



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS**

**225th MEETING
THURSDAY, NOVEMBER 3, 2016**

MINUTES

Present Directors

Matthew T. Brown, Chairman, District of Columbia
Nicholas A. Majett, Prince George's County
Ellen Boardman, District of Columbia
Timothy Firestine, Montgomery County
James Patteson, Fairfax County
Bradley Frome, Prince George's County
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
Rachna Butani Bhatt, District of Columbia
Elisabeth Feldt, Montgomery County
Obiora "Bo" Menkiti, District of Columbia

Present Alternate Director

Rev. Kendrick Curry, District of Columbia
David Lake, Montgomery County
Ana Harvey, District of Columbia
Adam Ortiz, Prince George's County
Bonnie Kirkland, Montgomery County

DC Water Staff

George S. Hawkins, CEO/General Manager
Henderson J. Brown, General Counsel
Mark Kim, Chief Financial Officer
Linda R. Manley, Board Secretary

Chairman Brown called the 225th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the October 6, 2016 Minutes

Chairman Brown asked for a motion to approve the October 6, 2016 minutes. The motion to approve the October 6, 2016 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown stated that his remarks would be brief because the Board was scheduled to participate in the budget workshop following the meeting. He indicated that the budget was important to him because it is a statement of priorities for the organization and a roadmap for the year. The Board has already stated one priority which is to keep rates as low as possible. Another priority is to invest within the organization to provide services to D.C. Water's customers. Following the budget workshop additional budget details will be presented at the committee meetings. He thanked the CFO Mark Kim and his staff for their efforts.

All Board members were asked by Chairman Brown to respond to Ms. Manley's email concerning their availability on the proposed dates the middle of December for the Board Retreat. He noted that it will be an excellent opportunity to get together outside the formal meetings to discuss strategic issues.

Chairman Brown stated that the Board meeting agenda included an opportunity to approve Blue Drop and its governance. The Governance Committee is recommending approval of Blue Drop and its organization as a creative method for reducing the pressure on rate payers. Under Blue Drop D.C. Water's expertise will be provided to other organizations for a fee. Bloom, D.C. Water's biosolids product, will be sold by Blue Drop. He thanked Ms. Boardman for her work on reviewing and commenting about the Blue Drop documents based on her legal training and other expertise. It showed her dedication and care for D.C. Water.

It was announced by Chairman Brown that during this meeting D.C. Water would be presented with the Sustainable Water Utility Management Award by Ms. Vande Hei of the Association of Metropolitan Water Agencies (AMWA). Chairman Brown read a brief statement which included the following: "The Award recognizes water utilities that have made a commitment to management that achieves a balance of innovative and successful efforts in areas of economic, social, and environmental endeavors." Ms. Diane Vande Hei came forward and stated that she was honored to present the award to the Board of Directors and all of D.C. Water's employees and especially for its very creative, innovative, and renowned operation. She noted that AMWA represents solely the largest municipal publicly-owned water associations and provided background on the award. Ms. Vande Hei indicated that to get the Sustainable Award an organization had to first get AMWA's Gold Award and then its Platinum Award, and D.C. Water earned both awards. Chairman Brown thanked Ms. Vande Hei for the award on behalf of all of D.C. Water.

Chairman Brown pointed to the banner displayed behind him that noted the celebration of 20 years of D.C. Water. He stated that it is the appropriate time to thank the longest serving member of the Board, David Lake of Montgomery County, for his service since September 2001. Chairman Brown read Mr. Lake's biography and highlighted his service on the Environmental Quality and Sewer Service Committee since 2001, many years as Committee Chair, several occasions as Acting Chair, and service on the Governance Committee. Mr. Lake was presented with a commemorative item.

Mr. Lake then made some remarks which included the fact that he sees his association with D.C. Water as a high point of his career. He stated that he was involved when the organization was the Water and Sewer Utility Administration and there were some tough financial times. Mr. Lake indicated that he was part of the process of creating D.C. Water. He told everyone that D.C. Water has been an incredible success because it looks at issues not as jurisdictional representatives, but with an understanding of what is good for the Authority.

Governance Committee

Reported by: Ellen Boardman, Chair

Ms. Boardman reported on the Special Meeting of the Governance Committee held on October 21, 2016 to discuss the specifics of the Blue Drop Program and the governing documents. She stated that they met as a Special Committee of the Whole, since all board members were invited to participate. General Manager Hawkins and Alan Heymann, who will be the Manager of Blue Drop, presented a compelling case for Blue Drop to harness D.C. Water's intellect and its seeming genius for making things that are marketable and valuable to the community.

Ms. Boardman thanked the General Counsel's Office and Alan Heymann for the governing documents and the level of detail in them. She stated that the Committee was confident that they have the appropriate governing documents and the oversight mechanisms in place. D.C. Water is the sole member of Blue Drop. General Manager Hawkins will serve as Chairman of the Board of Directors. Since it is limited to a three-year trial run, Blue Drop will be driven and it will have all the internal and external oversight everyone believes will make it a success.

Environmental Quality and Sewerage Services Committee

Reported by: Obiora "Bo" Menkiti,

Mr. Menkiti stated that the Committee met on Thursday, October 20, 2016. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, provided an update on the performance of the plant. The monthly average inflow for September was 252 million gallons per day (MGD). There was an excess flow of 4 mgd which resulted from a single wet weather incident. Mr. Tesfaye reported that the plant effluent quality was excellent.

It was reported that the annual National Pollutant Discharge Elimination System (NPDES) Permit Compliance Inspection by the District's Department of Energy and Environment on behalf of EPA was completed on September 14 and 15, 2016. The inspectors expressed their satisfaction with their findings and reported no significant issues.

Mr. Menkiti indicated that the Committee inquired about several plant operations issues which included an upward trend in the measured total phosphorus annual average and Mr. Tesfaye attributed that slight rise to the ongoing construction modification of the enhanced nitrogen removal facilities and their associated reactors that require taking some offline as modification were made. Another inquiry was about the 12-month average in fluid flow and whether there is a correlation with groundwater. Chief Engineer Leonard Benson said most likely there was a correlation due to infiltration and in flow.

Mr. Tesfaye informed the Committee that the plant's performance was excellent and there was 100 percent permit compliance in September. Biosolids production was 508 wet tons per day and all the production went to land application. The Combined Heat and Power Facility generated an average of 176 megawatts per day, which is 29 percent of the total energy consumed at Blue Plains. Mr. Tesfaye said they anticipate a slight increase in the future that

brings it up to 33 percent of power used. Mr. Menkiti stated that the Committee asked about a target date for completion of the commissioning activities. Mr. Tesfaye informed them that the commissioning tests were nearing completion and that a more definitive date would be provided in next month's update. He stated that economic studies have been conducted and that in November the CFO will present study results and other topics to the Committee and jurisdictional customers.

Mr. Menkiti reported that the Committee asked about the request and response from the Commonwealth of Virginia regarding D.C. Water's biosolids designation as Class A biosolids. Mr. Tesfaye stated that they are awaiting clarification regarding language in the Virginia permit and that when it is received, it is anticipated that the permitting and approval process will be completed. Marketing distribution permits have been received from the State of Maryland and the District.

Mr. Menkiti said that the Committee was informed by Mr. Tesfaye that the first order of 900 bags of the Bloom product was delivered to Casey Trees for tree planting for the D.C. Department of Transportation. Although it is a small amount, it is proof of the concept for the Bloom product.

The next agenda item was an update from Craig Fricke, on the Asset Management Program, and summaries on the capital program improvements, the vertical asset reliability, linear asset management improvements, and enterprise level initiatives. Mr. Fricke also provided an overview of the CANOE Model the program is using which is a long range strategic planning model developed by the Water Research Foundation for the identification of renewal needs of water and sewer networks. The Model output recommended 14 miles of vitrified clay pipe replacement and smaller replacement amounts for other types of pipe. More detailed information is available in the Committee's minutes which are located on D.C. Water's website.

Mr. Fricke walked the Committee through the linear asset risk assessment tool, summarized observations from the sewer system risk assessment and discussed the next steps for the Asset Management Program.

Mr. Menkiti stated that the Committee applauded the Asset Management Program team for the progress made thus far and expressed their interests in knowing when it will start influencing D.C. Water's activity. Mr. Benson informed them that they are already conducting comparisons between the Model's output and the current Capital Improvement Program. Some of the recommendations are already being implemented.

The Committee reviewed four joint use contracts and recommended them to the Board for approval.

There were two follow-up items. One was regarding clarification in fact sheets to clearly identify Community-Based Enterprise (CBE) organizations. The other item was to provide a schedule for completion of the acceptance test of the Combined Heat and Power Facility so the Board can understand when there will be a definitive end to the process and the project that has been ongoing.

Water Quality and Water Services Committee

Reported by: Rachna Butani Bhatt, Chair

Ms. Butani Bhatt stated that the Committee met on Thursday, October 20, 2016. In Charles Kiely's absence, Jason Hughes, Director of Utility Services, provided an update on water quality monitoring. He stated that the coliform testing was at .4 for September which is below the regulatory level. For Lead and Copper Rule Monitoring 59 samples have been collected for the monitoring period and they were at 2.8 parts per million, well below the action level.

Mr. Hughes reported that the annual service line material information was recently submitted to EPA under a voluntary agreement. The number of lead service lines, both known and unknown, was provided. They also highlighted the online interactive map and how the data is used to update and calibrate D.C. Water's records.

David Wall, Manager of Water Distribution, reported on the Fire Hydrant Upgrade Program. For this reporting period, out of approximately 9,500 public hydrants, there was a slight decrease in out-of-service hydrants from 40 to 36. Those that were inaccessible due to the need for repair or replacement and due to temporary construction were at .38 percent, well below the 1 percent target ceiling.

Mr. Hughes then presented for the Committee's recommendation for approval one non-joint use action item contract for Smart Grid Solutions for installation of D.C. Water supplied meters and meter transmission units. He stated that the company was not the lowest bidder. After many questions and much debate, they agreed to recommend the contract for approval.

Chairman Brown asked for a motion to go into Executive Session to discuss the Water System Replacement Fee. Before going into Executive Session, Chairman Brown stated that he thought it was important that customers with service questions have a clear understanding of the process and rationale for D.C. Water's rulemaking. He asked Biju George, Chief Operating Officer, to present the rationale for addressing the issue to be discussed in Executive Session. Mr. George stated that the issue related to 2800 Battery Place, Northwest, which is privately owned and connected to the water system by a six-inch water meter, which is unusual. The Executive Session proceeded. When the public meeting was reconvened, the meeting was adjourned.

General Manager's Report

Reported by: George S. Hawkins, CEO/General Manager

Mr. Hawkins stated that he is often asked what is behind D.C. Water's level of innovation. He informs them that it is because of the interactions between staff and the Board and the highest level of a governance structure. It has been the discipline, the depth, and the level of Board oversight that has enabled the innovation. The Board agreed to support the Combined Heat and Power Program, the Biosolids Management Plan, the Green Infrastructure Initiative, Environmental Impact Bond, Century Bond, and all sorts of financial instruments. This will include Blue Drop which is presented for vote. Mr. Hawkins stated that this has resulted from the Board's tremendous level of diligence that has resulted in improving what has been proposed. The Board's performance has made the staff better, the products better, and increased D.C. Water's confidence. Mr. Hawkins used the participation of David Lake as an example of how strong the collaboration between the Board and staff has been and what it has meant to D.C. Water. He also used Alan Roth, a former Board member, as an example of the tough but fair questions the Board has raised and suggestions they have made.

Mr. Hawkins announced that D.C. Water is a finalist for the 2016 C40 Cities Award and Cities 100 which is sponsored by Bloomberg Philanthropies. The Award recognizes cities for their leadership on climate action and showcases the innovative policies and programs that cities have implemented to tackle climate change. D.C. Water competed with 160 applications from 75 cities. Mr. Hawkins stated that D.C. Water is a finalist for its Walter F. Bailey Bioenergy Facility plan in the Clean Energy category. The winner will be awarded in December.

Mr. Hawkins then spoke about the Blue Drop Project and how much effort has gone into it over the last two years. He stated that the Project is better because of the team's interactions with the Board. This resulted in an improvement in concept and detail. He assured everyone that they will come back to the Board with updates and information on the financial aspects and attributes. Mr. Hawkins emphasized that these actions are done to reduce the pressures placed on rate payers by creating innovative projects to generate revenue.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use action items. Mr. Firestine moved to approve Resolution No. 16-86 through 16-90, and it was seconded. The motion to approve Resolution No. 16-86 through 16-90 was unanimously approved by the members of the Board.

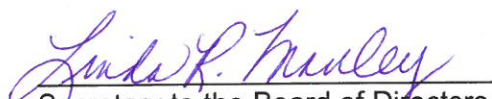
Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve the non-joint use action item. Mr. Gibbs moved to approve Resolutions No. 16-91 and it was seconded. The motion to approve Resolutions No. 16-91 was unanimously approved by the District of Columbia members of the Board.

Mr. Hawkins stated that he meant to highlight the staff of Blue Drop who were present. He pointed to Alan Heymann would will serve as Manager of Blue Drop, Gloria Cadavid, who has been shepherding many of the documents through, Jennifer Harper, Principal Counsel and Henderson Brown, General Counsel.

Elisabeth Feldt indicated that she wanted to take the opportunity to recognize and thank CFO Mark Kim and Carlton Ray for the time they spent in Montgomery County explaining the process D.C. Water went through and the opportunities and challenges related to the Green Infrastructure Project.

Chairman Brown asked for additional comments and questions and there being none, the meeting was adjourned at 10:17 a.m.


Secretary to the Board of Directors