



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

BOARD OF DIRECTORS

*Retail Rates Committee
Tuesday January 26, 2010
11:00 a.m.*

MEETING MINUTES

COMMITTEE MEMBERS

David J. Bardin, Acting Chairman
Maurice Boissere
Howard Gibbs
Alan Roth
Keith Stone
Brenda Richardson

WASA STAFF

George Hawkins, General Manager
Avis Russell, General Counsel
Olu Adebo, Chief Financial Officer
Linda R. Manley, Board Secretary

Call to Order

Acting, Chairman David Bardin called the Retail Rates Committee meeting to order at 11:58 am, immediately after the Finance and Budget Committee adjourned.

FY 2011 Rate and Fee Proposals

Review of Retail Revenues and Rates (Attachment A)

Management distributed Attachment A, containing 10 content slides and a cover slide.

The content had also appeared in Finance & Budget Committee Attachment 3, as follows:

RRC	Heading in Attachment A	F&B
2	Retail Rate Adjustment Options [F&B heading differs, slide has more detail]	cf.26
3	FY 2011 Retail Rate Alternatives	3
4	Proposed Retail Rate Changes – Water and Sewer	27
5	Proposed Retail Rate Changes – Impervious Area Charge (IAC)	28
6	Proposed Retail Rate Changes – Metering Fee	29
7 & 8	Ten Year Financial Plan [F&B heading differs]	37
9	Average Residential Monthly Bill	30
10	Average CAP Customer Monthly Bill	31
11	Comparison to Other Large CSO Communities	32

Acting Chairman Bardin proposed that instead of reviewing Attachment A the Committee focus on issues of concern to committee members in the Retail Revenues and Rates package due to time constraints. He also requested that all pertinent resolutions be made available for the next board meeting with specific numbers (rather than placeholder “XXXs”).

Committee Discussion

Mr. Bardin stated that at its last meeting the Committee passed on to the Board management's five rate increase proposals covering: (1) the water service rate, (2) the volumetric sewer rate, (3) the Impervious Area Charge (IAC) per ERU, (4) the Customer Metering Fee, and (5) the Payment in Lieu of Taxes (PILOT) fee. He noted that if the Board approves the publication of these rate and fee adjustments, then DC WASA needs to have a public hearing before the D.C. members of the Board.

Calling attention to the proposed PILOT fee increase, Mr. Bardin asked: (a) what is DC WASA's legal obligation in approving rate increases including mandated timeframes if any? (b) What is the legal justification for withholding payment of the PILOT that exceeds FY 2007 payment to the District of Columbia? (c) Are there any other legal issues that the Board should be thinking about? Mr. Adebo said that the public hearing on retail rate changes is tentatively planned for a date in June. Ms. Russell stated that an MOU is in place between DC WASA and the District CFO regarding the PILOT and DC WASA is obligated to collect and pay the fee. She also stated that the agreement requires that the DC CFO certify the amount and DC WASA has not been paying the increase because satisfactory support for the cost of services has not been received from the DC CFO. Management has not reported satisfactory certification to the Board. The Board took the position in 2007 that we will not pay the increase until DC WASA received a certification that satisfies the requirements. During continued discussion on the PILOT, one committee member expressed difficulty with the PILOT as a legal concept given that DC WASA is tax-exempt. The General Manager stated that DC WASA continues honoring the agreement and when the Authority is satisfied with the agreement, it will pay any amounts due.

Mr. Bardin reminded the Committee that last month it had recommended that the Board urge and direct the General Manager to intensively negotiate the Payments in Lieu of Taxes (PILOT) with the City but had not proposed a formal resolution. The General Manager stated that discussions have been commenced from the highest level (Chairman of Board) and the City Administrator's office. However, greater focus has been placed on the immediate need of determining what is happening with the Fire Hydrant cost as those receipts have direct impact on both the budget and retail rates. Mr. Roth said he is in favor of revisiting whether the system is working or not. Mr. Stone said DC WASA still needs to hold the money in the escrow but his main concern is that DC WASA is being double billed in certain aspects. Mr. Bardin said that the General Manager needs to review the MOU to deal with a possible amendment in light of DC WASA's Enabling Legislation and other factors. Mr. Gibbs expressed concern about the Right of Way (ROW) fee, too, seeing as D.C. Government itself owns water and sewer pipes that use the ROWs.

Mr. Bardin asked whether DC Board members want to propose an additional Chesapeake Bay Restoration Fee to build up a reserve fund towards the rising debt-service cost of the retail ratepayer share of the total nitrogen removal (Blue Plains TN) program for Chesapeake Bay in one step (foregoing annual rate increases on that score as debt service costs rise). Mr. Bardin asked for information on the additional cost per Ccf for such a Chesapeake Bay Protection fee. Mr. Adebo stated that according to the ten-year financial plan the cost will escalate from \$0.10 per Ccf to \$5.00 per Ccf over a few years.

Mr. Bardin asked whether and why DC WASA exempts some DC customers from water bills. Mr. Adebo stated that only two customers are exempt and the annual dollar amount is

less than \$2 million. Ms. Russell gave a brief history on the McMillan plant and an agreement, which she has not seen, between the federal government and the two customers for property that they owned that is now the McMillan plant. Currently, DC WASA bills the two customers for sewer portion only, but no payment has been received yet. Mr. Bardin proposed that the General Manager give committee members feedback on the issue. Ms. Russell stated the General Manager is already aware of the issue.

Mr. Roth noted that while it was appropriate for the Committee to consider the impact on ratepayers of the PILOT item and the two customer accounts described above, those accounted for less than \$2 million each, and that he is much more concerned about the presentation in the Finance and Budget Committee meeting a short while before showing a shift of \$100 million for the Blue Plains TN project out of Wastewater Treatment (for which the suburban jurisdictions bear a 60% share) into the CSO LTCP program (for which the wholesale share is only about 7%). Mr. Roth asked for more information to be provided to the Committee and the Board about the basis for this shift and how it was decided.

Mr. Bardin asked whether D.C. Board members could vote separately on projections of percentage increases in retail water and sewer rates that have appeared traditionally in the 10-year financial plan adopted by all 11 members of the Board each year. Committee members said that a majority of D.C. Board members have voted for the 10-year plan resolution in the past -- that being more important than separate voting.

IAC Six-Tier Residential Rate Structure Update

Mr. Kiely gave a brief update on the Six-Tier Residential Rate Structure. He stated that the project is moving forward with no impact on the implementation date October 1, 2010. Mr. Kiely stated that there are two issues being closely monitored in the IAC project: (1). 3 percent or three thousand residential customers need an in-depth review due to property boundary overlapping, and (2) the need to test tools because it was not originally developed for multiple residential tiers. Mr. Kiely stated that he prefers to send quarterly reports to the Board rather than monthly because there is often nothing new to report. Mr. Bardin suggested a brief written report to the Committee monthly with agenda discussion only when developments warrant.

IAC Credit Program Update

Ms. Downs updated the Committee on the IAC credit program. She said DC WASA continues to coordinate with the District Department of Environment (DDOE) on program design. The program will be operated and maintained by DDOE and credited on the DC WASA bill. Mr. Gibbs asked how the program can accommodate customers with difficult questions on the right amount of equivalent residential units charged on the bill based upon impervious area. Ms. Downs stated that currently all questions regarding the total impervious area is handled by the Customer Services Department. Mr. Bardin suggested that a lump sum given to DDOE for disbursement might work better than a billing credit.

DC Fire Protection Fee

Mr. Adebo provided an update on the discussions with DC regarding the fire protection service and fee. Mr. Adebo stated that DC WASA has been in contact with the City Administrator's Office and met with staff in an attempt to respond to any and all questions they have on the study that supported the fee increase. Mr. Adebo stated that DC WASA is

very optimistic and anticipates that the Board will move forward with its resolution to adjust the fee and come to a resolution soon.

Referrals for Board actions

Finally, Mr. Gibbs suggested that the Committee refer the January 2010 General Manager's recommended retail rates to the full Board of Directors for approval and Mr. Bardin concurred.

Adjournment

Hearing no further business, Acting Chairman Bardin adjourned the meeting at 1:20pm