



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

*Retail Rates Committee
Wednesday, March, 18, 2009
1:30 p.m.*

MEETING MINUTES

COMMITTEE MEMBERS

Daniel Tangherlini, Chairman
William Walker, Chairman
David Bardin
Keith Stone
Howard Gibbs
Alan Roth

WASA STAFF

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

Call to Order

Chairman Tangherlini called the Retail Rates Committee meeting to order at 2:05 p.m.

Fire Hydrant Cost of Service Study

Mr. Adebo presented a summary of the results of the 2008 Fire Service Cost of Service Study. Mr. Adebo stated WASA costs related to fire protection for the District has escalated since the 2006 Cost of Service Study. The most recent study indicates an increase in costs from \$1.5 million in FY 2006 to over \$17 million in FY 2008 primarily driven by the costs of the upgrade program which was accelerated due to activities under the FY 2007 Memorandum of Understanding. In FY 2006, WASA added \$1.5 million to the capital program for fire hydrant upgrades/replacements in addition to the ongoing operating expenditures incurred. In FY 2007, an additional \$25 million program was added to the capital budget to replace and retrofit nearly one-third of the fire hydrants in Washington, DC over a five year period. The program has been accelerated for various reasons and more upgrades were completed in a shorter period than anticipated. The summary is that between FY 2007 and 2008, \$23.4 million was expended for the program versus the \$3.8 million received under the existing billing structure.

Noting that the average cost is over \$1,600 per public hydrant for services, Chairman Walker asked what service WASA performs when it repairs hydrants. It was noted that there are many costs involved, both operational and capital, in the average costs of the fire services for the District government. This includes the availability of water, appropriate water pressure, as well as actual hydrant repairs and replacements. Replacements are the most expensive, averaging approximately \$8,000 per hydrant replaced. The ongoing capital program also includes the cost of upgrading some hydrants to meet national standards for nozzle size which is used all over the world and provides the ability of neighboring jurisdictions to provide mutual aid as necessary.

The 10-year, FY 2008-2017 capital improvement program includes a phase two hydrant replacement program (\$29.5 million) the will continue the standardization of about 4000 additional nozzles and hydrants over a 5 year period; FY 2010 through FY 2015. The program assumes full

reimbursement from the District government. Mr. Bardin ask can WASA use the stimulus money for FY 2009 costs. Mr. Johnson replied that it is not part of the intended use plan for the stimulus funding. The stimulus money would help reduce future rate increases. Chairman Tangherlini asked whether capital funds displaced by stimulus funding could be used instead of the hydrant funds. Mr. Johnson replied that this could be done temporarily, but would result in no impact to the rate payers until full future reimbursement is received from the District.

Mr. Adebo noted that the study provides several options for recovery of costs. After discussions with the City Administrator's office, options 2a and 2b, (amortization of capital portion with full recovery of operating costs), appear to be the most viable alternatives for discussion. These options would result in annual payments between FY 2009 and FY 2011 of \$5 million to \$6.12 million, depending upon the final approach. Chairman Tangherlini noted that the capital investments currently ongoing represents a "catch up" of fifty years of underinvestment in the fire and suppression infrastructure throughout the District.

Chairman Tangherlini suggested that during review of the operating reserve, it may be possible to discuss the use of any excess funds to provide a one time infusion of cash that can help WASA make a contribution to the fire capital costs. Mr. Roth asked whether WASA could add another line to the bill such as fire suppression fee or include these costs within the impervious area charge. Ms. Russell replied that WASA can have such a fee, but could not contribute the costs to the impervious surface area charge. Chairman Tangherlini asked are there statutory limitations on WASA doing the two part rate. Mr. Johnson replied no. Chairman Tangherlini asked management to bring to the next meeting different components and alternative rate structures of the bill. Mr. Adebo replied that WASA is on schedule for an overall Cost of Service Study for FY 2009. Mr. Tangherlini requested that an overview of the RFP for the cost of service by presented at the next committee meeting prior to advertising.

Impervious Surface Project Update

Database Development and Other Deliverables Update

Mr. Adebo updated the committee on the impervious surface area project. The system testing had some slippage and issues with the tools, but no delays are expected at this time. Chairman Tangherlini asked when the tools were scheduled to be completed. Mr. Adebo replied that the past Monday was the deadline for the tools. Chairman Tangherlini asked when the new internal deadline would be. Mr. Adebo replied that all integration is anticipated by April 20, 2009, and testing is continuing without the tools. However, final testing and acceptance will require that the tools be available and operational by the end of March.

Mr. Adebo noted that WASA has been tracking the legislation. As of last Friday, the legislation had been under Congressional review for eighteen legislative days and thirty days may not transpire until March 31 at the earliest. The 30 day time elapse was originally estimated for March 26, 2009.

Business Process Update

No discussion.

Residential Customer Multiple Tier Approach and Plan

Mr. Adebo reviewed the time frame for development of a multiple tier approach for residential customers. Given the focus on ensuring implementation by May 1, 2009 and the need to acquire some data and experience with the database and customer interaction, the analysis of the IAC and revisions to the residential customer class will require multiple steps to provide appropriate recommendations to the Board. Mr. Bardin suggested that it would be difficult for him to vote on proposals for the October rate increases without an analysis and recommendation for changes to the IAC for the residential customer category. Chairman Tangherlini stated that management

should come back in July to the committee with a strategy for the residential customer multiple tier approach and plan.

Customer Outreach

Mr. Adebo briefly updated the committee on the IAC outreach activities. Mr. Lohdi provided the committee a demonstration of the bill virtual tour (Trish) and the MyAccount feature of the website. Mr. Adebo stated that WASA successfully launched the MyAccount online tool in February to allow non residential customers to view their impervious layer and the calculated ERUs associated with their account. Mr. Walker asked how a customer can get a sense of what they would have to pay. Mr. Desjardins replied that WASA is in the process of developing an impervious surface area calculator that will be available on line to help calculator the bill. Chairman Walker asked how would WASA charge the federal government. Mr. Adebo replied WASA bills the Treasury and they have the responsibility of allocating and collecting for all agencies. Mr. Stone asked how a customer would lower their bill if they have mitigated water runoff from their property. Mr. Johnson replied WASA is working with the District Department of Environment (DDOE) to allow the same credits that will apply to stormwater rates also apply to the WASA IAC. This program is under development and will be presented within 12 months of implementing the IAC. Mr. Gibbs asked if credits are given, does that mean there will be an increase in the average Equivalent Residential Unit (ERU). MS. Russell replied yes.

FY 2009 Mid-Year Rate and Fee Proposal

Calendar for Rate Adjustment

Mr. Adebo reviewed the calendar for the IAC rate adjustment.

Discussion of Public Hearing

No discussion.

Management's Rate Proposal

Chairman Tangherlini asked whether the proposal contains any thing different than what has been provided before. Mr. Adebo replied no. Mr. Bardin mentioned there are two corrections that he requested in an email. Ms. Russell replied that WASA will make those corrections in the final resolution for the Board.

Infrastructure Improvements in Support of Redevelopment Projects

Mr. Johnson noted that the Budget and Finance Committee meeting held prior to this Retail Rates Committee meeting already discussed the infrastructure improvements item and asked whether this committee like to go through attachment E. Chairman Tangherlini declined.

Action Item

Approval of FY 2009 Mid-Year Implementation of Impervious Surface Area Charge (IAC)

Chairman Tangherlini stated that the committee should move the action item to the full Board. Chairman Walker noted that he would like to see enhanced public relations regarding the ongoing outreach to get ahead the issues, educating the public on the technology and work involved and to show that WASA is being proactively implementing more equitable rate structures.

Other Business

No discussion

Adjournment

Hearing no further business, Acting Chairman Tangherlini adjourned the meeting at 3:25 pm.