



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

*Retail Rates Committee
Wednesday, December 16, 2005
9:00 a.m.*

MEETING MINUTES

BOARD MEMBERS

Glenn Gerstell
David J. Bardin
Howard Gibbs
Alexander McPhail
Stephanie Nash
F. Alexis Roberson

WASA STAFF

Jerry Johnson, General Manager
Michelle Cowan, Acting Chief Financial Officer
John Dunn, Chief Engineer
Avis M. Russell, General Counsel

Chairman Gerstell called the meeting to order at 9:07 a.m.

Presentation on Denver's Stormwater Fee

Alexander McPhail provided a briefing on his mid-November visit to the City of Denver, Colorado, Department of Public Works, Wastewater Management Division. Mr. McPhail provided a review of Denver's Stormwater fee, the impact of impervious surface runoff and the basis of the fee structure. Mr. Bardin asked Mr. McPhail to summarize his report and distribute it with the presentation to all Board members, and to explore how Denver established the scale upon which stormwater fees are charged.

Proposed Rate Changes and Follow-up on CSO/Stormwater Rate Options

CSO Stormwater Rate Options

Dave Earley and John Cromwell, WASA's independent rate consultants, provided a report on their analyses and an implementation timetable for the following rate structure considerations:

1. Streets and Rights of Way – determining what portion of Stormwater runoff in the CSO area is owned by the District and federal governments and determining a basis for sharing of these costs.
2. Groundwater – Estimating flows and identifying potential cost recovery through an upcoming cost of service study.
3. Properties with No Meters – discussing cost and rate-related issues surrounding certain properties in the District that do not have meters but contribute to Stormwater runoff, particularly inside the CSO area, where some of the Stormwater flows go to Blue Plains for treatment.

Review and Action on Proposed FY 2007 Retail Rate and Fee Changes

Mr. Johnson presented the three rate and fee proposals for Committee consideration. Referring to a handout provided to the Committee, Ms. Cowan continued with an in-depth review of each proposal and underlying issues. At the conclusion of their discussions, Mr. Johnson asked the Committee for a recommendation on the following proposals for Board action at their January 5, 2006 meeting.

- 1. For public comment, a 7 percent increase in water and sewer retail rates for FY 2007.**
- 2. For the next 18-24 months, continue efforts to implement a comprehensive impervious surface-based rate structure for CSO LTCP costs.**
 - a. Goal is to have new rate structure effective in FY 2009
 - b. Determine the appropriate cost recovery mechanism for groundwater flows
- 3. District stormwater rate**
 - a. Recommend to Council that the District utilize the same level of rates for stormwater as WASA CSO rate effective in FY 2009
 - b. In the near-term (FY 2007 and FY 2008), recommend to Council that it increase (roughly double) the existing stormwater rate without changing the structure.

As follow up, Mr. Gerstell asked staff to provide the Board with a comparison of the consumer price index as versus the proposed retail rate increases on monthly residential bills through 2014.

In order to lessen the impact of the rate increase, Mr. Bardin asked staff to continue their efforts to aggressively pursue delinquent accounts receivable in an effort to lessen the impact of rate increases to customers.

Ms. Roberson cited the Board's endorsement of WASA's capital improvement program as the basis for adequately funding those efforts. This in no way prevents the Board and staff from continuing various rates analyses and studies. Ms. Roberson asked management and staff to continue their collection efforts and to accelerate fee analyses without sacrificing the quality of research.

Summary of Recommended Action

Chairman Gerstell summarized the Committee's discussion and recommendations for each of the three rates and fees proposals. First, the Committee recommended a seven percent increase in retail rates to ensure continuity of WASA's capital improvement program while continue to be sensitive to WASA's customers by providing gradual rate increases schedule in FY 2008 – FY 2014. Chairman Gerstell noted that WASA cannot adopt a rate increase higher than that which is advertised in the District of Columbia Municipal Regulations (DCMR), so advertisement of a proposed seven percent increase maintains the Committee's flexibility. However, Chairman Gerstell expressed his hope that the actual increase will be less than seven percent if financial performance is better than expected.

Second, the Committee directed staff to provide a more accelerated schedule to address remaining rates and fees considerations. The Retail Rates Committee will review the accelerated schedule prior to the January Board meeting.

Chairman Gerstell adjourned the meeting at 11:20 a.m.