



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

**MEETING MINUTES
THURSDAY, MAY 5, 2016**

Present Directors

Matthew T. Brown, Chairman
Bradley Frome, Prince George's County
Obiora "Bo" Menkiti, District of Columbia
Nicholas A. Majett, Prince George's County
Ellen O. Boardman, District of Columbia
Timothy Firestine, Montgomery County
Sarah Motsch, Alternate for James Patteson, Fairfax County
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
David Lake, Alternate for Elisabeth Feldt, Montgomery County

Present Alternate Directors

Rev. Kendrick Curry, District of Columbia

DC Water Staff

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

Chairman Brown called the 220th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:31 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the April 7, 2016 Minutes

Chairman Brown asked for a motion to approve the April 7, 2016 minutes. The motion to approve the April 7, 2016 minutes was moved and unanimously approved by the Board of Directors.

Approval of the April 19, 2016 Special Meeting Minutes

Chairman Brown asked for a motion to approve the minutes of the April 19, 2016 special meeting. The motion to approve the April 19, 2016 minutes was unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown congratulated D.C. Water on being awarded the U.S. Water Prize. He read the following statement from the Prize: "Innovation is key to creating a one water future which is why the U.S. Water Alliance selected D.C. Water to receive a 2016 U.S. Water Prize."

D.C. Water's Resource Recovery Program, the first of its kind in North America and the largest in the world, has captured attention around the globe by producing a net ten megawatts of electricity from the wastewater treatment process. This clean and renewable energy offsets the energy needs of the Blue Plains Advanced Wastewater Treatment Plant by approximately one-third.

The project broke ground in 2011 and is the product of extensive research and piloting by D.C. Water's award-winning wastewater and resource recovery team. The facilities include the watering building, 32 thermal hydrolysis vessels, four 80-foot tall concrete digesters, and 3 turbines the size of jet engines. The energy is created by using innovative technology that has never been used before in North America." Chairman Brown indicated that this statement provided a unique perspective from someone from the outside.

Chairman Brown reported that CEO/General Manager Hawkins and his team had made presentations at town halls in each of the District's eight wards. He thanked everyone who participated and the Board members who attended. Chairman Brown stated that you learn a whole lot of new information when you go out and actually talk to customers.

The meeting participants and the public were reminded by Chairman Brown that a rate hearing would be held on May 11 at 6:30 p.m. He believes that it is very important that District Board members attend the hearing because of their significant responsibility to approve water rates. Customers should also attend and speak about their concerns with the water rates.

Environmental Quality and Sewerage Services Committee

Reported by: Obiora "Bo" Menkiti, Vice Chair

Board member Lake informed the Board that Howard Dennis, Commissioner with the Washington Suburban Sanitary Commission, had accompanied him to the meeting to observe the proceedings. Chairman Brown welcomed him and hoped he was able to stick around after the meeting to talk.

Mr. Menkiti reported that the Committee met on Thursday, April 21, 2016. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, provided an update on plant performance that indicated that the monthly flow was 291 million gallons per day (MGDs) and that there was no excess flow during the reporting period. The Enhanced Nitrogen Removal Facility was performing well, and the overall plant performance was excellent with 100 percent permit compliance.

Mr. Tesfaye reported that in March biosolids production was 416 wet tons per day. He indicated that in March the Plant began sending biosolids to a waste management landfill in Virginia to use as daily cover. This was part of a pilot program designed to demonstrate to the State of Virginia that the biosolids produced at Blue Plains is suitable material for daily cover. The Committee requested additional information regarding the pilot program. They wanted to know if the program can provide revenue in the wintertime and whether the material will be Class A. Mr. Tesfaye confirmed that it is hauled as Class A.

An update on the Combined Heat and Power Facility indicated that it generated an average of 71 megawatt hours a day, making up 12 percent of the total energy consumed at Blue Plains. As reported in last month's Board meeting, energy generation was impacted by the unanticipated shutdown of three turbines resulting in inspection and repair activities. As a result, net energy export was lower for the month of March. Mr. Tesfaye reported that the repairs on all three turbines was complete and the last unit was returned to full service on April 6, 2016. He also stated that the exact limitations of the energy generation of the Facility would not be known until the current commissioning and acceptance testing and optimization activities are completed. As soon as the acceptance testing is complete and everything is running, a full analysis of the root cause of failures will be conducted and the Board will receive a report.

Mr. Menkiti stated that the Committee recommended four joint use action items and two non-joint use items for Board approval.

Mr. Hawkins provided a correction concerning the turbine problems by clarifying that they will not complete acceptance testing and then determine root cause but will do performance testing now. Full delivery of the system will not be accepted until the root cause analysis is completed and the issue resolved.

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

Reported by: Obiora "Bo" Menkiti, Vice Chair

Mr. Menkiti reported on the joint meeting and stated that the Committees received an update on the Asset Management Program (AMP). He stated that Liliانا Maldonado, Director of the Engineering and Technical Services Department, indicated that the Program is in Phase Two of its development. It is anticipated that its first Asset Management Plan will be done by the end of the summer 2016 and that it will address capital investment, operation, maintenance, and business related needs. This will be for the sewerage service area, followed by those for water and Blue Plains service areas.

Craig Fricke, Asset Management Program Manager, also provided an update and described Phase One of the Program. He stated that as part of the prioritization process, a Capital Improvement Program (CIP) information form, a tool, and a guidance manual have been developed. This will be applied to the Fiscal Year 2017 through 2026 CIP update cycle. Details can be viewed on D.C. Water's website under the meeting agenda and minutes.

Mr. Fricke reported on other processes that have been initiated including D.C. Water taking part in the AMP Customer Value Benchmarking Program and transitioning of the AMP effort from a consultant led effort to a D.C. Water led effort. He then presented the next steps which include finishing the current ongoing initiatives, conducting vertical and linear asset reliability improvements, finalizing KPIs, and developing AMP plans for all service areas.

Lennie Benson, Chief Engineer, briefed the Committees on the capital budget status of the Asset Management Program. A \$20 million capital budget has been proposed by Management, and through March 25, 2016 just under \$12 million had been disbursed. There was \$448,000 remaining unobligated and \$2.5 million of obligated funds were set aside as a contingency with no concrete plans to use the funds at this time. Mr. Benson reported that they anticipate that after the mid-year of 2017 contingency funds will need to be used for potential task orders to the CH2M Hill contract as needs develop for specific expert level services. Overall the project is expected to remain under budget.

David Lake stated that he was excited as a committee member to see the Asset Management Program moving forward. He indicated that he had been involved in the initial steps in asset management at WSSC and that he was pleased when D.C. Water hired Craig Fricke as Asset Manager because he had been WSSC's manager also. There is an integration of the thought process.

Mr. Menkiti stated that he was also excited to see the starting evolution from a consultant led process to an organization led process and to see the staff taking ownership of the process.

Chairman Brown concurred with Mr. Menkiti and stated that he thinks it has to be an enterprise led process and the staff has to buy into it. He stated that General Manager Hawkins informed him that the District Government is starting a similar process. He asked the General Manager to meet with the District's team because everyone can learn from one another on what worked and what has not.

Water Quality and Water Services Committee

Reported by: Howard Gibbs, Vice-Chair

Mr. Gibbs stated that the Committee met on Thursday, April 21, 2016 and received an update from Charles Kiely, Assistant General Manager of Customer Care and Operations. There were zero positive total coliform testing samples in March and as of the meeting date. He reported that this is expected since they have just completed some spring cleaning.

They have 60 Lead and Copper Rule Monitoring samples collected so far out of the 100 needed in the first half of the year. The lead and copper levels are usually elevated slightly in the summer and go down in the colder months. During the Committee meeting Ms. Butani stated that she attended the Ward 2 town hall meeting and was impressed at the number of people who attended. She felt D.C. Water's presentation was impressive and she even picked up a lead testing kit.

Mr. Kiely reported that for the Fire Hydrant Upgrade Program out of 9,450 public fire hydrants 59 were out of service, 36 due to defect and 23 due to construction. They are continuing to target those out of service for more than 120 days, and numbers are being reduced.

Mr. Gibbs stated that there is a Board approved resolution to spend no more than \$500,000 a year for lead service line replacement. When a customer indicates that they will have their service line replaced, D.C. Water will replace the public side. Over the last year with the increase in media reports about lead in water, the number of customers asking for public-side lead line replacements has increased also. It appears that the budget will be exceeded this year. The staff is developing a recommendation to address the problem and will present it at the Committee's next meeting.

The Customer Service Satisfaction Survey was conducted and an update provided by Lauren Preston, Manager of Customer Care, and Dr. Susan Berkowitz, Impaq International. Three groups were surveyed, single family residential, multi-family, and non-residential customers. A total of 1,214 customers completed surveys. Overall 76 percent of those responding were very satisfied or somewhat satisfied. The areas of satisfaction were categorized as water quality—taste, safety, and overall quality of drinking water—billing, satisfaction of service, staff, communication, satisfaction with the value of services, and the perception of D.C. Water. The factors driving overall satisfaction were strong for quality of water, service, staff and billing; moderate for perception of D.C. Water; and weak for the value of D.C. Water services. Details can be found on the website under the Committee's agenda and meeting materials.

Survey recommendations include the following: continue to focus on customer satisfaction and service requirements; focus on addressing billing and installing new connections, permanent operations, responsiveness during emergencies, promptness in billing error corrections; consider expanding the outreach targeting multi-family residents; and consider broadly expanding messaging campaigns to publicize D.C. Water adequately. The staff will report back to the Committee with a breakdown throughout the city to determine if there were clustering with the sampling of customers. The Committee also asked to see the last survey which was conducted in 2004 or so in order to compare the two surveys.

Mr. Lake thanked the Committee, the General Manager, and the staff for their efforts on lead in water issues. They have been able to keep the Board and community informed on these issues which is a real asset. Chairman Brown echoed Mr. Lake's comments and stated that there is a new portion in their town hall presentation and a video. The General Manager has reached out to District Public Schools to assist them in addressing lead in water issues.

D.C. Water and Sewer Retail Rates Committee

Reported by: Chairman Matthew Brown

Chairman Brown stated that the Committee met on Tuesday, April 26, 2016. CFO Mark Kim provided a briefing on the proposed System Availability Fee (SAF). In December 2015 the Committee recommended Board approval of the System Availability Fee and it was approved by the Board on January 7. Public rulemaking was published and the public comment period was extended through March 11, 2016. Many utilities across the country have implemented a fee assessed to new development or redevelopment to recover the investment in available and additional system capacity. The Committee asked a lot of questions and Mr. Kim provided explanations. Details can be found on the website under the Committee meeting agenda and materials.

During the comment period, D.C. Water received 26 comments on the availability fee, the majority from real estate development firms. The majority of comments were about the amount of the fee increase for a two-inch meter and the proportionality of the fee for smaller projects.

Mr. Kim indicated that the Authority did consider proportionality and the potential impacts on small developers through the introduction of SAF credits, the 12-month grace period for inactive accounts, the SAF installment plan, and the ability to right size meters by permitting the necking-down.

Chairman Brown reported that after a lot of discussion specifically relating to the time period of inactive accounts, the Committee recommended approval of the new System Availability Fee to

be effective January 1, 2018, extending the installment period to December 31, 2020, and establishment of an inactive account period for determining the SAF credits to 24 months.

The next item was an update on the Water System Replacement Fee. Chairman Brown indicated that this was part of the rate restructuring that was done by the Board a year ago. Brian McDermott, Director of Permits provided an overview of the remaining analysis regarding the one and a half inch residential meters and those with fire protection systems. The staff found an extremely high correlation between the existence of one and a half inch meters and the installation of fire suppression systems. It was concluded that it was appropriate for the Board to administratively reduce the Water System Replacement Fee to one and a half inch residential services as was done with two inch residential services. This validated what was done by the Committee and Board a year ago.

Audit Committee

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on Thursday, April 28, 2016. The Internal Audit team reported that they have five audits completed for review in July. The audits will be forwarded to the Committee as completed so that there will be ample time for review prior to the July Committee meeting.

The Committee was presented with an internal audit status update. Several audits are in progress, including contract monitoring and compliance Part 2, engineering contract management, annual budget team and planning, and training, licensing, and certification. Since February 16 audit items have been closed, 4 are pending testing, 6 are action deferred, and 11 remain open. Mr. Majett stated that this showed good progress (80 percent closed) since October 2014 when RSM assumed the internal audit function with 82 open audit findings.

Mr. Majett indicated that Ms. Johnson presented RSM's contract monitoring and compliance Part 1 audit. Four high dollar contracts were selected from various departments to audit. The Allied Barton Security Services contract was reviewed. The contract terms were tested for compliance and evaluated on how D.C. Water is monitoring the contractor. Allied Barton's contract represents 82 percent of the D.C. Water Department of Security's FY 2016 operating expenditures budget. Four observations were identified, 1 high risk, 1 moderate risk, and 2 low risk. The high risk involved a lack of completion and documentation of the required training for Allied Barton's special police officers. This was due to the termination of contract with one subcontractor and thus a lack of manpower. The Security Director reported that a new subcontractor will soon be hired. The Committee raised questions concerning the previous subcontractor and training requirements for the special police officers. They were assured by the Security Director Steve Caldwell that Allied Barton would comply with the training requirements within 60 to 90 days. Additional details of this high dollar contract audit are available in the Committee minutes and meeting materials on the website.

The Committee asked several questions about the Compliance Officer's responsibilities, the penalties for noncompliance with contract requirements, the standard operating procedures review and updating, and contractor deliverables. The Internal Auditor made two process improvement recommendations to Management. One was to reduce the required turnover rate per the contract, as Allied Barton has consistently been managing significantly higher turnover rates. The second is to work with Allied Barton on record retention.

It was reported by RSM's Mr. Whelan that this was the most active quarter for the Hotline. The increase was attributed to improved advertisement and visibility of the Hotline. Since the Committee's last meeting there were 14 calls of which 4 were fraud claims and 10 were others.

The Committee held an Executive Session to discuss legal, confidential, and privileged matters.

General Manager's Report

Reported by: George Hawkins, CEO/General Manager

Mr. Hawkins began his report by commenting on the audit review of the Allied Barton contract. He stated that the audit process is working in that it pointed out D.C. Water's focus on the training required by the city for any armed security force and not on the training requirements of the contract. He stated that he hates that this occurred but believes the audit program is doing what it should to point out problems, and then D.C. Water fixes them.

Mr. Hawkins thanked the Board members who attended the town hall meetings in each ward. He summarized the role of D.C. Water in the meetings and how they interact with the community present. Mr. Hawkins said that they bring D.C. Water out to the community so that their issues can be addressed. He believes it is most effective to listen to the community in person and see what the enterprise can do.

The CEO/General Manager reminded the Board that due to the drinking water crisis in Flint, Michigan, they have been inundated with inquiries for interviews and statements about the Washington crisis. He has lost count of how many interviews have been given on camera, national and local print, internet, and television. The general thought is that D.C. Water is a strong program on lead in the drinking water but that does not mean that D.C. Water can sit on its laurels. There is much work to still be done. The staff will be coming back to the Water Quality and Water Services Committee to present their systematic plan for the project to replace public service lines when customers are replacing lead service lines on their property.

The Retail Rates Committee was thanked for all their work over the years and the suggestions during the last meeting they held.

Mr. Hawkins informed the Board that the American Academy of Environmental Engineers and Scientists had announced a special award to D.C. Water in addition to the awards for projects which he thinks was a first. He read the description of the award, "The Academy recognizes D.C. Water and the work it is doing to turn the nation's political capital into the nation's water capital. The Agency and its leadership are applauded for establishing new standards for research driven solutions, implementing technology and process innovation, and building community awareness and involvement." Mr. Hawkins said that every employee shares in this award.

General Manager Hawkins announced that all the people who have previously served on the Board have been invited to attend the June 2 meeting which will be followed by a reception and a tour so that they can see some of their projects coming to fruition. He encouraged the current Board members to stay and attend the reception.

CEO/General Manager Hawkins informed the Board of the promotion of Essey Woldemariam to Program Manager and Water and Sewer Regional Coordinator in the Office of Chief Engineer. He will coordinate services undertaken with the Metropolitan Council of Governments and the Army Corps of Engineers.

Lastly, CEO/General Manager pointed to the finance numbers in the General Manager's Report and how tight they are. They have budgeted on revenues almost to the dollar and on capital expenditures they are slightly below. This was by design and he stated that he is very pleased.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use items. Mr. Firestine moved to approve Resolutions No. 16-33 through 16-36, and it was seconded. The motion to approve Resolutions No. 16-33 through 16-36 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve non-joint use items. Ms. Gibbs moved to approve Resolutions No. 16-37 through 16-39, and it was seconded. The motion to approve Resolutions No. 16-37 through 16-39 was unanimously approved by the District of Columbia members of the Board.

Mr. Menkiti had a question about the language in Resolution No. 16-39, Page 84, which states that "Properties under renovation or redevelopment shall not receive a systems availability fee credit for D.C. Water accounts that have been inactive during the 24-month period prior to D.C. Water's issuance of a certificate of approval." He said he thinks that it is the reverse in terms of the earlier discussions of the language, that you do not receive it if it was during that period. Chairman Brown stated that it was passed with the intent that Mr. Menkiti understands. Mr. Menkiti indicated that this related to projects where the water service has been terminated and that the team at D.C. Water was looking into the feasibility of tracking prior accounts for vacant and abandoned properties and would come up with another proposal that was separate from this particular approval. Mr. Kim agreed that the staff was planning to investigate the inactive process, focusing on abandoned properties classified by the District, and look at how that impacts D.C. Water's recording of that property. They will come back to the Committee and make a recommendation. Ms. Boardman asked if there was going to be a separate or different grace period in addition to this. Mr. Menkiti said that he is asking for a clarification. Mr. Kim said that the research of the process will be done. Chairman Brown asked for an update on the process at the next Committee meeting. Everyone agreed with Ms. Boardman that it would cover property that is inactive within 24 months of a permit application being approved. Chairman Brown stated that the implementation period is some time away, so there was time to address further issues.

Mr. Firestine asked about the Mayor's recent comments that they would not take the D.C. budget to Congress and proceed to move forward on the budget without approval. Since D.C. Water is part of that, he wanted to know the status of it. Chairman Brown replied that the plan is to submit it as regular legislation to be reviewed for passive approval. He anticipates that there will be no impact to D.C. Water but that he will follow up on it. Since D.C. Water has separated from the District, the D.C. Water budget is separated into the federal portion and the local portion, with the federal portion sent for active approval. He will follow up on this and report back to the Board.

There being no need for an executive session and no further business, Chairman Brown adjourned the meeting at 10:29 a.m.


Secretary to the Board of Directors