



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

BOARD OF DIRECTORS

Retail Rates Committee

March 25, 2004

*Immediately following the Finance and Budget
Committee meeting*

MEETING MINUTES

BOARD MEMBERS

Glenn S. Gerstell
Lucy Murray
Alexander McPhail
David J. Bardin
Stephanie Nash
Michael Hodge
Alexis Roberson

WASA STAFF

Jerry Johnson, General Manager
Paul Bender, Chief Financial Officer
Mike Marcotte, Chief Engineer
Wendy Hartmann Moore, Interim General Counsel
Linda Manley, Secretary to the Board

Mr. Gerstell called the meeting to order at 10:45 a.m.

Lead Service Replacement Scenarios

Paul Bender, Chief Financial Officer, opened the meeting with a presentation on rate impacts of various scheduling scenarios for replacing lead service lines. These were the same scenarios that were presented to the full Board of Directors at its special meeting on February 24. The Committee focused its attention on the seven-year replacement schedule because it most nearly coincided with a lead service policy resolution that Alexander McPhail proposed at the Customer and Community Services Committee on March 22. The cost of replacing all known lead service lines on a seven-year schedule would add approximately \$8.00 to the average retail customer's bill by FY 2012, compared to the current Capital Improvement Program. Mr. Bender noted that this cost was based on bonding for the entire cost of the replacements, and assuming no outside contributions from other agencies.

Alexis Roberson inquired about the differing rates of cost increases across the proposed scenarios for completing the lead service replacements, and Mr. Bender replied that inflation takes the number up for the longer replacement schedules.

Mike Marcotte, Chief Engineer, talked about possible capital project deferrals. He discussed \$250 million in projects across the CIP that could be put off, but would result in negative impacts on customers and the environment. Projects budgeted at an additional

\$75 million were presented to the Committee, which would not have a negative impact if deferred.

Mr. Bardin stated that there should be more input on cutting the CIP than just the Retail Rates Committee because some of the projects proposed for deferral would affect a larger group of Board members. Mr. Gerstell noted the implication that we would save large amounts would have to be netted against the D.C. share of Blue Plains projects. He further stated his reluctance to alter the current CIP and his preference for asking Congress for help rather than cutting back on the Authority's capital plan. Ms. Roberson agreed.

Mr. Bardin suggested that the EarthJustice consent decree might be revisited through discussions with the parties that brought suit, so that retail ratepayers could obtain relief from some of the mandated projects, with savings from deferrals being applied to lead service replacements.

Mr. McPhail requested a rate impact analysis for a seven-year program, costing \$300 million, with \$75 million in capital projects deferred. Mr. Bender replied that staff would provide this analysis. Mr. Bardin noted that there is not a way to replace lead services without an impact on rates.

Wendy Hartmann Moore, Interim General Counsel, advised that any change to the CIP would broaden the lead service replacement issue from a non-joint use to a joint-use issue.

Alternatives for Replacing and Financing the Customer Portion of Lead Services

Jerry Johnson, General Manager, reported on several actions that are being considered for replacing the customer-owned portion of lead service lines, because the Authority continues to believe that it is not effective to replace only the portion of lines in public space. Among the possibilities for assisting customers with the expense of replacing their service lines are:

- Federal funding, such as EPA grants, with WASA serving in an administrative function;
- Offering assistance through other programs that the District already participates in, such as the Department of Housing and Community Development's (DHCD) lead abatement program;
- Assistance from the U.S. Department of Housing and Urban Development;
- Funding directly from the District government, including possible grants or special assessment bonds;
- WASA financing, which would require District Council action to remove current legal obstacles; and
- Seeking assistance from banking institutions through the Community Reinvestment Act.

Mr. Johnson stated that more research was needed in most of these areas, and that a formal report would be issued as more analysis is completed.

Mr. Gerstell suggested that WASA continue to look to the Federal and District governments because of the legal prohibition for the Authority to provide financing options to its customers. He further stated the Federal assistance would be consistent with handling of other environmental issues. Mr. Johnson said that EPA has discussed the possibility of providing assistance similar to state revolving funds, but there would be no net increase in EPA funding, and this would cut into other grants.

Lucy Murray suggested that it might be helpful for Board members to pursue alternatives for using Community Development Block Grants through DHCD.

Mr. McPhail questioned the Authority's role, versus the interagency task force's role, regarding this issue. He suggested that perhaps WASA should not be trying to solve the private replacement problem on its own, and that there might be a greater sense of urgency if the issue were put before the other participating agencies. Mr. Bardin agreed.

Mr. Bardin also discussed the proposed policy on lead service lines that will go before the Board for action, and he requested that it receive discussion at the April 1 public hearing on the proposed FY 2005 rate increase.

Rate Discount for Flushing

Councilwoman Carol Schwartz recently called for WASA to offer a 20 percent discount to each lead service customer to compensate for flushing water for 10 minutes prior to consumption. A range of financial implications was presented to the Committee for various scenarios, from a five-gallon discount to the 20 percent suggested by Ms. Schwartz.

Ms. Murray questioned the basis for the 20 percent discount, and Mr. Marcotte noted that we have not suggested that water should run down the drain. The Authority has suggested showering or other water usage to clear the lines of water sitting in the service line.

Mr. Bardin voiced his lack of support for a 20 percent discount, particularly because we are providing free filters and six-month refills for customers with lead services, and Mr. Gerstell noted a general lack of support for the discount among Committee members.

Ms. Roberson stated that she did not agree with the discount, but expressed that it might be a signal to the District Council that the Authority is taking an action to complement its request for \$13 million to cover additional lead service activities.

FY 2005 Rate Increase and Customer Assistance Program Schedule

The public hearing for the proposed FY 2005 rate increase, and the change to the Customer Assistance Program that would extend the program to tenants, is scheduled for Thursday, April 1, at 6:30 p.m. The hearing will be held at the Council of Governments offices, at 777 North Capital Street, N.E., Suite 300.

Ms. Murray requested that it is made clear to the public that this hearing is to address the proposed rate increase, rather than lead services. Mr. McPhail requested that a blowup of

advertisements for public notification regarding the rate increase be provided at the hearing, so that customers will understand that the proposal to increase rates by five percent was made prior to the publicity surrounding lead service lines. Mr. Bardin requested that a schedule, dating back to the Retail Rates Committee meeting and action on December 17, 2003, be provided as well.

Mr. Gerstell requested that the proposed lead service policy resolution be provided at the April 2nd Board meeting, and staff was asked to provide a draft of the resolution by March 29. He noted several points to be included in the resolution, such as scheduling, the full costs of replacement, and our commitment to removing lead lines even if water corrosivity issues are resolved. He stated that all of these issues need to be subject to public comment. Mr. McPhail wanted to assure that the resolution presented all of these issues in a manner easily understood by ratepayers, and requested Board action on the resolution in June. Discussion followed regarding distribution of the draft policy to the press prior to the April 1 meeting, and establishing a process for obtaining public input through both meetings and written comments. Written comments were proposed to be due by the end of May for the Board's consideration at its June meeting.

Mr. Gerstell adjourned the meeting at 12:05 p.m.