



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

BOARD OF DIRECTORS

*Retail Rates Committee
Thursday July, 23, 2009
11:00 a.m.*

MEETING MINUTES

COMMITTEE MEMBERS

George Hawkins, Interim Chairman
William Walker, Chairman of the Board
David J. Bardin
Joseph Cotruvo
Alan Roth, (Teleconference)

WASA STAFF

Avis Russell, Interim General Manager
Olu Adebo, Chief Financial Officer
Yvette Downs, Budget & Finance Director
Linda R. Manley, Board Secretary
Meena Gowda, Principal Counsel

Call to Order

Interim Chairman George Hawkins called the Retail Rates Committee meeting to order at 11:24 am.

Impervious Surface Area Charge (IAC) Project Update

Interim Chairman George Hawkins requested a modification of the agenda. The first modification was item 2 Impervious Surface Area Charge (IAC) Project Update. He requested that the (IAC) Project Update be moved to a different meeting or have a separate day for this topic alone. He also noted that he reviewed the presentation and commended Mr. Adebo for his good work. The second agenda modification was to move item 3-FY2010 Rate and Fee Proposal along with 4- Action Items (Attachment G), due to the fact that the meeting was late in starting and some Board members would need to depart. If time is allowed for the Low Income Customer Report Update (Attachment C) under the (IAC) Project Update would be discussed.

FY 2010 Rate and Fee Proposal

Calendar for Rate Adjustments (Attachment D)

Mr. Adebo stated WASA is on track with all the series of activities that started with the adoption by the Board in January 2009 of the FY 2010 proposed rates. He also noted that committee approval of the FY2010 rate would need board action in September 2009, in order to implement new rate on October, 2009.

Alternative and Management Proposal (Attachment F)

Mr. Adebo proceeded on Attachment F. Interim General Manager Russell stated the authority is proposing a rate increase of 9.5% rather than the 10% presented in January, 2009. She noted that this revised proposal is due to a review of the current year end budget projections along with other recent actions including revision to the operating reserves policy and reduce consumption trend.

Chairman Walker mentioned that he discussed in detail all the major issues with both Interim General Manager Russell and Mr. Adebo. He recommended that Mr. Adebo and his staff review the budget in major areas such as capital and operating expenditures to see where the Authority can save some additional cost. He asked that the Interim General Manager and the CFO examine the Digester Project and the Lead Line Replacement Program in particular for opportunity to lower the impact to retail rate payers.

Mr. Cotruvo responded by advising the Authority that it would be better to take a look at the lead replacement policy, to see if there are any modifications that can be made, and that there might be several millions of dollars which can be held back. Chairman Walker also agreed with him and stated that he'll put it on the table for discussion.

Mr. Adebo reviewed the entire presentation within the committee package.

The major assumptions impacted the financial plan include: FY2009 year end cash excess of \$6.5million; change to the operating reserve policy resulting in lowering the operating reserve requirement by \$7.4million in FY2010; reduction in FY2010 revenue projections based upon lower consumption trends. Mr. Adebo noted that the current 10 year financial plan assume rate neutral reimbursement of DC Fire Hydrant Cost. However, it is unclear how these funds will play out in the future as no commitment for payment of the program above \$1.9 million has been made by the District Government to date. Mr. Bardin asked whether the Authority is aware of any proposal made by the District in their FY 2010 budget to provide for the full reimbursement of fire hydrant services. Mr. Adebo said he is not aware of any such funding.

Interim Chairman Hawkins stated that the Authority should review the rate of inspections and costs that are being incurred by DCWASA on behalf of DC Fire Emergency Medical Services. Mr. Adebo stated the Authority anticipates receiving some reimbursement in FY 2010 and if not, it would add additional pressure to the rate payers which is not included in the 9.5% or the previous 10% projection.

Mr. Bardin suggested that it might be better to slow down on the Fire Hydrant replacement project to reduce costs in FY 2010. Interim General Manager Russell explained that the MOU between DCWASA and FEMS includes provisions that allowed DCWASA to deduct the fire services fee from the PILOT payment in the event that the District does not pay the authority for fire services.

Mr. Adebo noted that DCWASA has balanced its revenue requirements for the last two years by drawing from the rate stabilization fund. In other words, the revenue generated by the rate increases does not cover the total cost of services delivered to DC consumers.

Chairman Walker noted that there are many issues facing the authority and acknowledged the many successful accomplishments achieved. He also stated that if DC City Council, the US Congress, and DCWASA rate payers cannot withstand the types of rate increases that are being proposed, then there may be a need for a wholesale shift. The DCWASA mission is to protect public health, provide clean safe drinking water, safe sewage treatment and disposal for 1.8 million people. He supported the current 9.5% proposal, but challenged staff to further review cost with a goal to further lower the rate increase by the September 2009 board meeting.

Action Items (Attachment G)

Mr. Adebo said, based on the financial performance and projections for FY 2009, management recommends to the committee an adoption of a rate increase of 9.5% effective October 1, 2009 for water service rate from \$2.30 per one hundred cubic feet (Ccf) to \$2.52 per hundred cubic fee (Ccf) an increase in the sanitary sewer rate of approximately 9.5%, which would bring it from \$3.31 per hundred cubic feet (Ccf) to \$3.62. An increase in the Impervious Area Charge (IAC) from \$1.24 per Equivalent Residential Unit (ERU) per month, to an increase of \$2.20 per Equivalent Residential Unit (ERU) per month, and increase in the Right of Way/PILOT Fee from \$0.52 per hundred cubic feet (Ccf) to \$0.57 per hundred Cubic feet (Ccf), which is a combine fee of \$0.43 for Payment in Lieu of Taxes (PILOT) and \$0.14 per hundred cubic feet (Ccf) for Right of Way Fee to the District. Mr. Adebo also reminded the committee members to note that the Right of Way Fee is to recover the cost the Authority pays to the District for both payment in lieu of taxes and right of way fee.

Mr. Cotruvo requested that DCWASA provide information on water usage in gallons rather than Ccf. Mr. Adebo explained there is a lot of history behind this, but he will make a note of it.

Mr. Roth said in Attachment G we need to take out the 9.5% out of the title, it should read "Water and Sewer Rate Increase". He noted that the aggregate increase to the average customer bill is above 10% due to the various changes in ROW, PILOT and IAC charges. The committee requested staff to review the proposal and impacts in August, such that the final board decision scheduled for September 2009 will result in less than 10% increase to the average bill.

Interim General Manager Russell mentioned to Chairman Walker that in order to put forth an aggregate increase of less than 10% in the Digester project we may need to put off the digester project. Chairman Walker said he, Mr. Adebo and Interim General Manager Russell discussed this issue at length, and regretfully acknowledges that this project is discretionary. He noted that the Digester project make sense on many different fronts include long term health, and vibrancy and efficiency of the Authority. There are two other capital expenditure projects that are compulsory to the Authority which are Nitrogen and the CSO Long Term Control Project. Mr. Bardin noted that it would be important to cross check the calculation done by both the CFO and Engineers to see how best the Authority can save the digester project. He preferred not to see the project put off, and Chairman Walker agreed. Interim General Manager Russell said that she met with executive staff and she asked them to look at both capital and operating expenditures to see where we can reduce the budget during the review of the FY2010 budget, if possible, we can reduce the budget. The committee recommends the action to the full board for approval.

Low Income Customer Report Update (Attachment C)

Mrs. Downs explained slide 4, the purpose of the report which was carried out by the staff in recognition in fulfillment of a requirement identified under DC legislation concerning the Impervious Area Charge. She stated the team goal was to determine the actual number of low income residents affected by the retail rate increase in water and sewer, identify the gap, if any, that may exist between potential eligible Customer Assistance Program (CAP) customers versus actual CAP customers. It is important to note that American Water Works Association (AWWA) 2004 report stated that many low income customers don't receive bills for water services. Lastly, the District of Columbia's Council legislation requires the identification of strategies to increase enrollment into the program.

Mrs. Downs noted that the 2007 US Census indicates that 18.8% of District of Columbia residents live below the federal poverty level and also the federal income eligibility guideline for utility discounts is 150% of poverty level in the District of Columbia. DCWASA Board of Directors recently expanded the CAP program which more than doubled the past figures given up to \$270.00 of water and sewer credit annual per household.

Mrs. Downs explained the scope and the team approach of the study, collaborating with various agencies such as the Office of Energy within the District Department of the Environment and the Department of Human Services (DHS) and the DHS Income Maintenance Administration. Utilizing 130 records from (HHS/IMA) and talented college and graduated interns. The team analyzed the information in detail and identified over 200 customers currently receiving income assistance, but not enrolled within DCWASA CAP.

The study estimates that approximately 6,326 DCWASA customers should be eligible for water and sewer discount. This represents approximately 20% of households receiving income benefits in DC. In 2008, DCWASA provided discount to 5,814 customers, or 93% of that eligible pool.

A number of additional outreach strategies were provided in the presentation and would be included in the final report. Interim Chairman Walker stated that he would like to have the final reports as soon as it is ready to go to Council.

Interim Chairman Hawkins concluded by saying that he is aware of the process in approving the recipients and asked Mrs. Downs if there was anybody present that worked on the project. Mrs. Downs introduced Mr. Audu Abubakar the head of the team (summer interns) that handle the project. Interim Chairman Hawkins commended the team.

Executive Session

Interim Chairman Hawkins led the committee into executive session at 12:36pm.

The Committee reconvened into open session.

Adjournment

Hearing no further business, Interim Chairman Hawkins adjourned the meeting at 1:30pm.