydrant fee and PILOT in July.

Emerging Issues

Mr. Kiely advised the Committee that staff plans to consolidate in one line on the bill of Customer Assistance Program (CAP) customers each of the pertinent discounts. No Board action will be required. The Committee expressed appreciation for this change.

Other Business

None. Chair Bardin said that in view of the timetables discussed by Mr. Adebo there appeared no reason to hold a committee meeting in June (as previously planned), there was no objection from management or committee members to canceling that meeting.

Adjournment

Hearing no further business, Chairman Bardin adjourned the meeting at 1:04p.m.