



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

DC Retail Water and Sewer Rates Committee

Tuesday April 26, 2011

9:30 a.m.

MEETING MINUTES

COMMITTEE MEMBERS

David J. Bardin, Chair
Howard C. Gibbs, Vice-Chair
Joseph Cotruvo
Alethia Nancoo
Howard Croft

DC Water Staff

George Hawkins, General Manager
Olu Adebo, Chief Financial Officer
Linda R. Manley, Board Secretary
Randy Hayman, General Counsel
Yvette Downs, Director of Finance and Budget
Brian McDermott, Supervisor, Water Design
Len Benson, Chief Engineer
Elaine Wilson, Supervisor, Pre-Treatment

Others In Attendance

Jon Davis, Raftelis Financial Consulting Inc
Edward Markus, Amawalk Consulting Group, LLC

Call to Order

Chairman Bardin called the Retail Rates Committee meeting to order at 9:31am.

Long Range Rate Planning Items

Review of Miscellaneous Fees & Charges Study (Attachment A - 23 slides)

Mrs. Downs explained the assignment given to Raftelis Financial Consulting (RFC) and introduced their representative, Mr. Jon Davis. Generally, we are reviewing miscellaneous fees and charges that were discussed in the last (2009) Cost of Service study but have not been revamped by the Board since 2003. Action proposals, if pursued by the Board, will require amendments to existing regulations after public notice in the D.C. Register and opportunity for public comments. Management aims for final decisions at the July Board meeting with finally approved fees and charges becoming effective October 1, 2011. The Committee reviewed the presentation and fee recommendations.

Engineering Review and Permitting (ER&P) Fees (NEW and UPDATED)

Mr Gibbs suggested that there is a perception among the industry that it takes too long to issue a permit. If the Board eventually acts to increase the engineering review and permitting fees, service level expectations may be enhanced by the customers. Mr. Adebo stated that is a good point and the changes within the permitting process over the last couple of years have

been geared toward improvements in service for the permitting process. However, Mr. Adebo noted that the current fees are not recovering the cost of providing the permitting and review services. The current fee structure recovers approximately \$750,000 annually of the approximately \$1.9 million annual costs. The proposed fee structure would recover the departmental expenses, as well as provide new service opportunities such as expedited service at a premium price. In addition to the presentation, the Committee received a 3 page handout that included a line-by-line Description of Activity and explained terms such as “Large Project” versus “Small Project” (based on the size of the connection).

The Committee engaged in some conversation and questions regarding the basic design review service versus the expedited review service. After discussion and based on staff’s input that the proposed fee for the large basic permit does not cover the actual cost of providing the service, the Committee revised the staff proposal from \$5,000 to \$7,500 for the large basic permit reviews while leaving the expedited service at a premium of \$10,000 (includes the large basic service but a guaranteed turnaround within 15 work days)

The Committee generally agreed to forward Management’s proposals for Engineering Review and Permitting Fees to the Board. The Committee understood that “Small Residential” (replacing “Home (Small)”) refers to Single Family Residences (SFR) with up to three rental units. At Mr. Adebo’s suggestion, the “Small Commercial” fee name will be changed to “Small Non-residential.”

Engineering Review and Permitting Fees & charges being referred to the Board are:

Project Review	Current	Proposed
<i>Large Project Permit Review Fees</i>		
Availability Letter (Large Commercial)	\$300	\$500
Large Permits Basic	\$2,500	\$7,500
Large Permits Fast Tracking (15 day) includes basic	na	\$10,000
Large Permits submissions (excessive submission: 4 or more)		\$1,000
Foundation to Grade – Large Commercial		\$1,000
Approved Project Plan Revision (Project scope/design change)		\$1,000
Approved Plan Revision (Field Conditions)		\$250
Large Project Sheeting & Shoring (Large Commercial)	\$1,000	\$1,000
Raze Permits		\$150
Abandonment Waiver Requests		\$500
<i>Small Project Permit Review Fees</i>		
Availability Letter (small)		\$125
Small Residential (formerly entitled Feasibility Review)	\$300	\$300
New Home from a Large Project Subdivision		\$150
Small Non-residential	\$250	\$2,500
Small Sheet & Shore	\$500	\$500

Environment Impact Study Fees (EISF) (NEW)

The District of Columbia Department of Consumer and Regulatory Affairs passed a law authorizing agencies to charge for the number of hours spent on reviewing an EISF application. DCRA sends EIS forms to other agencies including DC Water for review. Historically, the Engineering department has not charged for this service. The estimated cost

of providing this service is \$480 per EIS with an annual revenue potential of approximately \$15,000/year. Mr. Hawkins recommended (and the Committee concurred) to defer until further research could be done on the EIS development fee and collection process.

Large Meter Purchase and Installation

The Committee deferred this housekeeping item (with no revenue impact) until next review of the principal metering fees.

Turn-On / Turn-Off Fees for non payment

While the study reveals that the cost for completing these activities is slightly higher than the fee, the Committee concurred with Management’s recommendation to leave the fees at the current level of \$50 each.

Industrial User Permitting and Compliance Fees (NEW)

Chariman Bardin asked if there is a permitting fee for the industrial users. Ms. Wilson responded that DC Water currently issues 3-year permits; but it charges no fees. As the initial issuance is more involved than the permit renewals, a cost differential has been recommended. Currently, DC Water has 17 “Significant” and 8 “Non-Significant” industrial customers. (These and other terms are defined in regulations being presented to the Board by the EQ&SS Committee.) Significant industrial customers include: Metro Garages, Amtrack, Dulles Airport in Loudoun County, VA, and U.S. Navy R&D at Carderock, MD.

The Committee considered consultant’s cost of service analysis, as well as higher fees charged by WSSC. After discussion, the Committee revised the recommended fees to the levels indicated:

Classification of Permitting Fees	Current	New Permit	Renewal
Industrial User	\$0	\$2,000	\$600

DC Water also performs Compliance activities as required by EPA regulations, including inspections, sampling, lab analyses, and reporting, and charges no fees. Mr. Davis and Ms. Wilson said that RFC’s cost of service estimates seem slightly under, but close to, WSSC’s fee structure. The Committee is passing on to the Board changes exceeding Management’s recommendation by 2 – 9 percent:

Classification of Annual Compliance Fees	Current	Proposed 2 Outfalls	Proposed 1 Outfall
Significant of Non-Significant Industrial User	\$0	\$3,500	\$2,500
Significant Non-Categorical Industrial User	\$0	\$3,500	\$2,500
Non-Significant Non-Categorical User	\$0	\$700	\$550

Temporary Discharge Fees (NEW)

The Committee concurred in Management’s recommendation to postpone pending development of specific volumetric rates.

Waste Hauler Fees (UPDATED)

DC Water currently permits 17 waste haulers with 37 trucks of varying capacities to bring wastes such as grease traps, portable toilets, and standby tanks to Blue Plains. DC Water’s fee (like WSSC’s) is an annual amount per truck of a given capacity – no matter how many times that truck unloads. Other utilities (such as Baltimore) charge per volume of each load. The information used to determine the proposed fee was based on a full year of data from the Wastewater Department (Ms. Wilson) regarding trucks processed at Blue Plains. Blue Plains takes such waste from about 10 trucks each day, 5 days a week. Considering the number of truck loads received and assuming each truck was filled to capacity, leads to an estimated 5.7 million gallons a year. Even disregarding the assumption of much higher concentration of these wastes (in contrast to household sewage), RFC concludes that current fees fall far short of the \$3.79 per Ccf currently charged for domestic strength wastewater and significantly less than comparable utilities such as WSSC and Baltimore. The recommendation from staff was to increase the fees by approximately 3.5 times this year, and review strength of hauled waste for potential change to volumetric rates in future years.

After discussion, the Committee agreed to forward fee increases mirroring the current WSSC FY 2012 proposal (for both vehicle capacity in gallons and fees).

Current DC Water truck size categories	0-100	101-500	501-1,500	≥1,500
WSSC truck size categories	0-49	50-799	800-1,499	≥1,500

For four tiers of truck sizes, the following proposal for annual fees per vehicle is being forwarded to the Board:

<i>Vehicle size</i>	0-49 gals	50-799 gals	800-1,499 gals	≥1,500 gals
Proposed fee	\$160	\$2,265	\$6,170	\$14,640

The General Manager advised that in adopting the WSSC charge DC Water must recognize that we are deviating from past practice and policy in that the amounts we will be charging may vary significantly from the results of the FY 2012 Cost of Service study. Management understands that there have been other instances in which the committee decided to move from or without a Cost of Service. The prior proposal has been to increase fees to some extent, perform a Cost of Service study and then make a second decision. This time, the committee has decided to adopt a separate jurisdiction’s (WSSC) numbers in a relevant category and not use or wait for the next Cost of Service study. Dr. Cotruvo pointed out that there are two neighboring facilities offering same service for significantly more, so it makes sense to be comparable in the fees charged. Mr. Bardin said that that the Board could amend fees after 2012 if the 2012 Cost of Service points to a difference, either upwards or downwards.

Dr. Cotruvo urged staff to consider replacing the current methodology of setting an annual fee per truck (no matter how many loads dumped) and set a fee for each volume dumped as probably more accurate and equitable to DC Water.

High Strength Discharges (NEW)

The Committee concurred in Management's recommendation to postpone action on this proposed new charge pending the next Cost of Service Study.

Status Update on Customer Demographics Study (Attachment B - 15 slides)

Mrs. Downs discussed the status of an ongoing study, which seeks to identify useful opportunities to segment DC Water's rate classes. Mrs. Downs highlighted several consumption and demographic comparisons and noted that analysis of customer consumption behavior, including peaking characteristics, will help identify areas of opportunity. Staff will bring results back to the Committee in July.

In response to a question, Mr. Ed Markus of Amawalk Consulting Group LLC explained that DC Water's recent experience of 180 gallons per capita per day represents total water usage divided by total resident population. So it includes usage by commuters and tourists in the numerator but excludes those people from the denominator.

Status Update on Future Strategies for Unbundling Volumetric Rates

This update was covered as part of the previous Demographics study.

Discussion of Revenue Subtractions, Discounts & Disputed Accounts (Attachment C – 3 pages)

Chair Bardin thanked staff for this preliminary information about irrigation and cooling tower discounts (with 2011 impact of \$5.9 million as of April 11); C.A.P. (budgeted at \$2.4 million for FY2012); IAC discounts (budgeted at \$0.5 million for FY2012); and disputed amounts for Howard U. and Soldiers' Home.

3. Action items (Attachment D – 2 pages)

The Committee recommended the proposed adjustments to DC Water fees and charges (as amended by the Committee) be forwarded to the Board for publication in the DC Register.

Mr. Bardin distributed to the Committee a proposal for a Board resolution which would direct the General Manager to bill and charge DC Water for all potable water, meters, and ERUs as it does other non-residential customers. The recommendation would then require these costs to be allocated as operating expenses of the joint-use or non-joint use facility in question.

The General Manager noted that this recommendation was just received the morning of the Committee meeting and no evaluation had been conducted. Further, such an examination would require re-direction of limited resources and would need to be discussed with the Chairman of the Board. Other Committee members provided preliminary thoughts on the topic, including the potential need for such an evaluation to be reviewed by the Environmental Quality and Sewage Committee and possibly the Retail Water Services Committee

4. IMA CIP Allocations (Attachment E – 39 pages)

In view of the hour, the Committee deferred discussion of policy implications from the revised attachment provided by the Chief Engineer.

The General Manager thanked Mr. Benson for providing detailed summary of the project allocations and asked that the minutes reflect management's vehement disagreement with the content of a written statement distributed and presented at the January 25, 2011 Retail Rates Committee meeting by Mr. Bardin, and quoted in the March 2011 Committee minutes, In the statement it was indicated that management "failed to inform the Board frankly of cost allocations ..." and implications regarding the D2 capital project. The General Manager noted that management includes the best available information at the time the CIP is constructed and each time that fact sheets are presented to the Board for action. However, fact sheet allocations are often noted with qualifiers that allocations can change. This notation practice recognizes that the changes may occur for a number of reasons such as grant awards, audit results, or (as in this case) new models with revised outcomes. He noted that the manner in which the allocations for Project D2 have been communicated to the BOD has been in accordance with long standing practices developed in concert with the BOD over a period of years. Chair Bardin said that his concerns expressed in the January 25, 2011 statement referring to a "buried" cost allocation revision were not intended to be pejorative in anyway, and were meant to comment only on the adequacy of communications in the past. He further stated that the written statement was solely intended to lead to better communications in the future.

The General Manager noted that there is good outcome from this conversation and that staff looks forward to working with the Board and the Committee on improving reporting of allocations that may be subject to change.

5. Preparation for May 11 Board Public Hearing

Mr. Bardin expressed interest in reviewing the potential for scaling back the IAC fee reviewing the inputs in the rate model. Mr. Adebo noted that the inputs suggested are already reflected within the overall financial plan. A full reset, if necessary, of all rates is included within the triennial cost of service study which will be conducted in FY 2012.

6. Monthly Updates

General Counsel briefed the Committee on work to resolve issues with Howard University and the Soldiers' home. In future months, he agreed to supply a succinct written report as part of the Committee package.

7. Committee Workplan (Attachment F - 2 pages)

Chair Bardin asked for more definition of timing of reviews of IAC programs.

8. Emerging Issues / Other Business

Mr. Bardin received the following clarifications from the follow-up items from the March 22 Committee meeting:

Item #1 says failure to resolve past payment issues as to The Town of Vienna, VA, does

impact retail rate payers. Mr. Adebo promised to report on same and Mr. Bardin asked that it be in writing, as an agenda update item that could be reviewed by exceptions.

Item #3 says retail rate payers are generally responsible for 100 percent of DC Water payments to MWCOG.

Item #5 says that in May 2011 staff will attempt to combine ERU with volumetric data for Non-residential customers in a way that enables better understanding of rate impacts. Mr. Bardin requested that it be in writing.

9. Agenda for Next Committee Meeting (Attachment F – 1 page)

The Committee will meet on May 26th at Blue Plains jointly with the Finance and Budget Committee and then separately, briefly, immediately following the joint meeting. Ms. Manley will make necessary changes.

Adjournment

Hearing no further business, Chairman Bardin adjourned the meeting at 12:14pm.

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (May 26, 2011)

1. Provide an example of the updating required and quality controls available to reconcile non-residential data found in the DCGIS 2005 flyover information and a more recent update to the flyover data. This example should be provided at a future Retail Rates Committee meeting (Mr. Bardin) Status: FY 2011
2. Combine ERU with volumetric data from non-residential customers in a way that enables better understanding of rate impacts. (Mr. Bardin) Status: May 2011
3. Additional rankings and analyses of DC Water and peer utilities (Mr. Roth) Status: TBD
4. Report on impact of past payments issues as to Town of Vienna, VA – whether resolved or still unresolved – on retail rates for FY 2012 (Mr. Bardin) Status: June 2011