



# **DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

## **BOARD OF DIRECTORS**

### *Retail Rates Committee*

*June 18, 2004*

*8:45 a.m.*

## **MEETING MINUTES**

### **BOARD MEMBERS**

Glenn S. Gerstell  
Lucy Murray  
Alexander McPhail  
Michael Hodge  
David Bardin  
Michael Dutton

### **WASA STAFF**

Jerry Johnson, General Manager  
Paul Bender, Chief Financial Officer  
Mike Marcotte, Chief Engineer  
Linda Manley, Secretary to the Board

Mr. Gerstell called the meeting to order at 8:55 a.m.

### **Financial and Rate Impact of Proposed Lead Replacement Policy**

Paul Bender, Chief Financial Officer, compared the costs and rate impacts for replacing approximately 23,000 lead water service lines over a six-year period to a 10-year replacement plan. A six-year program would produce an annual average rate increase of seven percent. A 10-year program would produce no significant reduction in rates; the average annual rate increase would be 6.6 percent. In response to a question from Mr. Gerstell, Mr. Bender replied that the 10-year program would add to the cost of the program because of the effects of inflation over a longer time period.

Mr. Bardin inquired about the effect of the two replacement schedules on the rate stabilization fund, and in both cases, the fund would be exhausted by the conclusion of the lead replacement program. Mr. Hodge inquired about the amount currently in the rate stabilization fund, and Mr. Bender replied that it is currently \$21.5 million, and it is expected to remain at that level at the end of FY 2004.

Mr. Bender summarized the budget actions that would be needed to accommodate the approval of a lead service replacement policy, including amending the lifetime budget and the 10-year plan for both disbursements and rates. These amendments can be made in September to reflect the policy that the Board will act upon in July.

Capital authority has been requested from Congress that would be adequate to cover the lead replacement program in FY 2005, but Mr. Bender pointed out that it is highly unlikely

that Congress will vote on the FY 2005 appropriation by the beginning of the upcoming fiscal year. He indicated to the Committee that staff would research the impact on the capital program if the budget is not acted upon by Congress, and report these findings to the Committee. The impact of congressional inaction on the operating budget would mean the Authority could carry out its operations in FY 2005 at the FY 2004 budget level, but it could possibly mean deferring projects currently planned in the capital budget.

Mr. Bardin noted that the administrative order signed on June 17 commits the Authority to certain lead service line replacements, and Jerry Johnson, General Manager responded that the order does not override the Anti-Deficiency Act. Mr. Johnson further stated that he would refer the issue to the General Counsel and provide a formal response on this matter to the Committee.

Committee members and staff discussed a variety of issues associated with the lead service replacement policy, including the impact on CAP customers, an eight or nine year schedule if 2,500 lines were replaced annually, funding requests to Congress, and the possibility of EPA funding. There has been no formal request to Congress, and the EPA has indicated that they do not have dollars for lead service replacements.

After expressing the need to plan on lead service replacements on a two-year horizon, Mr. Bardin recommended forwarding a six-year replacement policy to the full Board of Directors for consideration, with amended wording in the resolution that would direct the General Manager to work out an accelerated, cooperative program with the District of Columbia Department of Transportation.

Mr. Gerstell stated that he did not want to change the six-year schedule in the proposed resolution, particularly because there was so little impact on rates compared to a 10-replacement schedule. He seconded Mr. Bardin's recommendation, and the Committee unanimously agreed to forward the six-year replacement policy, with amended wording, to the full Board for consideration.

### **Fixed Fee for Lead Service Replacements on Private Property**

The Committee was asked to make a recommendation to the full Board of Directors regarding the \$100 per linear foot fixed fee that has been proposed for replacing the customer portion of lead services outside the house, and the \$500 fee for replacing the line inside the house to the first threaded connection. Noting that the publication period for this resolution in the District of Columbia Municipal Register had not yet expired, Mr. Gerstell asked if staff knew that \$100 per linear foot was the correct amount. Mr. Bender replied that it is the best current engineering estimate, based on limited experience.

Mr. Bardin suggested that any action on this proposal would be conditional, pending the close of the publication period, and he expressed his general support for the concept of a fixed fee, with ongoing analysis and monitoring by staff. In response to Mr. Bardin's comments about review of the fixed fees, Mr. Bender replied that the issue would be revisited in the course of the FY 2006 budget process.

Mr. McPhail expressed concern about prepayment of costs for the private service line replacements, and Mr. Bender replied that we are not able to disconnect service or lien

properties for non-payment of the fees. Mr. Johnson noted that it would take a legal action to change the District code. Mr. Gerstell noted that the Board did not have to act on the language stipulating pre-payment, and suggested striking that language from the resolution and forward it to the Board. There was unanimous agreement with this proposal.

Mr. Gerstell requested that staff put procedures in place to assure timely publication of proposed resolutions in the District of Columbia Municipal Register.

### **Proposed Five Percent Rate Increase**

Mr. Bender requested the Committee's action on a proposed five percent rate increase, effective October 1, 2004, in either July or August. Mr. Gerstell proposed a brief meeting on July 1, prior to the Board of Directors' meeting. This schedule will allow the full Board to act on the Committee's recommendation at its September meeting.

Mr. Gerstell adjourned the meeting at 9:40 a.m.