



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

**MEETING MINUTES
THURSDAY, JULY 2, 2015**

Present Directors

Matthew T. Brown, Chairman, District of Columbia
Howard Gibbs, Alternate for Rachna Butani, District of Columbia
Nicholas Majett, Prince George's County
Bonnie Kirkland, Alternate for Timothy Firestine, Montgomery County
Shirley Branch, Alternate for Bradley W. Frome, Prince George's County
Alan J. Roth, District of Columbia
Elisabeth Feldt, Montgomery County
Ellen O. Boardman, District of Columbia
Edward Long, Fairfax County
Obiora "Bo" Menkiti, District of Columbia

Present Alternates

Adam Ortiz, Prince George's County
David W. Lake, Montgomery County
Brenda Richardson, District of Columbia
James Patteson, Fairfax County

DC Water Staff

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

Chairman Brown called the 211th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:34 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the June 4, 2015 Meeting Minutes

Chairman Brown asked for a motion to approve the June 4, 2015 minutes. The motion to approve the June 4, 2015 minutes was moved and seconded. The minutes were approved unanimously by the Board of Directors.

Chairman's Overview

Chairman Brown stated that there were a lot of action items on the agenda and that the Board members had worked on them for a long time. In addition to approval of the rate structure, there were 11 non-consent items and 3 consent items for approval. He noted that public meetings were held in all eight wards regarding the new rate structure. Chairman Brown thanked General Manager/CEO Hawkins for his leadership in pushing a structure that better aligns the costs of the work of the Authority with the rates. He also thanked the Chief Financial Officer Mark Kim and his staff for all their work.

In addition to the better alignment of costs which benefits customers the new rate structure also promotes conservation. It also provides for replacement of the water system with a one percent replacement target every year, the impervious service charge, the cost of the Clean Rivers Program, and other work of the Authority.

Chairman Brown reported that he worked closely with Mark Kim during the rate structuring process. They found that D.C. Public Schools (DCPS) has a lot of meters that were not registering water and appear to be inactive. He indicated that he is going to work with DCPS to resolve the issues so that they are not charged meter fees for those meters that are not being used.

In October there will be a 30 minute workshop prior to the Board meeting on the Intermunicipal Agreement (IMA). Chairman Brown encouraged everyone to attend because the workshop will be a good opportunity for Board members to learn about the IMA.

Environmental Quality and Sewerage Services Committee

Reported By: Howard Gibbs

Mr. Gibbs stated that the Committee met on June 18, 2015. A report on the performance of the Blue Plains Advanced Wastewater Treatment Plant indicated that all plant parameters were within permit limitations. Biosolids production was at 444 wet tons per day, which compares to a 12 month average of 812 wet tons per day. This showed that the new biosolids processing plant which was brought on-line is doing its job very well. The main process train is running through acceptance testing, which will continue for another 60 days before D.C. Water can fully accept it.

In June the new combined heat and power plant began operating with intermittent electricity production while PEPCO Energy Services is testing various pieces of the equipment. Mr. Gibbs indicated that it is expected that soon two of the three units will be continuously running to produce approximately eight megawatts of electricity that was previously purchased from somewhere else. In the future, the Committee will receive a report on the performance of the plant.

Mr. Gibbs reported that the Committee received an update on the Potomac Interceptor Sewer Odor Abatement Project from Liliano Maldonado, Director, Engineering and Technical Services Department. A modification was made on the exhaust stack at the Old Angler's Inn site in Montgomery County. They will continue to monitor the site and take further action, if necessary. All of the other sites are in service or will go into service shortly. As soon as all six facilities are in operation, the system will be optimized and balanced.

Mr. Gibbs stated that the Committee recommended the approval of two action items, one to assess the conditions of the sewers and the other to replace and repair existing sewer laterals. Mr. Lake noted that a third joint-use contract for methanol was recommended for approval.

Joint Meeting of the Environmental Quality and Sewerage Services Committee and the Water Quality and Services Committee

Reported By: Howard Gibbs

Mr. Gibbs stated that the Joint Committee met on June 18, 2015 immediately after the Environmental Quality and Sewerage Services Committee meeting and received a presentation from Mr. Hawkins on the Advanced Research and Technology Project. The Project is designed to fulfill one of the strategic goals, Pursuit of Alternate Sources of Revenue. The pilot will determine what kinds of revenue can be generated as a result of D.C. Water's state-of-the-art laboratory facility staffed with some of the best people in the world. Mr. Gibbs reported that it is believed that water utilities around the country could take advantage of testing services provided by the laboratory. It is a low volume but hopefully high revenue source. The idea is to accomplish this with existing staffing. In the next five years they hope to capture six percent of the market.

The Committee also discussed Asset Management. The current contract is for \$5 million and the next step will be a \$10 million contract. Leonard Benson, Chief Engineer, reported that the Asset Management Project is envisioned as a three-step process. Step one has been completed and included the analysis of D.C. Water's facilities and process in order to identify ways to optimize management of the assets. The second step is to start implementing the recommendations that came out of step one. The third step is to fully integrate the staff with the Asset Management Plan. Mr. Gibbs indicated that the Committee recommended approval of the contract for step two of the project.

Water Quality and Services Committee

Reported By: Howard Gibbs

Mr. Gibbs reported that the Committee met on June 18, 2015. Charles Kiely, Assistant General Manager for Customer Care and Operations, informed the Committee that there were no positive coliform testing samples in May. However, there was a positive in June, ironically at EPA's Headquarters. Mr. Kiely informed the Committee that they are taking action to determine what the issues are. Parts of the EPA Headquarters building are not up to D.C. Code and this may have something to do with the positive.

Mr. Kiely stated that 105 Lead and Copper Rule samples have been collected and some are waiting for testing. The testing results is at 2.4 parts per billion and when the report is made to EPA it is expected to be at 2 parts per billion, the lowest number ever. Mr. Kiely informed the Committee that currently 100 samples are being reported on twice a year even though EPA only requires 100 samples once a year. The Committee has discussed this testing issue for a number of years. EPA is now working to finalize new requirements, so instead of D.C. Water

requesting approval to go back to once a year reporting now, they will wait for the new EPA requirements to be issued.

The Committee received a report from David Wall on the Fire Hydrant Upgrade Program. Of approximately 9400 public hydrants, 152 were out of service, 70 due to defect and 82 due to construction or inaccessibility. D.C. Water's current target is no more than 1 percent out of service and this has consistently been met over the past few years.

Mr. Roth wanted to know who had asked EPA Region III to remove the EPA Headquarters building from the total coliform removal testing sites list. Mr. Hawkins notified the Board that the fecal coliform hit at the EPA building was found to be a false positive in follow-up testing. There was a challenge in the monitoring as opposed to actual contamination. As previously reported, the building is not up to D.C. Code and D.C. Water has requested that EPA shift to a site that is up to code. EPA has agreed that this is the appropriate course and Mr. Hawkins informed the Board that D.C. Water will follow through on taking the necessary steps.

D.C. Retail Water and Sewer Rates Committee

Reported By: Alan Roth, Chair

Mr. Roth informed the Board that the Committee met on Tuesday, June 23, 2015 for probably the single most important meeting of the year. The Committee made a final recommendation to the Board as to next fiscal year's retail rates, charges, and fees.

The Committee received a summary from Mark Kim, Chief Financial Officer (CFO), on the final FY 2015 Cost of Service Study which included an analysis of the alternative rate structure the Committee has been working toward. It also provided empirical support for the actions the Committee recommended to the Board for approval.

CFO Kim then presented management's recommendations for the FY 2016 retail rates, charges, and fees. He went through the proposed customer-class based volumetric rates for water consumption, which includes a reduction for residential customers of more than 20 percent for the first four CCFs to create a new lifeline rate and to encourage conservation. Multi-family and D.C. Housing Authority rates would be reduced by approximately 11 percent. Non-residential water rates would increase less than 3 percent. Mr. Kim noted that this was the first time D.C. Water considered different rates for each customer class and that this was supported by different peaking factors that were identified in the Cost of Service Study.

Mr. Kim continued to describe the proposed retail rates. He stated that with the shift in capital expenditures toward wastewater operations, management proposed to increase the volumetric sewer rate for all three customer classes, 70 cents per CCF or slightly less than 15 percent. The impervious area charge will be increased by \$3.55 per ERU or about 21 percent to pay obligations under the Clean Rivers Program. For the first time the capital cost of rehabilitating the water distribution system out of the volumetric water rate will be addressed by creating a new water system replacement fee on the customer bill. Additional details concerning the proposed retail rates can be found on D.C. Water's website.

Mr. Roth thanked the staff and consultants for the excellent and very detailed work.

Mr. Roth stated that the Committee members carefully considered each of the action items before the Board and found the proposed retail rates to be necessary and reasonable. All three were recommended for approval. They then received a presentation on the progress of

implementation of the new rate structure which involved several departments, including Customer Service, Communications, Human Capital Management, and Information Technology. There is a great deal of coordination, outreach, and temporary staffing that must occur for everything to work well by October 1, 2015.

Ms. Feldt wanted to know what the Clean River Program's projected growth per ERU would be in the future. Mr. Hawkins stated that they will provide her with the projected ERU growth over the next ten years.

Finance and Budget Committee

Reported By: James Patteson

Mr. Patteson reported that the Committee met via conference call on Thursday, June 25, 2015. Tanya DeLeon, Risk Manager, provided an update on D.C. Water's property and casualty insurance. The Board is not required to authorize the insurance, but an update is provided each year. Ms. DeLeon indicated that the policies are under negotiation and that they anticipate an increase in the premium cost driven by the increased property values related to new construction, increased payroll, and newly purchased flood coverage.

Ms. DeLeon provided an update on the Rolling Owner Controlled Insurance Program (ROCIP). ROCIP 3 will expire and the new ROCIP 4 will start in October 2015. The Program provides fire protection for D.C. Water and through economy of scale is able to lock in rates. It provides better risk management and safety program oversight and removes obstacles for smaller contractors. She stated that ROCIP is an action item for Board approval. Mr. Firestine reported that ROCIP had not been audited and the Committee asked that it be added to the Audit Plan through the Audit Committee.

Mr. Patteson stated that there were nine action items recommended for approval which is a record for the Committee. One is the ROCIP renewal and seven are legal service contracts for human resources/employment, and the environment. The ninth is an action item to increase the Beveridge and Diamond contract for environmental legal services associated with lead.

Mr. Patteson concluded his report and referred members' questions to Mr. Hawkins and his team. Chairman Brown stated that some of the questions pertained to the legal firms that will be pre-qualified and the fact that this was not clearly indicated on the fact sheets. Mr. Hawkins stated that good questions were raised by Mr. Roth and Ms. Boardman. He agreed that the fact sheets were not as clear as they should have been and he noted that they were updated and distributed to the Board members. Mr. Hawkins said he wanted to also provide verbal answers to the questions. He reported that they went out to find a bunch of law firms that can be accessed when they are in need. Each contract is for three years with a two year option. A fixed amount can be spent for each category per year. Two law firms were selected in the environmental category, three for general civil litigation, and two for human resources. None of the firms are guaranteed work and will be utilized as work arises that they are capable of performing.

The second question raised was about the fact sheets describing the legal services contracts as joint use but the chart in the back as 100 percent D.C. share. Mr. Hawkins clarified this by stating that in the vast majority of the cases past experience has been that most of the litigation would be D.C. related, brought by the direct retail customer. However there will be some legal work about D.C. Water's facility that will get the Blues Plains share, such as, permitting work for

Blue Plains or an issue concerning an employee who works across D.C. Water. The D.C. share and the Blue Plains share will be appropriately applied.

The third question concerned the local small business point preference. Mr. Hawkins reported that two firms that bid on the legal work contracts received the preference but the selection of Beveridge and Diamond was not determined by the preference. They were one of the two top recipients independent of the benefit of those extra points.

Another question was on fees. The firms will not receive retainers. The contracts are fee-for-service and are billed by the hour and paid as work is done. The expenditures are monitored and if they are nearing a cap, the General Counsel will be alerted and the Board notified and involved in making adjustments.

Mr. Hawkins stated that based on a request by the Governance Committee there will be feedback on the performance of the firms and a review of D.C. Water's process.

Chairman Brown thanked Mr. Hawkins for the clarifications. Ms. Boardman and Mr. Roth both thanked him and the General Counsel for their responses to the questions and the fixes to the fact sheets.

General Manager's Report

Reported By: George Hawkins, CEO/General Manager

Mr. Hawkins began his report by notifying the Board that the report on a shooter at the Navy Yard had been declared all clear. He stated that D.C. Water's Emergency Response Program worked efficiently and effectively.

Following the Board's approval of the retail rates proposal and a 30-day public comment period, a special Retail Rates Committee meeting must be held in August or prior to the September Board meeting concerning the change to cap the water system replacement fee related to fire service, non-joint use consent item Resolution No. 15-69. Mr. Hawkins said that the Committee members will be notified.

General Manager Hawkins spoke about the Retail Rates Committee and the fact that he served briefly as chair. He indicated that it has been a multi-year strategic goal of the Board that the Committee take the leadership role in D.C. Water's efforts to create a rate structure that has multiple goals. One of them is a principled support for differentiated rates with a merit-based reason to change the rates by customer categories, which allows D.C. Water to reduce some of the pressure on residential customers. Mr. Hawkins stated that the fixed fee for water system replacement will mean that there will be a dedicated source of funding, additional support for low-income customers, and an incentive for conservation. The Board and Retail Rate Committee set these goals and over a series of years have been implementing the steps to accomplish them. He asked the Board to consider the resolution before them that really will achieve the goals.

Mr. Hawkins said that he tips his hat to the Board for its perseverance and leadership on the issue. He also thanked the staff, in particular, Mark Kim, Chief Financial Officer, for being the lead person for D.C. Water. Additionally, he thanked Charles Kiely for his efforts.

It was pointed out that in the General Manager's Report there is one performance measure that is below the usual standard, the call center performance. Mr. Hawkins explained that this is

because all of the customer service operators are undergoing three hours of special training to be prepared to explain to the customers their bills when they start changing under the new rates. He commended everyone for their efforts.

Mr. Hawkins stated that a big issue on his agenda is to announce that DC ART (Advancing Research and Technology) has gotten its first customer and first \$5,000 check. This is D.C. Water's first fee-for-service non-rate-payer revenue. It is the future of the industry, public authorities helping other public authorities. Most utilities cannot afford to build the world-class lab that D.C. Water has created. But every utility has the needs for the kind of benchwork that is done here. It helps the D.C. ART rate payers that can get the work done by D.C. Water at a cost that is less than a full commercial lab. Any work that D.C. Water does in the future for non-rate payers will not impinge the core ability to do the work for customers. The revenue will come to the Enterprise and reduce rate pressure on retail and wholesale customers.

The General Manager stated that recently the rainfall has been torrential. He indicated that Jonathan Shanks, AFGE Local President, was in the meeting and that employees of water services and sewer services who have been extraordinary in their efforts out on the streets.

Consent Items (Joint Use)

General Counsel Hayman stated that there was a minor change to joint-use contracts up for approval. He informed the Board that they were given new resolution fact sheets for consent items 15-56 to 15-59 and resolution consent items 15-61 to 15-63.

Chairman Brown asked for a motion to approve joint use items. Mr. Roth moved to approve Resolutions No. 15-53 through 15-63 and it was seconded. The motion to approve Resolutions No. 15-53 through 15-63 was unanimously approved by the Board.

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve three non-joint use items. Mr. Roth moved to approve Resolutions No. 15-64 through 15-69 and it was seconded. The motion to approve Resolutions No. 15-64 and 15-69 was unanimously approved by the District of Columbia members of the Board.

Mr. Roth raised an issue that he felt deserved to be mentioned. He stated that Ron Linton, former D.C. Water Board of Director's member and Chairman of the Board, passed away at the age of 86. Mr. Roth said he was a wonderful gentleman and a great public servant for the District of Columbia. Chairman Brown concurred and reported that he had worked with him and that Mr. Linton had worked well beyond the age when many people retire.

Chairman Brown announced that the Board would move into Executive Session to discuss a legal item. He 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 10:24 a.m. The open session resumed at 11:17 a.m.

Chairman Brown adjourned the meeting at 11:17 a.m.


Secretary to the Board of Directors