



# **DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

## **BOARD OF DIRECTORS**

*Retail Rates Committee  
Thursday, December 4, 2008  
8:00 a.m.*

## **MEETING MINUTES**

### **COMMITTEE MEMBERS**

Daniel Tangherlini, Acting Chairman  
William Walker, Incoming Chairman  
Brenda Richardson  
David Bardin  
Keith Stone  
Howard Gibbs  
F. Alexis Roberson  
Joseph Cotruvo

### **WASA STAFF**

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

### **Presenter**

Louis Desjardins

### **Call to Order**

Acting Chairman Tangherlini called the scheduled Retail Rates Committee meeting to order at 8:15 a.m.

### **Impervious Surface Project Update**

#### **Database Development and Other Deliverables**

Mr. Adebo introduced Mr. Louis Desjardins for the update on the impervious surface project. Mr. Desjardins summarized the project status, noting that WASA has received all five zones for the IAB database from PB Consult and we are on track to implement the impervious surface area billing (IAC) in April 2009. The QA/QC is ongoing and the number of deficiencies thus far are minimal. There has been some slippage in the original schedule because the level of effort allotted to cleanup the deficiencies in the data early on was under estimated. However, this slippage will not impact our April 2009 delivery. Mr. Desjardins noted that the system delivery is expected sometime after the committee meeting, with a few of the components and reporting data to be delivered the following week. In response to a question poised by Mr. Gibbs regarding completion of the QA/QC, Mr. Desjardins replied this would be complete by the end of December. Staff has increased their work hours to get the QA/QC finished sooner and the review process has improved with the higher quality of data. Mr. Adebo noted that an updated statistical analysis of impervious area and its allocation to the customer classes will be included on the agenda for the December 19 Retail Rates Committee

Mr. Bardin asked whether WASA will have a rate proposal at the December 19 Retail Rates Committee meeting for the committee to submit to the board for the January 2009 board meeting. Mr.

Adebo replied yes. Mr. Bardin asked what board actions will be necessary. Mr. Johnson suggested discussing agenda item rates calendar Attachment C – 3.

#### Rates Calendar (Attachment C – 3)

The committee discussed the approval process for establishment of an impervious surface area charge (IAC) as outlined in the rates calendar. As currently outlined, the Retail Rates Committee would recommend an IAC rate in December for a January 2009 Board resolution to hold a public hearing. A February public hearing would provide the opportunity for committee consideration and Board approval in March, to accommodate initial implementation in April 2009. Mr. Bardin asked management to include a plan of action within the rates calendar for compliance with the pending DC Council legislation on impervious surface rates regarding submission of a report on low income customers. Mr. Johnson noted that WASA will have to retain someone to assist WASA with the study and analysis. Mr. Tangherlini suggested that a separate calendar be developed to address this particular issue. Mr. Cotruvo asked whether it will be difficult to come up with the number of persons impacted. Mr. Johnson replied that the question that continues to come up is whether WASA is capturing the universe of customers who might be eligible for this program. One of the comparisons that continue to be made is number of people in Pepco versus the WASA program. One distinction is Pepco has more meters in the District going to apartments and smaller units than does WASA. Developing an approach to capture this information or acquiring it from other social service organizations will take some thought.

#### Business Process Update (Attachment B)

Mr. Adebo introduced Charles Kiely to update the committee on the business process activities. Mr. Kiely discussed the policies and procedure framework, policies and business rules, procedures and business processes, staff resource requirements, sample bill and pre-launch customer communications required to implement and manage the impervious surface area charge on an ongoing basis. Mr. Bardin questioned whether some of the items, such as rounding down to the nearest hundred for the IAC rate will require Board approval and resolution. Mr. Johnson replied that staff is reviewing the list of policies and procedures for managerial versus Board policy direction. They are currently being vetted internally and a review of all items will be discussed with the Committee in December.

Acting Chairman Tangherlini asked how many new customers would be established due to the IAC. Mr. Kiely stated there will be approximately 12,000 to 14,000 standalone customers. All of the rules for the changes to the customer information system have been defined and are being programmed. Mr. Bardin asked management to provide the committee with the smallest size range for the 12,000 to 14,000 standalone customers. Mr. Kiely replied this will information will be available at the next committee.

Incoming Chairman Walker asked whether consideration will be given to those who have environmental mitigate tools in place to handle or reduce wet weather runoff. Mr. Johnson replied that the IAC will not have a credit or discount program in the first year. It is anticipated that in the second year WASA, in conjunction with the District Department of Environment, will develop some sort of environmental incentives or credit program(s).

Mr. Adebo reminded the committee that the impervious surface area thought process has been that in the first year WASA would concentrate on analysis and recovery of costs from the non residential customers for their total impervious surface because they make up 75 percent of the revenue requirement. Residential properties make up approximately 25 percent of the revenue based upon impervious surface area but 75 percent of the property parcels. So, in the first year, the single Equivalent Residential Unit ERU methodology will apply to residential properties. Mr. Adebo stated that management will review the impervious surface area process with the committee at the next meeting. Incoming Chairman Walker mentioned he is concerned that the impervious surface charge be applied to residential and non residential properties based upon actual area to ensure equitable

payment between large and small residential property owners. It was noted that an existing Board resolution has addressed the need to review that issue after initial implementation and report back to the Board on possible alternatives to stratify the residential charges for properties with varying amounts of impervious surface area.

#### Legislative Update.

Mr. Fry updated the committee on the impervious surface area (IA) legislation. On November 21, the committee on Public Works and Environment completed mark up of the IA legislation with the following changes: removal of the rate freeze; and addition of a reporting requirement to the council detailing the number of low-income residents affected by the increases in retail water and sewer rates and strategies to increase enrollment in our CAP program. On Tuesday December 2 the DC City Council Committee of the Whole passed the proposed legislation with a few technical amendments. Definitional issues such as swimming pools to match WASA's IA features and wording adjustments were included. Ms. Russell informed the committee on her understanding of the legislation. Mr. Bardin requested that General Council inform the committee on the outcome of the December 16 second reading of the proposed IA legislation. Mr. Fry noted that if the legislation passes the second reading and the mayor signs the bill, there will be a thirty day congressional review period prior to becoming law. If needed to make our deadline, WASA may want to ask for emergency legislation in March.

#### **FY 2010 Rate and Fee Proposal**

##### Rates Proposal and Alternative Scenarios (Attachment D)

Mr. Johnson reviewed the FY 2010 rate and fee proposal. WASA is proposing a 10 percent rate increase for FY 2010. Each year we have gone through a series of scenarios. This proposal spans a ten - year period. This budget request includes an adjustment in the FY 2010 IAC, increasing the ERU unit cost to \$26.40 per year from a monthly charge of \$1.24 to \$2.20. Mr. Adebo noted that between now and 2017 WASA will need to increase the retail revenue base by \$120 million.

There was some questions and discussion regarding the assumptions built into the retail rate adjustment proposal. Assumptions are noted in the operating book and include items such as expansion of the customer assistance program incorporating a discount of up to 4 Ccfs of sewer charges to be approved by the Board and that the FY 2008 level of Clean Water grants will be available in FY 2009 and 2010. In response to questions regarding the impact of the long term control plan upon retail rates, Mr. Adebo noted that the pending impervious surface area charge (IAC) captures all of those costs within that separate rate, therefore the LTCP would no longer impact retail rate adjustments.

Reviewing a few scenarios of rate adjustment impacts upon the 10 year financial plan, acting Chairman Tangherlini discussed the effect of an 8 percent increase (scenario five) rather than the 10 percent as proposed. Mr. Adebo replied that the 8 percent increase is the lowest scenario that could be run before pushing WASA in a deficit even after using the rate stabilization fund. Acting Chairman Tangherlini asked about the capital and operating rate drivers. Mr. Adebo replied that it is essentially the debt service mostly driven by the total nitrogen project to be completed by FY 2014 along with chemical and electric cost increases. There was some discussion about the possibility of obtaining federal funding for mandatory projects such as the total nitrogen and contemplation as to the impact that such appropriations may have on future rate increases. However, the budget does not assume such major special appropriations. Mr. Johnson mentioned it may be helpful to go back through the budget presentation at the next committee meeting. Mr. Bardin noted that impact of PILOT and ROW on the rate payers and that the fee is pegged to the WASA retail adjustments without rationale. Mr. Adebo agreed to come back and provide additional information on the rate impacts from a selected group of capital projects.

#### **Other Business**

No discussion

**Adjournment**

Hearing no further business, Acting Chairman Tangherlini adjourned the meeting at 9:37 am.