



GOVERNANCE COMMITTEE MINUTES OF THE MEETING

JANUARY 21, 2026
(via Microsoft Teams)

COMMITTEE MEMBERS PRESENT

1. Unique Morris-Hughes, Chair, Principal, District of Columbia
2. Anthony Giancola, Vice-Chair, Principal, District of Columbia
3. Christopher Herrington, Principal, Fairfax County
4. Rachna Bhatt, Principal, District of Columbia
5. Jimmy Ortiz, Alternate, District of Columbia

OTHER BOARD MEMBERS PRESENT

1. John Markovs, Alternate, Montgomery County

DC WATER STAFF

1. David Gadis, CEO and General Manager
2. Lola Oyeyemi, Interim Chief Financial Officer & EVP
3. Kirsten Williams, Chief Administration Officer and EVP
4. Amber Jackson, Chief People Officer and EVP & Interim Chief Legal Officer
5. Barbara Mitchell, Associate General Counsel and Director of Government and Legal Affairs
6. Michelle Rhodd, Secretary to the Board

The Governance Committee meeting was called to order by Dr. Unique Morris Hughes, Chairperson, at 9:33 AM. The meeting was held via Microsoft Teams. Board Secretary Michelle Rhodd called the roll.

I. BLUE DROP QUARTERLY UPDATE

Chris Peot, President of Blue Drop, provided the quarterly update, noting that farm sales and orders have increased. The increase was driven by an exceptionally good Fall, partly due to the entry into the construction market and favorable weather. Soil blenders and major resellers are increasing orders in anticipation of Spring, requiring expanded

production to meet demand. A new curing facility will begin production soon, allowing Blue Drop to process more material, improve product consistency, and meet the demand.

The quarterly sales goal of nearly 11,000 tons was exceeded by sales of approximately 3,000 tons, reaching 129% of the target and exceeding schedule projections toward the 62,000-ton annual goal. The new curing pad will increase capacity by approximately 10,000 tons per year, significantly reduce costs, and improve product quality and stability. The covered design ensures consistent drying and higher-value product output.

A potential challenge for the program is legislation to limit PFAS in biosolids. Mr. Peot noted that Maine has banned all biosolids after finding high PFAS levels in paper mill sludge, while other states seek to distinguish between municipal and industrial biosolids. Blue Drop's Bloom is a municipal biosolid with PFOS and PFOA levels at or near societal background levels. A draft bill is expected in Maryland to propose an achievable limit of 25 parts per billion for PFOS and PFOAs combined. Blue Drop's Bloom has levels of 15 and two, respectively. The state of Virginia is following a similar regulatory path, and Blue Drop and DC Water are collaborating with relevant councils to support workable outcomes.

In December 2025, DC Water authorized Blue Drop to retain \$2.5 million from Bloom and renewable energy credit (REC) revenues for land acquisition to improve storage and inventory control to address the weather-dependency of sales. Sales in 2023 reached a record of 65,000 tons but dropped to 52,000 tons the following year, highlighting the need for better winter storage. Six potential sites are being evaluated for the new storage facility, to be jointly owned with DC Water.

Site visits revealed concerns with some of the proposed sites. In response to Committee member Anthony Giancola, Mr. Peot noted that a site in Montgomery County was initially considered, but language in the county's biosolids regulations presented challenges. The current favored site is a 125-acre plot in La Plata, priced at \$1.3 million.

Next, Mr. Peot reviewed some new REC sources, including the Brentwood Reservoir, a solar facility that launched in fall 2025 under a solar use agreement with the National Housing Trust. Though DC Water does not receive power from the facility, it does receive annual lease payments and a share of solar renewable energy credits (SRECs). DC Water has also funded solar panels at the Fort Reno Reservoir, which is expected to generate approximately \$150,000 annually and provide solar access for those unable to install it at home. DC Water also activated solar arrays at Ames Place, which are owned outright, resulting in around \$7,000 in annual power savings and \$20,000 in SRC revenue. Plans include expanding solar installations to the Ames Place parking lot to increase coverage and provide shade.

Additional solar panels were installed atop the curing pad as part of the Resource Recovery Group's efforts and are projected to yield over \$200,000 in SRECs and \$80,000 in annual power savings.

At Fort Reno, the new 1-megawatt solar project was awarded to New Columbia Solar and is anticipated to deliver nearly \$50 million in SRECs and \$175,000 in power savings. Options for excess power include selling power to the Solar for All program or net metering back to other DC Water facilities.

Blue Drop also registered some new equipment in the combined heat and power system at Blue Plain to use wastewater effluent for cooling, qualifying for Tier 1 renewable energy credits in DC and Maryland. These systems are expected to generate approximately \$100,000 annually, offsetting the equipment costs within months.

DC Water's new headquarters, HQO, is now a sought-after venue for corporate and social events. Following a minor fire incident, the focus shifted towards corporate events with new safeguards and strategic pricing. The site's events coordinator manages both paid and rent-free events to showcase the facility and support DC Water partners in collaboration with Navy Yard and Nationals Park to expand event operations and enhance DC Water's profile.

Mr. Peot reviewed Blue Drop's additional revenue sources. Blue Plains' intellectual property generates income through patents and royalty agreements, already exceeding the annual goal of \$340,000 and approaching \$400,000. Cell tower revenues are behind target but are expected to recover. A goal of \$4.4 million has been set for RECs this year, based on lower REC prices resulting from a federal executive order that led some states to reduce renewable energy requirements, thereby decreasing demand and prices. Approximately 64% of the goal was reached in the first quarter.

In January 2025, approximately \$10.5 million in net revenue accumulated over eight years was returned to IMA partners. In 2026, the return is estimated at \$2.6 million, after Blue Drop retains six months' operating budget and a sustainability reserve. A donation of \$15,000 was made to the DC Water Splash Fund in 2025, and the same amount is expected this year from non-joint-use revenue.

Mr. Peot noted that Blue Drop was established in 2016 to create new revenue streams and mitigate rate increases for DC Water customers and IMA partners. Managing biosolids through Blue Drop rather than traditional contracts has saved ratepayers an additional \$3 million, in addition to nearly half a million dollars in revenue.

Committee member Anthony Giancola asked about Blue Drop's annual audit. Mr. Peot confirmed that the audit report has been shared with the DC Water Finance team and Blue Drop's IMA partners. Lola Oyeyemi, Interim Chief Financial Officer and EVP, confirmed receipt of the report, noting that Blue Drop's financial statements are incorporated into DC Water's financial statements, and that details from the Blue Drop audit management report are included in the notes to DC Water's financial statements. David Gadis, CEO and General Manager, noted the effort to have a member of the DC Water Board appointed to the Blue Drop board to improve information sharing.

Committee member Christopher Herrington shared information on three bills before the Virginia legislature regarding biosolids, highlighting SB386 as one DC Water should follow closely as it could be read as a prohibition on biosolids application. Barbara Mitchell, Associate General Counsel and Director of Government and Legal Affairs, noted that her team's primary focus had been Maryland, but confirmed she would review the Virginia bills to ensure they are monitored.

Mr. Herrington asked about IMA disputes related to Blue Drop. He also asked whether Blue Drop still needs to be a separate entity from DC Water to remain agile, and whether Blue Drop's functions could be covered by DC Water staff. Mr. Peot highlighted Blue Drop's sales team's compensation: a small base salary with performance-based incentives tied to tonnage and value goals, enabling them to increase their earnings significantly. He noted that the approach works well for a private entity with a small staff, enabling faster decision-making than in larger organizations such as DC Water.

Mr. Peot acknowledged that the annual revenue refunds to IMA partners limit Blue Drop's ability to reinvest in projects that could generate further savings or revenue, such as renewable natural gas initiatives. However, he noted that a compromise allowed Blue Drop to reserve funds for targeted investments to build business cases and demonstrate results, thereby building confidence for future reinvestment.

II. ADJOURNMENT

The meeting was adjourned at 10:20 AM.