



REVISED 12/02/09
DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Retail Rates Committee
Tuesday November 24, 2009
9:00 a.m.

MEETING MINUTES

COMMITTEE MEMBERS

William Walker, Interim Chairman
David J. Bardin
Joseph Cotruvo
Howard Gibbs

WASA STAFF

George Hawkins, General Manager
Avis Russell, General Counsel
Olu Adebo, Chief Financial Officer
Yvette Downs, Finance & Budget Director
Linda R. Manley, Board Secretary

Call to Order

Interim, Chairman William Walker called the Retail Rates Committee meeting to order at 9:10 am.

FY 2011 Rate and Fee Proposal

Rate Calendar

Mr. Adebo began by noting that the proposed calendar for FY 2011 retail rate adjustments calls for action by the Board of Directors in January 2010. Mr. Adebo mentioned that the Fire Hydrant fee adjustment is not on the calendar but is an action item on the agenda for Committee discussion.

Among other things, the calendar includes the Board review and deliberation of a credit program related to the IAC as required by DC legislation. Mr. Adebo stated that DC WASA is working with DDOE to develop a credit program and expects have a proposed timeline soon. Mr. Bardin asked when the Committee could expect an update of the IAC and whether any impediments exist that would delay moving forward with a multi-tier fee schedule for residential customers. Mr. Adebo reminded the Committee that the initial briefing held several months earlier on both the multi-tier residential fee and the IAC credit program called for a review of the status of activities in December with a recommendation on the multi-tier fee as to whether or not the changes can be implemented by October 1, 2010. The current rate proposal assumes implementation of a multi-tier residential structure in FY 2011.

Review of Retail Revenues and Rates

Mr. Adebo proceeded to slide 4 on the FY 2010 & 2011 Retail Revenues and Rates summarizing the proposed rate adjustments. Mr. Adebo noted that the proposed retail rates and fees for FY 2011 assume full recovery of the invoiced fire hydrant fee by the District government. The proposed rates are as follows:

FY 2011 combined Water and Sewer rate increase of \$0.80 per Ccf (from \$6.12 to \$6.92) or \$6.66 per month for the average residential customer

FY 2011 metering fee increase of \$1.85 per month (from \$2.01 to \$3.86)

FY 2011 monthly Impervious Area Charge increase of \$1.25 per ERU to recover CSO LTCP costs (from \$2.20 to \$3.45)

FY 2011 PILOT fee increase of \$0.06 per Ccf (from \$0.57 per Ccf to \$0.63) and no change in ROW fee of \$0.14 per Ccf

There was a lot of discussion surrounding total revenue requirements for operating expenses and relative shares of each borne by retail customers in the District and wholesale customers in the suburbs, and of relative responsibilities for funding capital outlays, including bases for allocation of direct and indirect costs. Some clarification was provided upon request by the General Counsel of general principals of the Inter-Municipal Agreement of 1985 (IMA) and similar contracts, including allocation formulas, processes for resolving allocation issues, and transparency. There was discussion of payments in lieu of taxes to the District and a suggestion that changes to the MOU with the District be considered, such as a reasonable land rental for District-owned acreage at Blue Plains that WASA would pay and allocate between retail and wholesale customers. There was a lot of discussion surrounding the long term strategy for rate adjustments; particularly as it pertains to unbundling of rates between fixed and variable costs. This included conversation on the appropriateness or fairness of basing the present PILOT and ROW fees charged to retail customers on consumption rather than on a flat fee. At the November 24, 2009 Finance and Budget Committee, it was suggested that staff review the revenue structure, considering the options and benefits of revenue based on fixed versus variable cost recovery and briefly discussion by the Retail Rates Committee. It was acknowledged that increased fixed charges have a greater impact on smaller bills, such as most residential bills.

FY 2009 Average Residential Customer Monthly Consumption Discussion

Mr. Adebo gave a review on the FY 2009 Residential Customer Consumption by Quartile. Mr. Adebo stated that the data shows the impact of conservation and the trend from FY 2007- FY 2009. A typical customer has been assumed to use an average monthly consumption of 8.33 Ccf. However, a review of the average and median residential customer use of the last few years shows that in FY2007, FY2008, and FY2009, the mean or average (and median) monthly residential customer usages were 7.07 Ccf (5.75 Ccf), 6.91 Ccf (5.58 Ccf), and 6.69 Ccf (5.50 Ccf) respectively. Mr. Walker stated, DC WASA needs to benchmark ourselves to see where we are with other utilities. Mr. Adebo asked the Committee for policy direction on future displays of the average residential customer.

Should it be based on average or median use? Mr. Gibbs stated most people understand the use of the term average not a mean and the difference is not well known.

Fire Hydrant Fee Update

Mr. Adebo gave a brief background on the fire protection fee. Mr. Adebo mentioned that DC WASA provides fire protection services and assessment fees to the District of Columbia based on Title 21 DCMR, Chapter 21, Section 4103 since April 1, 2000, and a fee of \$217.00 per hydrant was determined which resulted in about \$1.9 million annually from the District. In 2003 the District and DC WASA signed an MOU for this fee to be paid. In FY 2007, DC WASA signed an MOU with FEMS which expanded the scope of the fire hydrant. A 2008 Cost of Service Study on the Fire Protection Fee documented substantially higher annual costs and recommended an increase in the annual fee from \$1.9 million to fully recover the costs either in a lump sum or through a couple of repayment options. During FY 2009 DC WASA presented and discussed the Cost of Service results with DC WASA Board of Directors, DC City Administrator and the DC CFO. The DC CFO was notified that the annual fee increased to \$6.1 million beginning October 1, 2009 in accordance with the Cost of Service Study requested by the 2007 MOU. The DC CFO requested that DC WASA first implement a DC Municipal Regulation change prior to request of payment to increase fee. Mr. Adebo informed the Committee that the Authority plans to continue with implementation of Phase II of the fire hydrant upgrade program on the assumption of a full recovery from the District of Columbia. Currently a revenue gap of \$4.2 million exists, which is the difference between what DCWASA is being reimbursed now and the reimbursement assumed by the Authority in the 10 year financial plan and the proposed rate fees for FY 2011. The joint committee referred this action item to the Retail Rates Committee. If the District does not pay the full amount, DC WASA would be short the equivalent of 1.5 to 2 percent rate increase and additional rate adjustments would be necessary for FY 2011.

FY 2009 Cost of Service Recommendations

Water & Sewer Rate Reset

Retail Rate Committee did not discuss this in detail and handouts were provided to the committee.

Change in Customer Metering Fee

Retail Rate Committee did not discuss this in detail and handouts were provided to the committee.

Action Items

Recommendation for Change in Fire Protection Fee Regulations

The Committee discussed the proposed action item for revision to Title 21 of the DCMR related to the fire protection fee charged to the District of Columbia government. Mr. Adebo moved to attachment C on the amendment to the District Fire Protection Fee and reviewed the proposed calendar. It is proposed that on December 3, 2009 the Board approve a resolution to publish new rates in the DC Register; December 11, 2009 publish the proposed rule in the DC Register; January 2010 to hold a Public Hearing and February

2010 the Board approve an amended yearly fire protection fee. The Committee agreed to move the action forward with revisions by the General Counsel.

Adjournment

Hearing no further business, Interim Chairman Walker adjourned the meeting at 11:25am