



# **DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

## **BOARD OF DIRECTORS**

*Retail Rates Committee*  
*Wednesday, February 27, 2008*  
9:00 a.m.

## **MEETING MINUTES**

### **BOARD MEMBERS**

Robin Martin, Chairman  
David J. Bardin  
Joseph Cotruvo  
Howard Gibbs  
Brenda Richardson

### **WASA STAFF**

Jerry Johnson, General Manager  
Olu Adebo, Acting Chief Financial Officer  
Avis M. Russell, General Counsel  
Linda Manley, Board Secretary

Chairman Martin called the meeting to order at 9:00 a.m.

### **Impervious Surface Rate Project**

Mr. Adebo, the Acting Chief Financial Officer asked Mr. David Tweedy, Project Manager, PB Consult (PB), to provide a report on the first item, an update of the impervious surface rate project.

#### **Project Update and Deliverables**

Mr. Tweedy began with a review of the Critical Path Method Gantt Chart. He noted that this is a summary document and there are many sub tasks included. He reviewed progress and risks. Mr. Tweedy informed the Committee that GSA formally informed PB Consult that they will not provide WASA with the data that relates to federal property due to security issues. Therefore, an alternative strategy has been developed to utilize existing data, such as NPS data, to reconcile as much as possible and then send staff to investigate physically and verify parcels and ownership over the next couple of months. There was a short discussion on the verification of federal properties and communicating with the various federal government customers to ensure that they are aware of the pending changes. Mr. Adebo stated that there is a plan B to collect data and leverage WASA's current relationship with the Treasury Department to navigate through the outstanding issues.

Mrs. Arulraj, of PB Consult, updated the Committee on the progress of the impervious area database development. Many properties that PB Consult has been calling "missing properties" have been resolved through NPS and AOC property boundaries. Mr. Bardin noted that the DC GIS data supplied to WASA reflects 2005 aerial photography information and may not incorporate all impervious surfaces as changes have been made. Mrs. Arulraj explained that a process is under development to provide for updates from the data custodians, DC GIS, and reconciling the changes found in future updates. DC GIS has offered to provide an update over the next few months and the process will be tested at that time. The primary owner of the data will be DC GIS and the validity and accuracy will be based upon the accuracy of the official available DC data.

Mr. Adebo added that the appeals process will provide for adjustment to individual bills based upon demonstrated changes to or inaccuracies of a property. Chairman Martin noted that since the board is not directly aware of the consultants QA/QC process, it is important for the Committee to get a comfort level of the data accuracy. Mr. Tweedy stated that a part of the project plan includes an extensive business process development which is the responsibility of the consultant to deliver. Work on the business process does not begin until May or June. Mr. Bardin requested an overview of the data update and quality process for non residential properties at a future Committee meeting. He asked that an example using the 2005 flyover data be utilized. Mrs. Arulraj reiterated that there are unidentified properties in the database that have to be classified and PB Consult will send people in the field to identify and correct the outstanding issues.

#### IAB Policy Discussion

Mr. Lanning, PB Consult, and Mr. Cromwell, Stratus Consulting, made a presentation on the ERU and the preliminary approach to rate setting. They reviewed the definition of the ERU and various forms used across the country in the application of impervious area charges. Mrs. Richardson reminded both the consultants and staff that when the information is shared with the community, the methodology should be explained in layman terms. Mr. Lanning reviewed the CSO-LTCP cost pool requirements as set forth in the adopted Ten Year Financial Plan. In FY 2009, the \$6.6 million revenue requirement is just under two percent of WASA's total FY 2009 operating revenue. Mr. Lanning noted that the model was developed using the AWWA accepted methodology and adjustments were made to match data in the Ten Year Financial Plan. Mr. Lanning and Mr. Cromwell recommended that WASA adopt the use of the ERU and use a uniform ERU for determination of residential property charges.

Chairman Martin asked whether the data exist to support the alternatives shown in the options in the presentation. Mr. Lanning replied that PB Consult has the data and had applied the information to over twelve alternatives before narrowing the presentation down to the two currently shown. Mr. Cromwell went on to explain that a random sample of 1,514 properties (out of the 26,000 or so residential properties) was analyzed and used in the various alternatives to test impacts. The sample data have a ninety five percent statistical confidence level. The mathematical model and uniform versus variable category options were tested with the sample data and the result was a determination that a "typical house" is about one thousand square feet.

Ms. Richardson pointed out that affordability is a critical factor and that there are many seniors and families on fixed incomes who live in detached single family homes. She also noted that the Board needs to be mindful of the consideration given to this population and asked the consultant to keep the Committee posted on the progress.

There was extensive discussion regarding the use of various categories or possible tiers of categorization to apply multiple ERU charges on larger residential properties. Mr. Adebo stated that the staff recommendation is the uniform ERU and to implement this rate structure by October 1, 2008 (FY 2009).

Mr. Bardin expressed his desire to extend the Customer Assistance Program (CAP) to the impervious surface charge or the sewage rate either by a discount of volumetric sewage rates or by a discount of a fraction (such as one half) of an ERU on the impervious surface charge. The General Manager noted that there might be an issue of compliance with federal funding regulations or guidance that ought to be resolved prior to any policy decision. He reminded the Committee that when WASA initiated its CAP discounts, they were limited to water rates discounts because of such concerns.

Mr. Bardin asked Mr. Adebo about ideas for the application of any "extra" revenue due to the current proposal approved by the Board to raise the sewer rate by 8.5%. Mr. Adebo replied that the

plan is to reduce the sewer rate by the amount of revenue to be recaptured by this new impervious surface charge if WASA adopts this policy.

The Committee discussed the policy proposals for consideration. Mr. Johnson stated that the proposal sent out in advance was an effort to capture the sense of the Committee as opposed to the recommendation of staff. He noted that the staff recommendation is for a uniform ERU. Also, Mr. Bardin provided a revised policy statement for the Committee's review. Mr. Bardin stated that at the last meeting he requested that a draft of a notice of rule making be provided rather than a draft of a policy statement. Ms. Avis Russell, General Counsel, replied that decisions should be made on some of these policies, particularly, the use of the ERU, prior to management drafting the proposed rule making.

The Committee began a review of the revised policy submitted by Mr. Bardin. Mr. Adebo requested that the word "initially" be removed throughout the policy statement and Ms. Russell noted the General Counsel's recommendation is to utilize a similar definition of impervious surface that exists in the DC zoning code. Mr. Adebo's recommendation is to use the definition and not to reference the code. Mr. Bardin added that the General Counsel's definition leaves out private streets and should be included within any definition going forward. The Committee continued to discuss draft policy #2 and after lengthy discussion, Chairman Martin asked that counsel and staff inform the committee exactly which policies must be recommended at this meeting. Mr. Johnson stated there are three basic items for a policy decision and restated the possible alternatives based upon Committee discussion: (1) staff recommends using the ERU approach; (2) staff recommends using a single ERU vs. a tiered ERU; (3) staff recommends using a binary approach in addressing impervious surface area without using gradation. Mr. Johnson suggested that staff develop a streamlined policy #2, incorporating staff's recommendations. Chairman Martin agreed and requested that management come back to the Committee within several days with a revised draft of policy #2. Chairman Martin asked staff to draft a proposed policy committing to address the particular issues that will be revisited in the future, including the clear direction from the committee to develop a policy to incorporate billing tiers based on size of impervious area in residential properties as soon as feasible. Mr. Johnson asked Linda Manley to arrange a Retail Rates Committee conference call on Monday morning March 3 to review revised policy #2.

Mr. Johnson asked PB Consult to look at the feasibility of using the OTR data to create and implement a tiered ERU system. He requested that they provide a response prior to the Thursday March 6 Board of Directors meeting. Mr. Tweedy agreed.

Mr. Bardin requested a chart showing all non-residential property data in the same format provided on residential properties in attachment D, including percentages. Chairman Martin asked for a copy of the sample bill when available.

### **Independent Rates Consultant Selection Update**

Chairman Martin asked Mr. Johnson to update the Committee on the independent rate consultant selection and stated that the Committee wanted to be involved in the interview and selection of the independent rate consultant going forward. Mr. Johnson stated a meeting was conducted to discuss what needs to be included in the RFP and that the RFP should be going out in about two weeks for procurement. About thirty days after the two week period WASA should have responses back.

### **Action Item**

#### **Impervious Area Surface Charge Policy #2**

Chairman Martin stated the action item has been tabled and will be discussed on the March 3<sup>rd</sup> conference call.

**Other Business**

Mr. Johnson introduced Mohammed Tariq as the new, full time Project Manager for the impervious surface project.

Hearing no further business, the Committee convened into an executive session at 12:20 p.m.

The Committee reconvened into public session at 1:25 p.m.

The meeting adjourned at 1:27 p.m.