



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

**224th MEETING
THURSDAY, OCTOBER 6, 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
Bradley Frome, Prince George's County
Sarah Motsch, Alternate for James Patteson, Fairfax County
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
Rachna Butani Bhatt, District of Columbia
Elisabeth Feldt, Montgomery County

Alternate Director

Shirley Branch, Alternate, Prince George's 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 224th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:36 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the September 1, 2016 Minutes

Chairman Brown asked for a motion to approve the September 1, 2016 minutes. The motion to approve the September 1, 2016 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown spoke about the Employee Recognition Program at which the Board was represented by Howard Gibbs, Nicholas Majett, and himself. The program brings employees together from across D.C. Water and recognizes them for their years of service and other accomplishments. Chairman Brown reported that there was a gentleman who was recognized for 50 years of service which is amazing.

Among the awards presented was the General Manager's Award which provides an opportunity for employees to nominate their peers. Three employees received this award: Denise Page, Senior Collection Analyst; Bethany Bezak, of the Green Infrastructure Program where she develops innovative kinds of financing; and Willie Waymer, Leader, Department of Water Services, CDL Program.

Chairman Brown commended all of the employees who were recognized and encouraged the Board members to attend next year's Employee Recognition Program at Gallaudet University.

Chairman Brown took the opportunity to give special congratulations to D.C. Water for winning the Utility of the Future Award. Utilities are recognized for water reuse, watershed stewardship, beneficial biosolids reuse, community engagement, energy efficiency, generation recovery, and recovery of nutrients and other materials. He stated that he thinks everyone can name something that D.C. Water and the Board has worked on in each of those areas. Chairman Brown also recognized General Manager George Hawkins for receiving an award from the Water Environment Federation.

A planned Board retreat was announced by Chairman Brown and he told the members that they would be contacted soon about their availability in November or December. Strategic issues will be discussed.

Chairman Brown announced that the budget workshop will follow the next Board meeting. He spoke about the fact that the Board set some goals last fiscal year during adoption of the retail rates regarding affordability. Now is the time to begin working on them.

Governance Committee

Reported by: Ellen Boardman, Chair

Ms. Boardman stated that the Committee met on September 14, 2016 and discussed the upcoming Blue Drop Program which will provide innovative sources of revenue through D.C. Water's Bloom product, peer-to-peer consulting services, and collaborative efforts with other utilities. It will market and generate income from the extraordinary knowledge and services D.C. Water provides to its customers.

The Blue Drop Program will be set up as a non-profit LLC. The impact of the program on the Intermunicipal Agreement (IMA) with Blue Plain's user jurisdictions and D.C. Water was discussed. Ms. Boardman reported that also considered was how the revenue would be allocated fairly among the various partners. The Committee also received information on

personnel, sharing services with D.C. Water, immediate funding, governance, monitoring, and the overall structure of the Blue Drop Board of Directors.

Ms. Boardman indicated that a resolution concerning Blue Drop was presented by the General Counsel to the Committee for Board consideration but it was deferred until the Committee heard more details from the General Manager at a special meeting on October 12, 2016.

The second topic on the agenda was the D.C. statehood legislation and the impact of certain proposed amendments, including that offered by former Board member David Bardin. He is trying to ensure that things are done correctly and that appropriate language recognizing D.C. Water as an independent authority is in the legislation. Mr. Bardin was commended for his continuing service to D.C. Water and his continuing service as a resident of the District of Columbia.

Human Resources and Labor Relations Committee

Reported by: Bradley Frome, Chair

Mr. Frome reported that the Committee met on September 14, 2016. The first issue discussed was the review of reorganization efforts in the areas of the Departments of Procurement, Human Capital Management, and the Office of the Chief of Staff. Mr. Frome noted the changes in each area and the staff who will manage the components. For more details on the changes, please refer to the Committee's meeting minutes.

The next issue on the agenda was a discussion of the health and welfare benefit renewals. The information was provided by Otho Milbourne, Total Rewards Manager. The medical and dental benefits packages were approved for 2017 during the last meeting. Among the renewal plans presented were medical Cigna HMO and PPO which proposed no increase for 2017; Kaiser which presented a 2.7 percent reduction in rates; Delta Dental proposed no increase for the PPO, and United Concordia which raised its rates by 2 percent. There were no increases for United Healthcare's vision. Staff model HMO life and disability providers required an extension, another option year. The Committee recommended the additional option years for the Kaiser Medical Plan and the Life Insurance Company of North America for life insurance and disability.

Mr. Frome indicated that there was a discussion of the Wellness Program and how it factors into the really positive performance as far as rate renewals. The Committee and staff talked about how the program works how they incentivize participation in health care screenings, and other positive activities. Claim data is indirectly related to reduced rates.

Environmental Quality and Sewerage Services Committee

Reported by: Howard Gibbs

Mr. Gibbs stated that the Committee met on September 15, 2016. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, reported on the operation of the Blue Plains Wastewater Treatment Plant. The monthly average in fluent flow was 259 million gallons per day. There was a wet weather event with an excess flow of 5 million gallons. The Plant met all operating permit requirements for ammonia, total suspended solids, total phosphorous, carbonaceous biological and oxygen demand, pH dissolved oxygen, and e coli. The Plant reduced total nitrogen concentration to 3.11 million gallons per liter and is on target to meet the permit limits for the current year.

Biosolids generated were 449 wet tons per day, which were all land applied. Biosolids were Class A and met even higher requirements for exceptional quality concerning biosolids reduction, pathogen reduction, and low materials content.

The Combined Heat and Power Plant produced an average of 166 megawatt hours per day, 28 percent of the electricity used at Blue Plains.

Mr. Gibbs reported that the Committee received an update on Bloom, D.C. Water's biosolids product, from General Manager Hawkins. He indicated that there was a concern from the Organic Consumers Association that D.C. Water was using the term organic and after some discussion, D.C. Water agreed not to use organic since its use was based on a low carbon content. Some people believe organic has more of a purity connotation.

Ms. Maldonado, Director of Engineering and Technical Services, gave a briefing on the Capital Improvement Program. Expenditures as of the end of the third quarter were about three percent above baseline, primarily due to projects completing early. She provided a six-month ahead report on large contracts, the small diamond and water main rehabilitation, and the Rock Creek Project (Green Infrastructure). Ms. Maldonado also provided an update on the Key Performance Indicator (KPI) Project. Thirteen KPIs were achieved on time, with another five achieved earlier in the year.

Mr. Gibbs indicated that the next report was from Carlton Ray, Manager of the Clean Rivers Program, and Christopher Allen. The Committee was informed that all phases of the project are on schedule on budget except that there is a slight delay in the Northeast Boundary Tunnel. That is part of the Bloomingdale Project to alleviate flooding in Bloomingdale. Mr. Ray reported that there is a voluntary Downspout Disconnection Program called Drain the Rain which will be launched in the Spring 2017 by DCCR. People will get a free downspout disconnection and the option to receive a free rain barrel.

The Committee recommended to the Board seven joint use and one non-joint use contracts for approval.

Mr. Gibbs reported that the Committee went into Executive Session and reconvened into open session then adjourned.

Ms. Feldt referred to a question that had been raised about the wholesale customer invoices and not seeing savings in those invoices. She asked if discussions were continuing about this because there were still questions. Mr. Hawkins stated that there are discussions still going on. After the next Board meeting there will be a budget meeting with Board members. He stated that the day after the meetings they would meet with all the wholesale customers. They are still working on obtaining the answers.

Chairman Brown then commended Ms. Butani Bhatt on the extraordinary work she has done. He reported that she was presenting reports on three of the Committee meetings and that help was on the way.

Water Quality and Water Services Committee

Reported by: Rachna Butani Bhatt

Mr. Butani Bhatt stated that the Committee met on Thursday, September 15, 2016. Charles Kiely, Assistant General Manager for Customer Care and Operations, indicated that for the

Total Coliform Report testing there were two positives or 0.04 in August. At the time of the meeting in September, there were zero reported positives. He indicated that water distribution and water treatment are in very good shape.

For Lead and Copper Rule Monitoring, Mr. Kiely reported that 26 samples have been collected and they were at 2.7 parts per billion. During August there was one Lead and Copper Rule exceedance but Mr. Kiely noted that there was no regulatory impact. This occurred because someone was renovating their kitchen, had capped the pipe, and had no faucet. When the water was sampled, there was an exceedance. Mr. Kiely stated that people must flush their internal plumbing continuously. He noted that D.C. Water has had an excellent history in terms of lead and copper testing for the last six or seven years.

Ms. Butani Bhatt reported that Mr. Wall provided an update on the Fire Hydrant Upgrade Program. He stated that of the approximately 9,500 public fire hydrants there were 58 out of service. This included 32 which were defective and required repair or replacement, and 26 hydrants out of service due to inaccessibility or temporary construction. Mr. Walls indicated that they will continue to focus on those hydrants out of service for more than 120 days.

According to Ms. Butani Bhatt, Mr. Hawkins then reported on a body that was discovered in the McMillian Reservoir. He indicated that the emergency response team was convened and there was no indication that there was any water quality issue since the water treatment process already included addressing contaminants from bodies. Water treatment is done after the water leaves the reservoir, so there was no risk. However, Mr. Hawkins reported that the reservoir was taken out of service out of an abundance of caution, disinfected, and the incident was reported to the Environmental Protection Agency. This effort was coordinated with the D.C. Public Health Department, EPA, and other agencies. Mr. Hawkins stated that there were no consequences for D.C. Water customers. He stated that one concern was that someone got on the Aqueduct property, so they are working to determine what actions need to be taken in terms of security. They will keep the Committee informed.

The next agenda item was an update by Joshua Mazurek, Assistant Program Manager in Water Distribution, on the Unidirectional Flushing Customer Notification Program. He explained to the Committee that the purpose of the Program was to adequately notify customers of unidirectional flushing in their neighborhoods that ensures that water is drawn from clean water sources, usually reservoirs. The system is flushed which causes water to flow faster than normal through pipes to remove accumulated sediment and pipe deposits. It is accomplished from March to November each year. The flushing may result in discolored water or a slight reduction in water pressure.

Mr. Mazurek reported that until recently door hangers were left on customers' doorknobs which required a tremendous amount of manpower, from handwriting dates on the hangers to hanging them on the doorknobs. This was accomplished by existing office staff and field crews. They have transitioned to a postcard prepared by an outside printer. The new system has been successful and has resulted in less complaints. They are now working to improve various aspects of the program, including printing the postcards in-house and using the United States Post Office.

Ms. Butani Bhatt reported that the Committee recommended two non-joint use contracts to the Board for approval.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Butani Bhatt

Ms. Butani Bhatt stated that the Committee met on September 27, 2016. The first agenda item was a review by CFO Mark Kim of the 2016 Potomac Interceptor Cost of Service Study. Mr. Kim reported that D.C. Water has four Potomac Interceptor customers, Dulles Airport, National Park Service, Department of the Navy, and the Town of Vienna. It is a large sewer that emanates from Virginia and connects into D.C. Water's system. They are charged for wholesale wastewater treatment services pursuant to agreements signed in 1960. Their rates are set for a three-year period.

Mr. Mastracchio, with Arcadis, the study's contractor, reported that the objective of the study was to determine the costs of providing the services to the customers, including a true up for FY 2014 to 2016. Additionally, it provided the estimated costs of service and customer flows for FY 2017 through 2019 and a rate for cost recovery for FY 2017 through 2019.

In response to a question from a Committee member on whether or not the customers were receiving an interest free loan, Mr. Kim stated that in the past some customers owed D.C. Water money because of the true up and in the past it has gone back and forth between D.C. Water owing them and customers owing D.C. Water. Ms. Butani Bhatt reported that they are working to get the projections tighter and more in line. She indicated that they were informed that D.C. Water was offering the customers an opportunity to have a one-time true up instead of taking the over/under payment and adjusting the go-forward three-year rates. The customers were also given the option to pay up the difference or receive a refund at one time. Two customers agree to the option and two did not.

Ms. Butani Bhatt summed up the presentation. Three recommendations were made. One was to consider excluding prior year true up amounts from the rate projections and handle them separately. Two, adopt proposed rates. Three, monitor billed versus actual costs annually and track differences where they are substantial and inform the affected customers.

Ms. Butani Bhatt reported that the Committee reviewed the work plan and decided to cancel the October meeting.

Joint Meeting of the D.C. Retail Water and Sewer Rates Committee and the Finance and Budget Committee

Reported by: Rachna Butani Bhatt

Ms. Butani Bhatt stated that the two Committees met to hear a presentation by CFO Kim regarding the CAP customers, the Clean Rivers IAC, and how to assist CAP customers by expanding the credit to include IAC charges. This effort came in response to the Board's request during the rate setting process to look at D.C. Water's affordability programs, and to focus on the Clean River Impervious Area Surface Charge which is the fastest growing part of the monthly bill.

CFO Kim gave an overview of the enabling legislation which established financial assistance programs for low income residents and the history of the CAP programs. He stated that it was in the purview of the Board to now expand the program. The Board asked if additional people will sign up with the program after expansion. Mr. Kim said they will but that they have to do more research to get the exact numbers.

Mr. Kim informed the Committee that his team explored three credit options for expanding the CAP programs. They were a fixed dollar credit, fixed ERU credit, and 50 or 100 percent of the CRIAC credit. Ms. Butani Bhatt asked the Committee members to state their preference and there was no consensus but plenty of additional questions. Management recommended the 100 per credit CRIAC credit. The Committee decided to postpone further action at this time. Ms. Butani Bhatt stated that there were two follow-up items that the Committee requested of Mr. Kim. First, they wanted additional analysis on implementing an expansion of the CAP programs to include CRIAC credit by providing a fixed ERU credit. Also they wanted a history of the enrollment in CAP and what happens when expansions occur.

Chairman Brown thanked CFO Kim for all his and his team's efforts about these issues and the upcoming budget session next month.

Finance and Budget Committee

Reported by: Timothy Firestine, Chair

Mr. Firestine reported that the Committee met and received the August 2016 Financial Report and year-end projections. Mr. Kim reported that 92 percent of the fiscal year was completed and that financials are on track with budgetary expectations and target performance metrics, with the exception of capital disbursements. Overspending and capital construction costs this year are expected to be offset by underspending in the capital equipment category.

Total revenue is at \$552 million or 95 percent of budget. Mr. Firestine stated that Mr. Kim informed them that they will be slightly above budget at year's end. Operating expenses totaled \$421.7 million or 78 percent of budget, with underspending projected in all categories except personnel services.

Mr. Firestine congratulated the CFO and his staff on the successful accomplishment of the environmental impact bond financing. He also stated that on behalf of the Committee he wanted to express his appreciation for the staff's being creative and identifying methods for holding down capital costs.

The Committee had two action items. They recommended Board approval of financial advisory services with Public Financial Management and financial services with SPS Consulting

General Manager's Report

Reported by: George Hawkins, CEO/General Manager

General Manager Hawkins thanked Chairman Brown and Board members Mr. Gibbs and Mr. Majett for their attendance at the Employee Recognition Program. Employees from all parts of D.C. Water and from all levels were recognized. He noted that it was impressive to see so many employees who have been with D.C. Water over the past eras and who have dedicated themselves to public service.

Mr. Hawkins noted that the committee of the whole will receive an overview of the budget for FY 2018 after the November Board meeting. This is a unique year because the rate increase for this year and next year are the two lowest combined rate increases during his tenure. It is also the first time that revenues are fixed for a future year, something that they wanted to do but requires discipline.

Noted also in Mr. Hawkins report were the awards received by D.C. Water and its employees from organizations. The Utility of the Future Award was received at the Water Environment Federation's Technical Conference. Mr. Hawkins received the Public Service Award and it was very meaningful to him. In addition to those awards, Liliana Maldonado, Director of Engineering and Technical Services, was made a WEF fellow because of the substance of her work and her career. The Healthiest Company Award in the largest company category was received and is very significant to Mr. Hawkins. He reported that Otho Milbourne heads up the Total Rewards Program. There is definitely a connection between the wellness programs offered to D.C. Water employees and the ability of D.C. Water to provide very good services to its customers and to reduce costs to ratepayers.

Two visitors were introduced who are associated with the White House's Social Innovation Fund through Harvard's Kennedy School. D.C. Water applied and has received benefits. Gloria Gong, Executive Assistant Director of the Governance and Performance Lab at the Kennedy School, was present. Jen North who spent 15 months with D.C. Water also attended the meeting. She assisted in the environmental impact bonds efforts and Mr. Hawkins commended her for all her assistance provided through the Kennedy School. As a result of the success of the environmental impact bonds, others are seeking to review the possibilities.

Mr. Hawkins thanked the team who worked on the McMillian Reservoir effort. Because of the quick response and thoughtful and careful efforts of the team, negative national attention was avoided. It was a human tragedy but could have been a risk to the community.

Appointment of Mr. Hawkins to the National Infrastructure Advisory Council by the Deputy Secretary of the Department of Homeland Security was highlighted. Mr. Hawkins stated that the purpose of the Council is to provide advice to the President on how to support and enhance the safety and protectiveness of the infrastructure, not only water.

Mr. Hawkins reminded everyone that the major undertaking of replacing all of D.C. Water's water meters is moving forward. Connected to that effort is replacing the connection of the meters to the Customer Information System from automated meter reading to automated meter information, the next level up of smart metering and smart water. This also requires efforts on the Customer Information System itself. Chief Operating Officer Biju is chairing a committee of experts to assist with this effort.

The employees promoted and recently hired by D.C. Water were highlighted and introduced by Mr. Hawkins.

Before providing a presentation on Blue Drop, Mr. Hawkins reminded and invited everyone to attend the special meeting of the Governance Committee where the Blue Drop Program would be discussed further.

Mr. Hawkins stated that the reason for Blue Drop, a non-profit company, is to provide relief for rising retail rates paid by water and sewer customers, including retail and wholesale, in the District of Columbia and user jurisdictions. The special meeting of the Governance Committee will provide details on how the rates will be allocated. Blue Drop will commercialize products and services related to water. Services will be offered to other utilities and to other organizations. The revenue resulting will represent a return of the investment made by ratepayers. Existing time and budgeted funds are being used.

A number of existing efforts similar to Blue Drop were highlighted. They include Clean Water Services in Oregon which offers services to China, Easton Utilities in Maryland, the D.C. Public Library, the D.C. Housing Authority, and the National Zoo. Mr. Hawkins indicated that others have blazed the way and that they will learn everything they can from them.

The first product is BLOOM, a biosolids product that they want to sell and it could amount to 450 tons of BLOOM generated monthly. Peer-to-peer consulting services are being offered. D.C. Water has been hired by a foundation in New Jersey to assist 21 communities that have combined sewer issues to communicate with the public. The revenue generated will assist D.C. Water ratepayers.

As far as governance, D.C. Water will be the only member of an entity which will govern what Blue Drop can and cannot do. Mr. Hawkins stated that D.C. Water will select a member representative and a chairperson of the board of directors for Blue Drop. More details can be found on a website in the General Manager's Report. Mr. Hawkins indicated that Squire Patton Boggs is assisting in writing the operating agreement, bylaws, and the share service agreement. More details will be presented at the special meeting of the Governance Committee.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use action items. Mr. Firestone moved to approve Resolutions No. 16-71 through 16-81, and it was seconded. The motion to approve Resolutions No. 16-71 through 16-81 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. 16-82 through 16-85 and it was seconded. The motion to approve Resolutions No. 16-82 through 16-85 was unanimously approved by the District of Columbia members of the Board.

Mr. Hawkins pointed out that an anniversary banner was hung behind the Board and indicated that the week of the meeting included a day representing the 20-year anniversary of the Board of Directors. Ms. Manley stated that it was on October 3, 2016. Mr. Hawkins stated that he wanted to highlight the tremendous investment and accomplishments of the Board over the last 20 years. He indicated that Linda Manley, Board Secretary, was D.C. Water's Cal Ripen who played for the Baltimore Orioles for many, many years. She has never missed a Board meeting during this period. The Board applauded Ms. Manley.

Chairman Brown thanked Mr. Hawkins and echoed the thanks to Ms. Manley. He stated that she does a lot of work to keep the Board in good order.

Chairman Brown asked for a motion to move into Executive Session to discuss legal, confidential, and privileged matters pursuant to Section 2-575(b)(4) of the D.C. Official Code. It was so moved and seconded. A roll call vote was conducted and the motion was approved unanimously. The Board went into Executive Session at 10:52 a.m. The public meeting was resumed at 11:09 a.m.

There being no further business, the Chairman adjourned the meeting at 11:09 a.m.


Secretary to the Board of Directors