



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Retail Rates Committee

Tuesday, July 22, 2008

9:00 a.m.

MEETING MINUTES

COMMITTEE MEMBERS

Robin B. Martin, Chairman
David J. Bardin
Keith Stone
Howard Gibbs
Brenda Richardson

WASA STAFF

Jerry N. Johnson, General Manager
Olu Adebo, Acting Chief Financial Officer
Avis Russell, General Counsel
Linda R. Manley, Board Secretary

PRESENTER

David Early, Principal, PB Consult

Chairman Martin called the meeting to order at 9:00 a.m.

Impervious Surface Rate Project Update

Project Update

Mr. Johnson informed the Retail Rate Committee that a letter was received from PB Consult on the status of the impervious area project. Mr. Johnson further noted that WASA was advised by PB that an independent QA team identified several issues with the current database that was being developed for WASA. After WASA was advised of this development, Chairman Martin and Mr. Johnson met with David Early, the principal in charge of the project from PB Consult, to discuss the issues identified and PB's action plan to address and restructure the entire process, including the project deficiencies and adherence to the project deliverable dates established. Chairman Martin mentioned that the letter was drafted by Mr. Early after he and Mr. Johnson met with Mr. Early regarding the response to WASA concerns.

Mr. Early addressed the Committee and noted that his previous communication with the Committee regarding the make up of the project team is no longer valid. Having reviewed the project progress in greater detail, it has become clear to Mr. Early that the PB work is not where it needs to be. To address this, a new team has been assigned and a lot of progress has been made in the month of July. Mr. Early noted that the challenges are not purely regarding data, but also the integration of business processes and system architecture that need to influence each other. Mr. Early stated that PB is developing a revised work plan but has a few more key sessions on business processes prior to completing the new schedule. Mr. Early stated that PB is committed to developing a

revised schedule that will try to meet the original implementation date of the new fee structure on April 1, 2009.

Chairman Martin asked what triggered the series of actions by PB. Mr. Early replied that he was unable to obtain responses for requests for specific information from the PB QA team and decided that a change using nearby resources would be best for the project. Chairman Martin asked whether PB is creating a different database from the District of Columbia Geographical Information System (DCGIS). Mr. Early confirmed that PB is using all of the existing sources, but not modifying the DC database information. Mr. Early discussed some of the data anomalies that have required business process decisions and noted that PB staff has worked with WASA to identify solutions.

The Committee explored the extent to which and the time frame that the consultants and staff became aware of the inability of PB to deliver the database per contract. Mr. Johnson and Mr. Adebo confirmed that staff was made aware of the issue the first week in July at the time that the database should have been delivered. Mr. Adebo expressed his disappointment on where the project is at this time. He informed the Committee of several actions that have been taken by WASA since the notification by PB of its inability to deliver the database on schedule. Chairman Martin noted that the Committee would want interim reports on the project status.

Mr. Gibbs asked staff to discuss the steps that will be taken to make sure that progress continues. Mr. Adebo replied that the first step is a revised project plan and that WASA is reviewing the QA/QC results from PB as they are available to make sure that the three issues that were identified are being addressed simultaneously: system architecture issues, data quality and business processes. Mr. Adebo noted that full quality control reviews can not be completed until WASA gets the full database. The current project's critical path appears to include the ability to provide analytical information relating to customer class impacts based on the request from the DC Council prior to any legislative action being contemplated. Progress on the database is critical to the ability to move legislation forward. Chairman Martin stated that WASA needs to be sure that the quality of the information is accurate before distributing any of it to the members of the District Council. Mr. Adebo assured the Committee that the data integrity is a primary goal along with the April 1, 2009 implementation schedule.

Mr. Adebo stated that several resources have been committed to the IAC project including a full time Project Manager, internal staff, QA/QC staff, and three IT staff. Chairman Martin noted concern regarding the increasing incremental resources that seem to be dedicated to this project. Mr. Adebo replied he would include current and anticipated resources needed as part of the new project schedule. Chairman Martin asked management to provide the Committee with an interim project report. Mr. Stone asked about the substantial completion date and whether there are any liability damages within the contract if PB does not meet this date. Mr. Adebo noted that there are actually two milestone dates within the contract. The first one is tied to the delivery of the database to WASA and is 300 days from the contract notice to proceed date, which results in a required deliverable date of July 9, 2008. The second is the post implementation support which provides for dedicated PB resources on site for six months after the new rate implementation. WASA is drafting a cure letter to PB and reviewing the contract to see if there are any opportunities for recovery of damages due to the PB's missing the first deliverable.

Mr. Bardin asked PB to describe the experience of the new project team in developing this type of database. Mr. Early replied that they have not worked on impervious surfaces, but they are highly qualified in the development of databases. Mr. Bardin suggested that PB review the impervious surface database in Denver to see how it was constructed and is being managed. He also asked that PB recalculate the median of the 104,000 residential properties and compare it to what was provided to WASA several months ago. Mr. Adebo reminded the Committee that the residential calculation was based on a sample of approximately 1500 residential properties and not the full population of 104,000.

Legislative Update

Mr. Adebo updated the Committee on the latest stakeholder meetings with Chairman Gray and Councilmember Graham. Mr. Adebo mentioned that the Councilmembers seemed to understand the project. Councilmember Graham requested additional information on customer classes and impacts prior to introduction of the legislation. Neither Councilmember was interested in proposing emergency legislation and suggested that any legislation on the Impervious Area Charge (IAC) go through temporary legislation and then subsequently permanent legislation if timing is an issue.

Mr. Adebo reviewed the Casey Trees handout included within their packages as a follow up to a request at the last Committee meeting. Chairman Martin asked that staff add the date and source of the data with an explanation of the categories and email the attachment to the Committee members.

FY 2009 Rate and Fee Proposal

Calendar for Rate Adjustments

Mr. Adebo updated the Committee on the rate calendar for FY 2009. Mr. Adebo mentioned that WASA is on schedule to implement the proposed FY 2009 rate adjustments. Mr. Adebo added that the Board is scheduled to meet in September to adopt a rate adjustment for FY 2009. Chairman Martin stated that the Committee will meet the same date of the full Board meeting on September 4, 2008 at 8:30am to make a final recommendation on a rate adjustment.

Review and Consider Public Comment

Mr. Adebo reviewed the summary of public comments during the two public hearings on June 11 and 23. Mr. Bardin asked the General Manager to analyze the two public comments from Russell Smith's testimony and the email from Dr. Omar Hopkins.

Alternatives and Management Proposal

Mr. Adebo briefed the Committee on several alternative rate proposals. Mr. Adebo stated that WASA's preliminary projections indicate that FY 2008 will end with \$16 – 20 million cash over its 180 day cash reserve requirement. Typically WASA splits the use of the excess cash over the reserve requirement into two categories; Pay-Go and Rate Stabilization Fund (RSF). Mr. Adebo explained that the revenue requirement has not changed and ultimately WASA will need to achieve \$174 million in additional revenue requirement over the next ten years. Mr. Adebo noted that every \$2 million in revenues equates to approximately one percent increase to retail rates. Mr. Adebo reviewed the rate scenarios prepared for Committee discussion. Mr. Bardin asked what drives the

recommendation of an 8.0% rate increase rather than the 8.5% originally presented for public comment this spring. Mr. Johnson replied WASA management thinks it can recommend the 8.0% increase because WASA will finish the year with excess cash over the reserve requirement. Chairman Martin asked staff to prepare three additional rate scenarios in which the operating reserves are capped at the present level, one each for rate increases of 8.5%, 8.0% and 7.5% for the next Committee meeting.

Action Items

Chairman Martin postponed these actions until the September 4 Committee meeting.

Other Business

None

Adjournment

Hearing no further business, Chairman Martin adjourned the meeting at 11:10 am