



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Retail Rates Committee
Thursday, September 4, 2008
8:30 a.m.

MEETING MINUTES

COMMITTEE MEMBERS

Robin B. Martin, Chairman
David J. Bardin
Keith Stone
Howard Gibbs
Brenda Richardson
Alan Roth
Joseph Cotruvo
George Hawkins
Jimmie Jenkins

WASA STAFF

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

Chairman Martin called the non-regularly scheduled Retail Rates Committee meeting to order at 8:30 a.m.

FY 2009 Rate and Fee Proposal

Mr. Adebo began by noting that the proposed calendar for FY 2009 retail rate adjustments calls for action by the Board of Directors in September 2008 for implementation October 1, 2008. WASA is on track with the retail rates proposal for FY 2009 adjustments.

Mr. Adebo stated that WASA is currently projecting a surplus in the range of \$16 - \$20 million of excess revenues over the 180 days of operating reserves. The management proposal recommends an 8% increase for FY 2009, based on better than expected performance in FY 2008. Included in the Committee package was a review of several rate adjustment scenarios for FY 2009 ranging from a 0% rate adjustment to 8.5%. Chairman Martin asked Mr. Adebo to explain the three new scenarios that are labeled "no reserves". Mr. Adebo explained that in FY 2009 approximately \$3.3 million in additional revenue is required to meet the 180 day operating reserve, which increased from \$118 million to \$121 million in FY 2009. Approximately \$27.6 million in additional revenues is required over the remainder of the ten-year plan to meet the operating reserve requirements based on the current Board policy. For information purposes, staff has included scenarios demonstrating various rate impacts if the operating reserve were not increased from its current level. Mr. Adebo stated that these scenarios give the Committee an idea of the magnitude of the additions to the operating reserves. Chairman Martin reiterated that the committee is not

proposing any of those three scenarios because the analysis has not been completed, nor has the Board changed the policy that requires a 180 day reserve. Chairman Martin asked management to work with WASA financial advisors and determine what scenarios make sense for the future, how they would affect the rating agencies in the market and come back to the Board with either alternatives or a recommendation.

The Committee discussed the various scenarios and the application of the FY 2008 projected surplus for FY 2009 paygo versus the Rate Stabilization. It was noted that paygo provides cash and defers the issuance of debt which provides debt service. In addition, the buildup and use of the RSF allows gradual rate adjustments through the availability of funds to help smooth rate adjustments in years of peak expenditures.

Mr. Bardin asked whether consideration has been given reducing the PILOT fee on the bills to rate payers. Mr. Johnson replied that there is a risk involved in such a consideration. When the cost of service study is complete, if the District certifies and WASA verifies that the budget amount was correct, then the Authority will not have collected the funds necessary to make that payment. To avoid some retroactive collection mechanism, it is better to collect the money and be in a position to pay it at the time the study has been completed.

Action Items

FY 2009 Rate & Fee Changes (effective October 1, 2008)

Mr. Johnson stated that management is recommending that the Board adopt a rate increase of approximately eight percent (8%).

Chairman Martin recommended that the Committee adopt an increase of 7.5% rather than an 8.0% increase (which would be Scenario 3A in the supporting attachments). Mr. Roth supported the recommendation.

Mr. Bardin asked the committee to consider a lower adjustment, primarily due to the recent announcement by the DC Department of the Environment (DDOE) of a plan to increase its stormwater fee that is collected by WASA on their behalf. Mr. Bardin noted that the overall impact to the customer would be greater if DDOE charges are increased. Chairman Martin stated that the DC Department of Environment's possible action does not have an effect on the revenue requirement of the DC WASA. Secondly, it is important to maintain appropriate revenue generation so that this Board maintains the high bond rating and credibility that it has to its staff, suppliers, citizens of the District, Council and the Congress. Chairman Martin stated he felt the 7.5% is a fairly substantial decrease from the original proposal in January. Other committee members concurred with the Chairman's proposal and rationale. The Committee agreed to move the action forward, recommending 7.5% retail rate adjustment for FY 2009.

Other Business

Mr. Bardin asked staff to consider reporting in increased detail in the future in line with his recent request for information on Attachment 2-2 of the retail rate proposal. Mr. Bardin asked whether the revised CAP proposal has been published in the D.C. Register to make the CAP apply to sewerage rates, too. Mr. Adebo, replied no. WASA anticipates publishing around February. Chairman Martin asked the General Manager to consider publishing the proposed CAP changes soon in anticipation of reporting to the City Council oversight committee.

District Department of Environment (Attachment 4)

Mr. Adebo briefed the Committee on the DC Department of Environment (DDOE) rate increase proposal, noting that there will be a public hearing on September 15 related to the D.C stormwater rates. Mr. Adebo mentioned WASA has been in contact with DDOE relating to their outreach and customer communication related to this rate increase. Mr. Johnson stated WASA has been working with DDOE on the billing system changes that will have to be made to accommodate the adjustment.

Chairman Martin asked for an update on the Impervious Area Rate Project. Mr. Adebo replied that WASA has made good progress on the IAB project. The project plan has been received with the implementation date of April 1, 2009 for the Impervious Area Rates. WASA has received the analysis requested by the City Council and it is consistent with the initial analysis. PB resources have been located at 810 First Street and have been working on a daily basis to get this project completed on time. Chairman Martin requested that the Committee receive the revised schedule and a progress update. Mr. Adebo noted that the Committee would be fully briefed on the project plan at the meeting on September 23 and agreed to send a progress update right away.

Adjournment

Hearing no further business, Chairman Martin adjourned the meeting at 9:26 am