



## DISTRICT OF COLUMBIA WATER AND SEWER BOARD OF DIRECTORS

### DC Retail Water and Sewer Rates Committee

Tuesday, November 27, 2012

### MEETING MINUTES

#### COMMITTEE MEMBERS

Howard C. Gibbs, Chairperson  
Brenda Richardson (via-telephone)  
Alan Roth  
Howard Croft  
Rachna Butani  
Alethea Nancoo

#### DC WATER STAFF

George Hawkins, General Manager  
Katherine Cahill, Principal Counsel  
Yvette Downs, Acting Chief Financial Officer  
Linda R. Manley, Board Secretary  
Lauren Preston, Director Customer Service  
Meena Gowda, Principal Counsel

#### Call to Order

Chairman Gibbs called the Committee meeting to order at 9:33 a.m.

#### Monthly Update

##### Howard University & Soldiers Home

Ms. Gowda updated the Committee on the status of Howard University and Soldiers Home delinquent accounts. Ms. Gowda mentioned that Howard University has made an offer in full settlement of these arrearages, but that offer was unacceptably low and therefore rejected. Previously, DC Water and Howard entered into a tolling agreement that halted the statute of limitations, as presented by Howard University, for 90 days. The 90 day period has expired, but the parties agreed to extend the freeze for another 60 days. On November 2, 2012, DC Water issued to Howard individual invoices for both water and sewer services that detail usage for each of the overdue accounts.

Ms. Gowda also updated the committee on the status of Soldiers Home. On September 13, 2012, DC Water submitted a tolling agreement to Soldiers Home in order to toll the running of any alleged statute of limitations while the parties had on-going talks to resolve the billing and payment issues for DC Water services. The Soldiers Home legal staff has questioned the need for entering the tolling agreement. DC Water is pursuing its options in relation to the issues presented.

#### FY 2012 Final Cost of Service Study

Ms. Downs introduced Mr. John Davis and Mr. Bart Kreps of Raftelis Financial Consultants, Inc. Mr. Davis updated the Committee on the background of the Cost of Service Study (COS), recapped the July COS presentation that validated revenue sufficiency of the FY 2012 Financial Plan, reviewed COS-based rate equity for FY 2013 and presented rates structure alternatives. These alternative rate structures reviewed included:

- A) Base Charge
- B) Water Customer Class Segmentation
- C) Wastewater Strength Surcharges.

The final COS review used the updated 10 Year Financial Plan for the period FY 2012-2021. This provided an update of the revenue sufficiency, recommended adjustments to the revenue allocations between the FY 2014 water and sewer rates and additional data on the rate alternatives that were evaluated under the COS. Mr. Davis noted that fire protection revenues have been allocated as an offset to the water volumetric charge causing a shift away from the water rate increases to wastewater rate increases, which led to the recommended allocation adjustment of 43/57% between water and sewer rates versus the 45/55% split currently used by DC Water. Ms. Downs acknowledged the consultant recommendation but noted that the difference from a percentage standpoint for very minute and the combined water and sewer rate remained unchanged from the currently proposal. Therefore, staff has not adopted the current recommendation in the FY 2014 rate proposal.

Mr. Davis presented potential water rate differentials for three classes of customers: A) Single-Family Residential, B) Multi-Family Residential, C) Non-Residential. The unit differential for each was \$3.37, \$3.32 and \$3.52 respectively, based on peaking factors. For the average residential customer bill (using 6.69 Ccfs a month) this customer segmentation differential would shift about \$0.47 a month or \$5.61 annually between the classes. It was noted that the detailed review of this discussion was important and reflected public input in past hearings. However, it was determined that DC Water would maintain a uniform rate structure for the time being given that the differences were not significant to any particular group of customers.

Additional review of the Wastewater High Strength Surcharges and a potential re-development impact fee were discussed with the Committee. It was noted that the District of Columbia is built out and fees, if implemented, would be from new customers as a result of re-development. The current data suggests that there is a limit to the potential revenue. However, General Manager Hawkins stated that he believed both areas of fees were worthy of continued study and discussion and requested and received the Committee's concurrence to move forward with additional analysis.

### **Review of FY 2012 Rebate**

The Director of Customer Service, Ms. Lauren Preston updated the Committee on the status of the FY 2012 operating surplus rebate approved by the Board in July 2012. The rebate will be provided as a direct credit on the customers' bill in January FY 2013. Ms. Preston explained how the customer rebate was calculated and the various eligibility and data processing considerations that were developed. The rebate will be \$1.00 credit for each billed ERU and a \$0.10 credit per Ccf for the average FY 2012 water consumption of each customer whose accounts are up to date.

### **Discussion of FY 2014 Customer Assistance**

Chairman Gibbs deferred the discussion of the FY 2014 Customer Assistance presentation to the December 18, 2012 committee meeting to ensure timely completion of the November meeting.

### **FY 2014 Rate Proposal**

In consideration of the time, Ms. Downs referenced the presentation that was submitted to the Committee. She specifically focused discussion on a new slide that staff has included in the

presentation regarding the PILOT budget and association rates/revenue requirements. This item represents a \$3.3 million increase to the FY 2014 operating budget. The new slide notes that the Board has maintained the PILOT budget at \$16.8 million since FY 2011 and that the existing MOU terms expire at the end of FY 2013. After some discussion, the Committee affirmed the preference to maintain the PILOT and associated rate recommendation at the current proposed budget level. It was noted that the PILOT budget was reduced to the \$16.8 million level during the revised budget period and that opportunity will still exist prior to the start of FY 2014. It was also noted that creation of a separate Multi-Family Residential class is included in the FY 2014 proposal.

### **Retail Rates Committee Workplan**

Chairman Gibbs approved the Retail Rates committee workplan.

### **Other Business**

Ms. Downs updated the Committee on the follow-up items. Ms. Downs mentioned the LID Incentive Program legal documents were emailed to the committee members on the morning of November 27, 2012 and that Ms. Preston contacted the customer regarding a request to show gallons on the DC Water customer bill. Ms. Preston added that per a conversation with the individual, the customer understood that there was information regarding gallons on the bill; however they requested that the consumption graphic on the bill be shown in gallons rather than Ccfs. Chairman Gibbs asked staff to inform the Committee if this change would be a cost to DC Water. Ms. Preston stated that she was looking at the issue.

### **Agenda for December 18, 2012 Joint Committee Meeting**

Chairman Gibbs approved the agenda for the next meeting.

### **Adjournment**

Hearing no further business the meeting was adjourned at 11:02 am.

### **FOLLOW-UP ITEMS**

1. Can the graphic on the customer bill be displayed in gallons rather than Ccfs? (Mr. Gibbs)  
Status: TBD