



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Retail Rates Committee

Thursday, September 7, 2006

8:30 a.m.

MEETING MINUTES

COMMITTEE MEMBERS & ALTERNATES

Glenn Gerstell, Chairman
David J. Bardin
Joseph Cotruvo
Howard Gibbs
Alexander McPhail
Steven G. McLendon
Brenda Richardson
F. Alexis H. Roberson

WASA STAFF

Jerry Johnson, General Manager
Olu Adebo, Acting Chief Financial Officer
Avis M. Russell, General Counsel
Johnnie Hemphill, Chief of Staff
Linda Manley, Board Secretary

Other Board members In Attendance:

Chris Akinbobola
Beverly Warfield

Chairman Glenn Gerstell called the meeting to order at 8:53 a.m. noted that this meeting is a continuation of the meeting of the Retail Rates Committee held in on July 27 and the meeting is a recorded session. Next, the Chairman asked that Board Secretary Linda Manley call the roll in order to determine the presence of a quorum; and, with four principal board members being present, a quorum was established.

Mr. Gerstell asked Mr. Johnson to continue with the agenda as outlined. Mr. Johnson acknowledged the presence of a representative from the Apartment and Office Building Association (AOBA). Then Mr. Johnson proceeded with reports as outlined on the agenda.

Schedule for Rate & Fee Proposals

Referring to the twelve month schedule for all rate-related actions (Attachment 1), Mr. Johnson reported that we are on schedule for all rates and fee-related activities. According to the schedule, the full Board will take final action on the proposed rate increase at today's scheduled meeting of the Board of Directors, with the new rates to be in effect October 1, 2006.

In October, staff will report back to the Committee with additional groundwater information as requested by the Committee during their meeting in July.

FY 2007 Stormwater Rate Update

Next, Mr. Johnson provided an update on the rate increase required to fund the stormwater program. Management has written Carol Schwartz, Chairman of the Committee on Public Works and the Environment, to advise that there is a need to adjust the stormwater rate for FY 2007. In addition, WASA's General Counsel is continuing discussions with the District's Assistant Attorney General who is responsible for City Council actions related to changes in the stormwater rate structure.

WASA currently generates approximately \$3.1 million through its stormwater rates and beginning October 1 there will be a revenue need of approximately \$7 million. The District's storm water runoff system flows into approximately 600 outfalls on the Anacostia and Potomac rivers and other waterways; the District's stormwater permit requires regulation of the composition of these storm water flows. The stormwater rate adjustment for FY 2007 would provide revenues sufficient to recover costs and ensure compliance with the stormwater permit.

Staff will provide a report on the stormwater dual jurisdiction for setting stormwater rates at the September meeting of the Finance and Budget Committee.

Cost of Service Study Results

Next, Mr. Johnson provided an overview of the cost of service study noting that this is the second time WASA has conducted a cost of service study since it was established. The first cost of service study occurred in 2002. The purpose of the study is to ensure that we are billing customers appropriately and to ensure that each customer pays their share of costs of providing services.

After his overview, Mr. Johnson introduced Daniel Lanning of PB Consult, Inc. and Chris Woodcock of Woodcock & Associates who conducted the FY 2006 cost of service study and to present the results of the study. Board members received the cost of service study presentation prior to the meeting and as such Chairman Gerstell asked the consultants to provide an overview and summary of major findings.

Mr. Lanning reported that the study evaluated WASA's cost of service forecast and the existing rate structure and found that WASA's current rate structure meets the Board-approved financial plan. In addition, WASA should increase or potentially phase-in its meter/customer fee to reflect cost of service and continue to delineate cost pools and cost pool recovery mechanisms. Mr. Lanning noted that there has been a shift in cost from wastewater treatment program to the water program due to the impact of the lead service replacement project. The consultants recommended no change for miscellaneous fees except for the metering fee and private fire protection fee.

Mr. Gerstell commended the consultants on the informative report and asked Mr. Johnson to post the report on WASA's website.

Mr. Bardin asked that prior to implementation of any metering/customer fee staff should provide detail breakdown that would be included in the metering fee and provide an analysis of whether or not to delineate costs on a metering basis. The analysis should include a review of customers who do not pay their bills and the implementation of additional fees to that group of customers. Mr. Bardin also pointed out the downward trend in consumption as noted in the cost of service study and asked staff to review design capacity of the water system. Mr. Johnson explained that in building capacity, engineers typically design systems for peak usage and consider factors in addition to consumption such as growth.

Impervious Surface Rate Structure Proposal

Next, Mr. Johnson continued with an overview of management's proposal for an impervious surface area rate for recovery of combined sewer overflow (CSO) and storm water costs. Mr. Johnson introduced John Cromwell of Stratus Consulting, the primary consultant for this subject matter. Mr. Cromwell outlined the advantages of an impervious area rate:

- Provides a better allocation of cost responsibility than a water/sewer consumption rate relating to managing surface runoff.
- Applying an impervious area rate structure for both programs in the same way on a citywide basis will improve understanding and sharpen incentives for low impact development.
- Many cities have used impervious area rates for recovery of stormwater costs but there are no examples for use of impervious area rates for recovery of CSO costs.

Based on his review, Mr. Cromwell recommends implementing an impervious area rate for recovery of CSO and stormwater costs for FY 2009. Staff will need to develop a GIS database to capture parcel-by-parcel data; this would be the basis for an impervious area surface rate for non-single-family-residential properties. The consultant recommends equivalent residential unit (ERU) as the basis to bill single-family residential properties; ERU is the approach that Montgomery County, MD and other jurisdictions use.

After discussion, the Committee asked management to proceed in collecting GIS data to serve as the basis for implementation of an impervious area surface rate.

Groundwater

Mr. Bardin asked the General Counsel for a review of groundwater-related questions submitted by AOBA. The General Counsel should prepare to discuss WASA's position at the October meeting.

Hearing no further questions, Chairman Gerstell adjourned the meeting at 9:55 a.m.