



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

DC Retail Water and Sewer Rates Committee

Tuesday January 24, 2012

9:30am

- 1. **Call to Order** Howard Gibbs, Chairman
- 2. **Monthly Update (Attachment A)** Randy Hayman
 - Howard University
 - Soldier’s Home
- 3. **Pretreatment Fees (Attachment B)** Yvette Downs
- 4. **Billing Frequency Change for Impervious Only Accounts (Attachment C)** Lauren Preston
- 5. **Action Items (Attachment D)** Olu Adebo
 - Pretreatment Fees (Action Item A)
 - Billing Frequency Change for Impervious Only Accounts (Action Item B)
- 6. **Retail Rates Committee Workplan** Olu Adebo
 - **FY 2012 Retail Rates Committee Proposed Workplan (Attachment E)**
- 7. **Emerging Issues/Other Business** Olu Adebo
- 8. **Agenda for February 28, 2012 Committee Meeting (Attachment F)** Howard Gibbs, Chairman
- 9. **Adjournment**

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (December 23, 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: TBD based upon availability of data
- 2. Review of the Potomac Interceptor contracts to see if there are opportunities to modify contracts to be similar to the IMA contracts (Mr. Bardin) Status: Defer Pending Final IMA

**January 2012 Update on Howard University and
Soldiers' Home Delinquent Accounts**

Howard University

Without waiving rights to contest, Howard accepted terms of agreement under which they would begin making payments on current bills on the "Exempt Accounts". A meeting occurred on December 1, 2011, involving CFOs, customer service and legal representatives to resume discussion of payment of arrearages. This was followed by a meeting on December 7, 2011, between legal departments to focus on issues affecting the scope of the collection activity regarding the claimed arrearages which total \$5,447,494.00. Howard tendered a counter-offer, but the amount was not acceptable to resolve the claim. Despite Howard's assertions of meter inaccuracies, testing completed within the last month confirms that we have not overbilled. Both parties are currently engaged in intense negotiation of the outstanding balance.

NEXT STEPS

1. DC Water will respond to Howard with a counteroffer.
2. DC Water and Howard University will meet to negotiate a mutually agreeable outcome.
3. If an agreement is not possible, DC Water will pursue available legal remedies to enforce collection against HU.

Soldiers' Home

1. The Office of the General Counsel is preparing a legal opinion regarding sewer services, which were not referenced in the 1938 agreement providing for perpetual free water service.
2. The preliminary Appraisal Report prepared by RCDH & Company of Maryland was received on November 28, 2011 and has been reviewed. Additional comments are being incorporated and the Final Report is expected to be released by mid-February.
3. The DC Water CFO is working to coordinate a meeting to engage Soldier's Home in negotiations, including:
 - a. Footprint for planned development and whether any changes have been made since earlier discussions
 - b. Metering to track current usage, as well as engaging in discussions between Water Services and Engineering regarding possible sub-metering

to track usage for new facilities brought online through expanded development

4. Once all information is compiled and an opinion has been completed, write letter from GM to the Soldiers' Home
 - c. Identify issues (reference new OGC legal opinion and Board Resolution 96-27)
 - d. Confirm Soldiers' Home's interest to renegotiate agreement equitably
 - e. Discuss next steps
 - f. Confirm identity of person authorized to negotiate on behalf of the Home



ADOPTION OF PRETREATMENT FEES

DC Retail Water and Sewer Rates Committee

January 24, 2012



Attachment - B

Pretreatment Fees

Background

- In FY 2010 the Independent Consulting firm Raftelis Financial Consultant Inc was engaged by DC Water to review several of its Miscellaneous Fees and Charges to determine if they should be updated to synchronize with cost of service. The firm was also engaged to:
 - Make firm recommendations as to fee modifications if required; and
 - Identify policy decisions that should be considered before updating fees.

Prior to this review, DC Water had not changed these fees since 2003.

Pretreatment Fees

Background (cont.)

- ◆ In April 2011, the DC Water and Sewer Retail Rates Committee received staff's proposal for a series of changes to the miscellaneous fees and charges including the adoption of new pre-treatment fees from a pending regulation of industrial users
 - While the committee subsequently adopted most of the fee proposal with some modifications, the new pre-treatment fees were postponed based on public comments received

Pretreatment Fees

Study Results Presented to the Committee in April 2011

DESCRIPTION	New	Updated	Deferred	2012 COS
Engineering Review and Permitting	X	X		
Environmental Impact Study Fees			X	
Large Meter Installation		X		
Turn-on/Turn-off		X	X	
Industrial User Permitting and Sampling	X			
Temporary Discharge Fees			X	
Waste Hauler Fees		X		X
High Strength Surcharges				X

Pretreatment Fees

Recommendation for New Industrial User Permitting & Sampling (Compliance) Fees

The Pretreatment Group provides permitting, sampling, and inspections for designated Industrial Users of the wastewater system. Currently no charge is assessed for these services

- Cost of service-based fees would recover direct labor cost, appropriate overhead, and materials required to provide this service
- Identification of industrial users is an initial step toward wastewater customer segmentation

Pretreatment Fees

Industrial User Pretreatment Fee Recommendations

- Based on Committee Recommendations from April 26, 2011

Classification	New Permit Fee
Industrial User Permitting fee:	
Permit Initial Fee	\$2,000.00
Permit Renewal Fee	\$600.00
Industrial User Annual Compliance Fees:	
Significant or Non-Significant Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more outfalls	\$3,500.00
Significant Non-Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more outfalls	\$3,500.00
Non-Significant Non-Categorical Industrial User	
1 Outfall	\$550.00
2 or more outfalls	\$700.00



Pretreatment Fees

New Fee Revenue Projections

Industrial User Permit Fees

Classification	New Permit	Renewal
Industrial User (all categories except General)	\$2,000.00	\$600.00
Permits Issued (per 5 years)	3	22
Subtotal 5-year Revenue	\$6,000.00	\$13,200.00
Subtotal Average Annual Revenue	\$1,200.00	\$2,640.00
Total Average Annual Revenue		\$3,840.00

Pretreatment Fees

New Fee Revenue Estimates (Compliance Fees)

Industrial User Sampling

Classification	2 Outfalls	# of Industrial Users	Revenue
Significant or Non-Significant Categorical Industrial User	\$3,500.00	1	\$3,500.00
Significant Non-Categorical Industrial User	\$3,500.00	6	\$21,000.00
Non-Significant Non-Categorical Industrial User	\$700.00	5	\$3,500.00
Classification	1 Outfalls	# of Industrial Users	Revenue
Significant or Non-Significant Categorical Industrial User	\$2,500.00	0	\$0.00
Significant Non-Categorical Industrial User	\$2,500.00	6	\$15,000.00
Non-Significant Non-Categorical Industrial User	\$550.00	3	\$1,650.00
Total Revenue			\$44,650.00



Pretreatment Fees

Next Steps

- ◆ Present new Pretreatment Fee recommendations to the Retail Rates Committee (January 24, 2012)
- ◆ Approval by Board for publication in DC Register for rulemaking (February 2012)
- ◆ Public Comment Period (March-May 2012)
- ◆ Public Hearing (May 2012)
- ◆ Final Committee Recommendation (June 2012)
- ◆ Board adoption of new fees (July 2012)
- ◆ New Pretreatment Fees take effect (October 1, 2012)



Attachment – C

**Presented to the
DC Retail Water and Sewer Rates
Committee**

January 24, 2012

**Billing Frequency Change
for Impervious Only Accounts**



Impervious only billing history and background

- ❑ With the 2009 implementation of the two impervious area fees (Clean Rivers Charge and the DC Stormwater Fee), more than 9,000 properties were identified as having impervious surfaces without a metered water service. Examples include parking lots, garages.
- ❑ They ranged in size from 100 square feet (0.1 ERU) to 3,606 ERUs.
- ❑ In order to bill them a fair share of the cost of the clean rivers project, a separate account was created for each property
- ❑ The total cost to the customer at the original implementation was \$3.81 per ERU per month (\$1.24 per ERU for clean rivers charges, plus \$2.57 per ERU per month for DC Government stormwater fees). For very small properties (0.1 to 1.0 ERU) this would have resulted in a monthly bill of \$0.38 to \$3.81.



Impervious only billing history and background (cont.)

- ❑ A policy was adopted to bill most impervious only properties that were less than 25 ERUs on a semi-annual basis, in order to reduce transaction costs for DC Water and for the customers paying these bills.
 - ❑ 86% of customers in this category have 3.9 ERUs or less
 - ❑ The monthly bills for 3.9 ERUs would have been \$14.85; 6-month bills were \$89.15
 - ❑ Exceptions were made for group-billed customers, who are billed monthly regardless of size.
- ❑ At present, over 6,200 customers are billed on a semi-annual basis.



Current Distribution of Impervious only Accounts by ERU Size

Proposed change will affect 3.0 ERU and greater

ERU Range	Premise Count
.1 – 1.9	4557
2.0 – 2.9	520
3.0 – 3.9	300
4.0 – 6.0	244
6.1 – 8.0	181
8.1 – 24.9	428



Reason for change

- Recent and projected rate adjustments may make the total “please pay” amount on a semi-annual bill a hardship to pay all at once for some customers.

SAMPLE OF BILL IMPACT ON IMPERVIOUS ONLY CUSTOMERS

# of ERUs	FY 2009 <i>(Original)</i>		FY 2012 <i>(Current)</i>		FY 2013 <i>(Proposed)</i>	
	Monthly	6-Month	Monthly	6-Month	Monthly	6-Month
1	\$ 3.81	\$ 22.86	\$ 9.31	\$ 55.86	\$ 12.40	\$ 74.40
3	\$ 11.43	\$ 68.58	\$ 27.93	\$ 167.58	\$ 37.20	\$ 223.20
10	\$ 38.10	\$ 228.60	\$ 93.10	\$ 558.60	\$ 124.00	\$ 744.00
24.9	\$ 94.87	\$ 569.21	\$ 231.82	\$ 1,390.91	\$ 308.76	\$ 1,852.56

- To make this bill easier to pay for customers, we want to change the billing frequency for all customers with 3 or more ERUs to monthly. This will affect a little over 1,100 customers.
- This will not change the overall revenue and customer cost of the clean rivers impervious area charge, but will change the timing of receipt of payment.



Costs and Timeline to Make Change

- ❑ Estimate less than \$25,000
 - ❑ one-time costs to implement this change including billing system programming costs, and mailing costs to notify customers of the change
- ❑ Ongoing operating costs estimated at \$3,500 (in 2012 dollars)
 - ❑ Postage, bill print and payment processing
- ❑ The change would be implemented October 1, 2012 along with other rate changes, and communicated to the public through the other rate change materials and meetings



Next Steps

- DC Water and Sewer Retail Rates Committee discussion for recommendation to full board –January 2012
- Board approval for publication of proposed rulemaking in the DCMR – February 2012
- Notice of proposed Rulemaking published in DCMR – February 2012
- Notice of Public Hearing published in DCMR, public comment period noted –March 2012
- Coordinate with May Public Hearing
- DC Water and Sewer Retail Rates Committee final recommendation to full board –June 2012
- Board approval on final rulemaking – July 2012
- Make billing system programming changes – July 2012
- Inform customers through targeted mailing and website updates – August 2012
- New policy becomes effective – October 1, 2012

DC Retail Water and Sewer Rates Committee

Action Items

5A. Pretreatment Fees

5B. Billing Frequency Change for Impervious Only Accounts

ACTION ITEM 5A

Action Item FY 2013 Rate & Fee Changes (Effective October 1, 2012)

1. Management recommendation for the following Miscellaneous Fees and Charges:

Pretreatment Fees:

Industrial User Permitting Fee	
Permit Initial Fee	\$2,000.00
Permit Renewal Fee	\$600.00
Industrial User Annual Compliance Fees	
Significant or Non-Significant Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more Outfalls	\$3,500.00
Significant Non-Categorical Industrial User	
1 Outfall	\$2,500.00
2 or more Outfalls	\$3,500.00
Non-Significant Non-Categorical User	
1 Outfall	\$550.00
2 or more Outfalls	\$700.00

ACTION ITEM 5B

Action Item FY 2013 Rate & Fee Changes (Effective October 1, 2012)

1. Adopt the following billing frequency changes for Impervious Only Accounts:

Impervious Only Accounts:

A proposal for the Board to publish in the DC Register for rulemaking revising Title 21 of the DC Municipal Regulation, Chapter 41, Retail Water and Sewer rates, Section 4101 Rates for Sewer Service. This revision will change the current billing frequency for impervious only properties to lower the monthly threshold from more than 25 ERUs to 3 or more ERUs:

4101.5 Impervious Only Properties are properties that do not currently have metered water/sewer service (e.g. parking lots) and may require the creation of new accounts. Impervious Only Properties with ~~more than twenty five (25)~~ three (3) or more ERU's shall be billed monthly; those with less than ~~twenty five (25)~~ three (3) ERU's shall be billed every six (6) months.

Attachment – E

FY 2012 Retail Rates Committee Proposed Workplan

Committee Activity	Committee Calendar	Completed
1. FY 2013 Retail Rate Activities a. Rate Proposal to committee b. Committee recommendation c. Public Outreach d. Public Hearing e. Committee recommendation on FY 2013 rates	October 2011 December 2011 March/April 2012 May 2012 June 2012	√ √
2. Implement LID Incentive Program for customers who utilize Best Management Practice in conjunction with DDOE a. Legal evaluation of the DDOE proposed program; and b. Evaluate alternatives for the Clean Rivers IAC discounts c. Prepare revenue impact analysis d. Propose IAC Discount Program i. IAC Discount Program Proposal to committee ii. Committee recommendation iii. Public Outreach iv. Public Hearing v. Committee recommendation on FY 2013 IAC Discount Program	Ongoing-Coordinating with DDOE on program planning – <i>On hold pending DDOE publication of revised regulation proposal</i> TBD TBD TBD TBD	
3. Review and Update Committee on long-range rate issues, including follow-up on FY 2009 Cost of Service Study results, prior to next cost of service study a. Consider Implementation of Developer/Impact Fees b. Revisit CAP program and possible modifications (Expansion and or methodology) i. Update committee on CAP program ii. Committee recommendation on CAP program	FY 2012 March 2012 April 2012	

Attachment – E

<ul style="list-style-type: none"> iii. Publish in DC Register iv. Board Action on CAP program v. CAP program implementation 	<ul style="list-style-type: none"> May 2012 July 2012 October 2012 	
<ul style="list-style-type: none"> c. Miscellaneous Fees and Charge <ul style="list-style-type: none"> i. Update Committee on Miscellaneous Fees ii. Committee Recommendation on Miscellaneous Fees iii. Board Approval on Miscellaneous Fees iv. Publish in DC Register v. Board Action on Miscellaneous Fees 	<ul style="list-style-type: none"> December 2011 January 2012 February 2012 February 2012 July 2012 	√
<ul style="list-style-type: none"> 4. FY 2012 Cost of Service Study <ul style="list-style-type: none"> i. Notice to Proceed ii. Receive Draft Report iii. Present to the Retail Rates Committee iv. Final Report 	<ul style="list-style-type: none"> November 2011 February 2012 March 2012 April 2012 July 2012 	√
<ul style="list-style-type: none"> 5. Review of charges/rates for specific customers <ul style="list-style-type: none"> a. Howard University, Soldier's Home Negotiations and Town of Vienna Update 	<ul style="list-style-type: none"> Monthly 	
<ul style="list-style-type: none"> 6. "PILOT" evaluation – In coordination with District Government Review and Propose replacement for assessing PILOT and related issues. 	<ul style="list-style-type: none"> TBD 	
<ul style="list-style-type: none"> 7. IAC Program Evaluation 	<ul style="list-style-type: none"> February 2012 	
<ul style="list-style-type: none"> 8. Fire Protection Fee Cost of Service Study <ul style="list-style-type: none"> a. Present Draft Fire Cost of Service Study to Retail Rates b. Submit copy of report to DCCFO & DC City Administrator for review c. Rate proposal to Committee d. Public Hearing 	<ul style="list-style-type: none"> December 2011 December 2011 February 2012 May 2012 	√ √

Attachment – E

<p>e. Committee recommendation on revised fee</p>	<p>June 2012</p>	
<p>9. Billing Frequency Change for Impervious Only Accounts</p> <p>a. DC Retail Water & Sewer Rates Committee Discussion and Recommendation on FY 2013 Billing Frequency Change for Impervious Only Accounts</p> <p>b. Board Action on FY 2013 Billing Frequency Change for Impervious Only Accounts</p> <p>c. Publish in DC Register</p> <p>d. Board Approval</p> <p>e. Go-Live</p>	<p>January 2012</p> <p>February 2012</p> <p>February 2012</p> <p>July 2012</p> <p>October 2012</p>	



D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
RETAIL WATER & SEWER RATES
COMMITTEE MEETING

TUESDAY, February 28, 2012; 9:30 a.m.
AGENDA

Call to Order	Committee Chairman
Monthly Updates	Chief Financial Officer
Committee Workplan	Chief Financial Officer
Emerging Issues/Other Business	Chief Financial Officer
Agenda for March 27, 2012 Committee Meeting	Chief Financial Officer
Adjournment	Committee Chairman

*Detailed agenda can be found on DC Water’s website at www.dewater.com/about/board_agendas.cfm