



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, December 2, 2010

Present Directors

Chairman William Walker, District of Columbia
David J. Byrd, Vice Chairman, Prince George's County
Timothy Firestine, Montgomery County
David J. Bardin, District of Columbia
David Lake Alternate for Robert Hoyt, Montgomery County
Paivi Spoon, Alternate for Ralph Moultrie, Prince George's County
Howard Croft, Alternate for Alethia Nancoo, District of Columbia
Alethia Nancoo, District of Columbia (via conference call)
Neil Albert, District of Columbia
Anthony Griffin, Fairfax County
Alan Roth, District of Columbia
F. Alexis Roberson, District of Columbia

Present Alternate Directors

Howard Gibbs, District of Columbia
Beverly Warfield, Prince Georges County
Joseph Cotruvo, District of Columbia
James Patteson, Fairfax County
Kathleen Boucher, Montgomery County
Brenda Richardson, District of Columbia

WASA Staff

George S. Hawkins, General Manager
Randy Hayman, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Walker welcomed everyone to the meeting of the District of Columbia Water and Sewer Authority, DC Water. He noted that this is the 160th meeting, taking the Board back to the creation of DC WASA in 1996. Chairman Walker stated that there is one person on the staff who has been here for every one of those 160 meetings, and that is Linda Manley.

Chairman Walker presented Board Secretary Linda Manley with a plaque and gift. The plaque reads "Service Award DC Water Presented to Linda R. Manley, Board Secretary, In recognition of Your Perfect Attendance Record and for Your Outstanding Service and Dedication to DC Water, Thursday, December 2nd 2010, 160th Meeting of the Board of Directors."

Chairman Walker then called the 160th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:34 a.m. He asked Ms. Manley to confirm a quorum. Board Secretary Linda Manley confirmed a quorum.

Approval of the November 4, 2010 Meeting Minutes

Chairman Walker asked for a motion to approve the November 4, 2010 minutes. The minutes were Moved and Seconded with approval by the Board of Directors.

Chairman's Remarks

Chairman Walker thanked Vice Chairman Byrd for chairing the meeting last month.

Chairman Walker noted that Mujib Lodhi, Director of Information Technology, is leaving DC Water and that under his leadership DC Water has gone from no technology infrastructure to being on the cutting edge of technology infrastructure. He noted some of his accomplishments and awards. He stated that Mr. Lodhi has done spectacular things at DC Water and thanked him for all of his work.

Chairman Walker changed the order of the agenda due to the General Manager having a press conference at 10:30 a.m. He noted that the General Manager's report will be the first agenda item.

Chairman Walker stated that since the Board's last meeting, there has been a significant amount of committee work on some very important issues to the Authority. Chairman Walker thanked the Board for the time spent in those committees.

Chairman Walker noted that there are some significant budget issues that are coming up for discussion before the Board moves into the budget approval process in January. The budget this year is more complicated than it has been in the past few years, given two things: (1) government budget cuts and pay raises frozen across much of the region, as well as the Federal Government and (2) negotiations as it relates to DC Water unionized employees. The other piece is that DC Water can't continue to impose on its

ratepayers double digit rate increases year after year. Therefore, DC Water needs to determine how it can be more innovative in keeping the rate increases down. As a Board, there have to be some difficult and unpopular decisions as it relates to making sure that the finances of this entity are managed in a hugely prudent manner over a very long term.

Chairman Walker noted that in one of the committee reports, Mr. Kiely talked about benchmarking DC Water ratepayer bills to other entities' bills. Two that DC Water was benchmarked against were Fairfax County and WSSC, and it was stated that these two entities were not really comparable due to the fact that neither entity has the wastewater treatment facilities that DC Water has. Chairman Walker noted that the understanding is that the rates the suburban jurisdictions ratepayers pay are significantly lower than the rate DC ratepayers pay. Chairman Walker stated that staff needs to figure out the disparity and the Board needs to have discussion about the disparity.

Chairman Walker congratulated Mr. Hawkins and staff for all the work they have done over the last four weeks, and particularly over the last 24 hours. The latest issue relates to lead. Mr. Hawkins and his team have done a fantastic job in being up front, very transparent and highly communicative as it relates to talking to the press about what is really in the CDC study, and what DC Water has done and is doing on the issue of lead, and what the citizens of the District of Columbia should expect from DC Water related to the lead issue.

General Manager's Report

Reported by: General Manager, George S. Hawkins

The General Manager noted that DC Water received a call around 6:00 p.m. last night from the Washington Post regarding the CDC report. He stated that this is how DC Water found out about the report. Staff spent a fair amount of time with the Washington Post reporters. The Washington Post did an online version of the story which described DC Water treating the water as opposed to the Washington Aqueduct. The online version made it sound like the partial lead replacement program was entirely discretionary, when it was triggered by a mandate under the Lead and Copper Rule once the issue occurred.

The General Manager stated that he will hold a press conference at 10:30 a.m. today to tell the story prior to the noontime news. This will allow DC Water to tell its story and respond to all the questions at one time. In addition, a press release will be distributed to the Board.

The General Manager stated that the CDC released a report confirming what DC Water already knew. It has already acted upon almost every conclusion that was rendered in the report. In summary, the challenge was when the Washington Aqueduct went from free chlorine to chloramines, an unexpected consequence of that change to water treatment was leaching lead into the water. The

resolution of that was to add another chemical called orthophosphate, which creates a protective layer between the edge of the lead pipe and water. He noted that DC Water as mandated by law is testing for lead in the system in a variety of protocols on a regular basis. The testing that DC Water has been doing for several years has not indicated that there is a lead in water problem in the distribution system.

Mr. Roth noted that DC Water needs to make a point of emphasizing to the press the action that the Board took a long time ago to terminate the partial lead replacement program.

The General Manager again thanked Mujib Lodhi for his service to DC Water and congratulated Ms. Manley for her remarkable dedication to DC Water and the Board and for attending 160 consecutive meetings of the Board.

The General Manager stated that every level of government is in a period of tremendous budget pressure and there are requests for additional fees that DC Water is seeing from a variety of agencies. Not all of them are built into the proposed budgets. For an example, traditionally when applying for work to be done on the Blue Plains site, a permit is not needed or there is no fee for the process. DC Water applied for a permit for the enhanced nitrogen removal project, and the fee quote DC Water received was over \$5 million. DC Water is responding on the merits about what it pays for and what it does not. Staff will keep the Board informed about those kinds of issues.

The General Manager noted that DC Water is involved with Mayor Elect Vincent Gray's transition. DC Water has members on the Environmental Subcommittee to the Infrastructure Transition Committee.

The General Manager noted that there was an issue of a nozzle breaking on a fire hydrant during a two-alarm fire. The nozzle breaking did not cause an issue with the response to the fire. There were five other hydrants that were accessed. Fire and EMS had their computerized system on GIS, which allowed them to identify where the other hydrants are located, and the fire was out in three minutes.

Human Resources and Labor Relations Committee

Reported by: Anthony Griffin, Chairperson

Mr. Griffin noted to the Board that placed in front of them was an envelope with a return envelope along with an evaluation form, the General Manager's self evaluation, and work plan. He asked all Board members to submit the completed evaluation form to him via the return envelope. The goal is to discuss the outcome at the January or February Board meeting.

Mr. Griffin reported that the Committee met on November 8th and received a review on DC Water's Safety Program. The Committee received an overview as it related specifically to the Bryant Street facility. It was reported to the Committee that a study has been completed, and the Committee will have further discussion at its next meeting.

The Committee received an update on the fire alarm system as it relates to the main building at Blue Plains. An appropriate program is in place and the people have been trained.

The Committee is recommending the approval of the Health Benefit renewals that are on the agenda.

Governance Committee

Reported by: Alan Roth, Vice Chairperson

The Governance Committee met on Wednesday, November 17th and considered several agenda items pertaining to Board operations, functions, communications and the relationship of those items to the responsibilities of the General Manager and the staff.

The Committee discussed the differences between what Board Books offer to Board members versus what the DC Water website could provide to both Board Members and the general public. The majority of the discussion focused on what obligations the Authority has to make available to the public the same information given to Board members, not only at the meetings but in advance of Board meetings. The Committee asked the General Counsel and the departing Chief Information Officer to make recommendations to the Committee at its next meeting.

The Committee then discussed a proposed bylaw amendment to deal with what in recent months has seemed to become a repeated practice of Committee rescheduling that makes it difficult for Board members to plan their calendars and can impose undue burdens on both the Board and the staff. The proposed amendment calls for consultation and coordination among committee members, and chairpersons, and the General Manager during the first month of the year, at which time a schedule of committee meetings will be set for the year and for January the following year.

The Committee is recommending the adoption of the proposed amendments to the full Board, with a slight modification from the original proposal regarding the General Manager's ability to request a rescheduling.

The General Manager and Ms. Turner then discussed with the Committee a proposal to govern inquiries to staff outside Board and committee meetings. There were a number of concerns and questions raised about the specifics that

the staff had proposed. The Committee asked the General Manager to rework the proposal for discussion at the next Committee meeting.

The Committee then asked the General Counsel and the General Manager to research the governance structures of comparable sized utilities in comparable sized metropolitan areas and report the findings back to the Committee.

The Committee received an update from Ms. Turner on various government affairs issues focusing especially on the \$25 million that had been appropriated for 2011 for the long-term control plan, and about the potential impact that the current anti-earmarking movement on Capitol Hill might have on the long-term control plan in 2012 and beyond.

The final item that the Committee discussed was what committee or committees should have jurisdiction over payment arrangements for Potomac Interceptor customers. The General Manager's view was that the Environmental Quality and Sewerage Services Committee should examine the full allocations, and the Finance and Budget Committee should examine payment terms, and the Committee expressed satisfaction that the General Manager's judgment on those issues was appropriate.

Environmental Quality and Sewerage Services Committee

Reported by: David Lake, Vice Chairperson

The Committee met on Thursday, November 8, 2010.

It was reported that the Blue Plains Plant was in full compliance with permit parameters during October.

The Committee reviewed five joint-use contracts, and recommends all of them to the Board for approval.

The Committee discussed several regulatory issues that relate to the trash total maximum daily load (TMDL), and the related water quality standards. In addition, the Committee discussed the Chesapeake Bay and DC Watershed Implementation Program (WIP). Mr. Benson noted that DC Water would like to meet with EPA and adjacent states; DC Water wants everything assigned to Blue Plains to stay with the plant. The WIP is not coordinated with the TMDLs. In discussion with EPA, DC Water would expect support from the permit writers to assist in making DC Water's points with the regulators.

The Committee received an update on several significant projects related to the Potomac Interceptor Sewer Odor Abatement Project, which is moving forward. In addition, the Committee discussed the status of the Potomac Sewerage Pumping Station Consent Decree.

The Committee reviewed the quarterly CIP Report, which is particularly important when the Committee gets into the budget process in December.

The Committee received a presentation on Industrial Pretreatment and the Pretreatment Program. The Committee suggested that the General Manager take a look at the revenues collected from this project.

Joint Meeting – Finance and Budget, Environmental Quality & Sewerage Services, DC Retail Water and Sewer Rates and Water Quality and Water Services Committees

Reported by: Timothy Firestine, Chairperson

The joint Committee discussed two major proposals for the FY 12 budget relating to bringing in-house some services that are currently contracted out. Those are in-sourcing design and construction management and the valve operations replacement.

The Committee discussed the pros and cons of in-sourcing versus contracting out. It was agreed that the timing appears to be right to bring them both in-house, potentially saving DC Water approximately \$2 million annually. The Committee requested that a metric be created to manage the output of both of these in-sourcing initiatives to assure that over time DC Water achieve the productivity and the savings that it believes would occur when these two initiatives are implemented.

The Committee discussed electricity cost. There is a \$2.5 million increase anticipated in the cost of electricity in 2012 driven by flow, energy consumption and unit price. The Committee was informed that the energy audit had been completed and that staff was currently reviewing the draft report. It was noted that there are some quick win projects that would be included in the FY 11 and 12 budgets related to lighting replacement, motion sensors, and other strategies to produce some savings.

The Committee discussed some of the major financial drivers of the budget. Based on the \$4 billion CIP, debt service will increase an average of 14 percent over the next 10 years. The other drivers in the budget have to do with the assumption that DC Water will assume 140 percent senior debt service coverage, with operating reserves at \$125 million. There is an estimated savings of \$27 million, mainly from debt service, electricity and contractual services.

Finally, the Committee discussed the Capital Improvement Program. One of the major issues has to do with what the contingency allowance should be on the long-term control plan, since there are so many unknowns and uncertainties.

Water Quality and Water Services Committee

Reported by: Joseph Cotruvo, Vice Chairman

The Committee received an update on the coliform testing and Lead and Copper Rule compliance. There have been no positive coliform samples this year. DC Water has completed 63 out of the required 100 LCR samples for the second monitoring period of this year and anticipates that this sampling will be completed in November. Out of the 63 samples analyzed, only two exceeded the Action Level, and the 90th percentile value of 8 ppb is well below the 15 ppb action level.

There was a brief discussion on the chlorine burn, and the Committee will receive a detailed presentation at its next meeting.

The Committee received an update on the Fire Hydrant Program. It was noted that the current out of service percentage is at 0.99 percent.

The Committee received a presentation comparing a typical DC Water retail customer bill with two neighboring jurisdictions as requested by the Committee. The presentation compared average billings of DC Water, WSSC and Fairfax Water. It was noted that the cost of drinking water in DC is about 50 percent higher than Fairfax, and 25 percent higher than WSSC.

Chairman Walker asked if DC Water, as the 75 percent purchaser of water from the Aqueduct, is getting the exact same pricing for its raw material that Fairfax is getting. Mr. Kiely responded that Arlington, Falls Church and DC Water are paying the same rate to the Washington Aqueduct. However, it is how Arlington and Falls Church roll the rate into their rate structure that accounts for why on their bills the charges might be different, because all of the operating and capital costs are different.

DC Retail Water and Sewer Rates Committee

Reported by: David J. Bardin, Chairperson

Olu Adebo, Chief Financial Officer, summarized the rate making calendar. Staff anticipates that in December the Committee will make a recommendation to the Board on initiating the FY 2012 Rate change proposals for Board approval in January 2011 and DC Register notice publication in April.

The Committee discussed the particular rate and fee proposals. Mr. Bardin highlighted two points that the General Manager made at the end of the discussion:

1. Are there other revenues that the Authority can raise or fees that should be charged?
2. Does our rate structure adequately reflect each customer impact upon the cost structure?

Staff will provide the Committee an updated timetable for discussion of the development of rates and fees and the collection of data for reviewing customer impacts.

The Committee discussed the replacement of the 1997 retail rate setting policy. After several mark ups, the Committee completed mark up of a replacement policy statement. The draft policy resolution will be on the January Board meeting agenda.

The Committee will also discuss at its December meeting a proposed policy resolution directing the General Manager to figure out ways of coming up with new revenues and better ways of allocating or structuring rates.

The Committee discussed the credit program for impervious area charges and asked for legal guidance to determine what the law requires the Authority to do.

Consent Items (Joint Use)

Mr. Griffin moved the adoption of Resolutions No. 10-112 through 10-120, and Vice Chairman Byrd seconded the motion.

The motion to approve Resolutions No. 10-112 through 10-120 was unanimously approved by the Board of Directors.

The Board went into an Executive Session at 11:25 a.m.

The Board reconvened into public session at 11:55 a.m.

The 160th meeting of the DCWASA Board was adjourned at 11:55 a.m.


Secretary to the Board of Directors