

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 237th MEETING THURSDAY, DECEMBER 7, 2017 MINUTES

Present Directors

Tommy Wells, Chairman, District of Columbia
Nicholas A. Majett, First Vice Chairman, Prince George's County
Ellen Boardman, District of Columbia
Timothy Firestine, Montgomery County
Rachna Butani Bhatt, District of Columbia
Sarah Motsch, Alternate for James Patteson, Fairfax County
David Franco, District of Columbia
Bradley Frome, Prince George's County
Emile Thompson, District of Columbia
David Lake, Alternate for Vacant Director, Montgomery County

Present Alternate Directors

Howard C. Gibbs, District of Columbia
Rev. Kendrick Curry, District of Columbia
Adam Ortiz, Prince George's County
Ivan Frishberg, District of Columbia
Anthony Giancola, District of Columbia

DC Water Staff

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

Chairman Wells called the 237th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:37 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the November 2, 2017 Minutes

Chairman Wells asked for a motion to approve the November 2, 2017 minutes. The motion to approve the November 2, 2017 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Wells began by thanking his counterpart Elizabeth Feldt, Montgomery County Director of the Environment, for her service and leadership to D.C. Water. He stated that she has assisted in continuing the incredible upward development of the best utility in America. Chairman Wells noted that Ms. Feldt is moving on to other things after doing a great job. Ms. Feldt thanked the Board for a wonderful experience and for being an incredible Board in an incredible utility. She indicated that she has learned tremendously. Ms. Feldt gave kudos to all the staff who really do the work of delivering services for D.C. Water. She also thanked Chairman Wells for his leadership on the Board and for his partnership as Director of the D.C. Department of the Environment and Energy. Chairman Wells then presented Ms. Feldt with a Blue Drop memento from the Board and D.C. Water.

Chairman Wells then called up CEO/General Manager George Hawkins. He stated that it was an extraordinary period when the civilized society here cannot have the quality of life desired without D.C. Water sewer and fresh water systems. Chairman Wells stated that George Hawkins came to D.C. Water when there was a lack of confidence in the utility. George Hawkins came and did remarkable work to reassure the city and everyone that D.C. Water is a great system, an improving system, and a system for the future. Chairman Wells stated that the Board could not be prouder of Mr. Hawkins and that they appreciate all his efforts and leadership. He indicated that it has been an honor and joy to support Mr. Hawkins' leadership, even during the times of so many unknowns that proved to be right for D.C. Water. He thanked Mr. Hawkins again.

Mr. Hawkins stated that it was a little over eight years ago when the Board made a leap of faith in selecting him as general manager and he recognized David Lake, Howard Gibbs, and Timothy Firestine as Board members who made that decision. He said that during the first six months he was absolutely panicked. People always asked him how many jobs D.C. Water supports and he always tells them all of them. Without D.C. Water, you cannot get a certificate of occupancy, and get a job in this region. Mr. Hawkins recalled important things that had transpired during his tenure. He reminded everyone that the strength of an enterprise starts with the Board and then the culture. He commended the Board for all their volunteer efforts, the incredible amount of information, depth and analysis, and for all the tough questions they ask. Mr. Hawkins encouraged the Board to look around them at the team, one that he believes is the Super Bowl of teams of water. He stated that the level of creativity coming from every level of the organization is amazing. He indicated that when asked by others what his favorite part of his job has been, he has always responds that it is the people of the enterprise who do such wonderful work.

Mr. Hawkins stated that he is grateful for everyone's kind words and that it has been a privilege of a lifetime. He indicated that it is the Board who is delivering every day and that the accolades that come to him are a flow through—straight through him to the team here. He again thanked everyone.

Chairman Wells then turned back to the meeting and informed everyone that there will be a new ad hoc committee formed entitled the Intellectual Property Monetization Committee, chaired by Ellen Boardman, with Bonnie Kirkland, Tony Giancola, Rachna Butani Bhatt, Sarah Motsch, and Nick Majett. The Committee will work with the Governance Committee.

The agenda was amended by Chairman Wells to add non-joint use Resolution No. 17-83 which authorizes publication of a notice of emergency and proposed rulemaking to revise the effective date on the Systems Availability Fee regulations from January 1, 2018 to June 1, 2018. He also added waste hauler fees to the agenda.

Chairman Wells and Mr. Dozier informed the Board that the Search Committee had published the job announcement for the position of General Manager.

David Lake notified the Board that he was retiring from his position with Montgomery County and that it had been a tough decision because it meant that he would be leaving the Board. He stated that he has been in the water and wastewater industry for 40 years, 33 years with Montgomery County, and 16 years with the D.C. Water Board. He informed them that he would be leaving his position at the end of the year, so this was his last Board meeting. Chairman Wells said that he and his colleagues wanted a traditional farewell breakfast, but Mr. Lake indicated that he would not be available. Chairman Wells stated that Mr. Lake had been with the Board for a while and that with his guidance and leadership D.C. Water has accomplished a lot. He thanked Mr. Lake for a job well done.

Board member Boardman thanked Mr. Lake and stated that he is the Board's institutional memory and the Board historian. Every time they asked, he had the answers. Ms. Butani Bhatt agreed and stated that she was always impressed by how excited Mr. Lake got by discussions of chemicals and treatments. She thanked him for his stewardship and leadership on the Environmental Quality and Operations Committee. Ms. Butani Bhatt hoped that his future position will bring him back to D.C. Water.

Mr. Gibbs indicated that the two of them go way back and he wanted to thank Mr. Lake for his efforts to get the Potomac Interceptor, the Odor Abatement Project going. He stated that it was a tribute to Mr. Lake that the patrons of the Old Anglers Inn can now dine without the added odor inducement.

Mr. Hawkins thanked Mr. Lake on behalf of the staff and stated that Mr. Lake embodied the ultimate image of governance. He asked the tough questions. Everyone had to answer those questions immediately or later come back better prepared. Mr. Hawkins reminded everyone that Mr. Lake had been the top important person for the Intermunicipal Agreement. He stated that in his mind Mr. Lake is an honorary staff member that he would happily have hired.

Mr. Hawkins informed everyone that the waste haulers resolution still has to go through the Environmental Quality and Operations Committee at its December meeting and then would be presented to the full Board in January.

Human Resources and Labor Relations Committee

Reported by: Bradley Frome, Chair

Mr. Frome provided a summary of the Committee meeting which was held on November 9, 2017. The meeting began with a presentation by Otho Milbourne, Total Rewards Supervisor, on the 2018 Medical Plan renewals. He reported that employees now pay 20 percent of medical premium costs and the Authority pays the remaining 80 percent. Mr. Milbourne indicated that in 2018 the cost share will change, and employees will pay 23 percent and the Authority 77 percent, as approved recently under the collective bargaining agreement. Through a thorough analysis performed by D.C. Water management and contractor Aon Hewitt, the two health insurers Kaiser and Cigna submitted the respective renewal rates of 5.2 percent and 0 percent.

The initial increase rate of 9.9 percent by Cigna was offset by a credit of \$1,074,000. This will probably lead to a double-digit rate increase next year. The change resulted from rigorous discussions between the Authority, Aon Hewitt, and Cigna. Mr. Frome reported that there was a discussion about preventative care and that both insurers were contractually obligated to provide it.

After further discussion, the Committee agreed to recommend approval of the action items to the full Board.

Mr. Frome reported that the Committee then went into Executive Session and upon reconvening, the meeting was adjourned.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on Thursday, November 16, 2017. The first item on the agenda was a briefing by Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, on the performance of the Blue Plains Advanced Wastewater Treatment Plant. He reported that all performance parameters were excellent, and all permit requirements were met.

During the meeting Mr. Tesfaye provided an update on the Combined Heat and Power Facility and stated that in October the Facility generated 160 megawatt hours per day or 26 percent of the total energy consumed at Blue Plains. This was an improvement due the September 28, 2017 completion of a major repair of one of the heat recovery steam generator units which restored the ability to create steam for the power plant. Pepco Energy Services completed full inspection of the unit and verified that the unit was restored to the original factory condition and was effective. The other two units will now be repaired.

Mr. Tesfaye informed the Committee that inspectors from the District of Columbia Department of the Environment and Energy completed the Annual National Pollutant Discharge Elimination System (NPDES) Compliance Evaluation and Inspection of all permitted facilities on October 11 and 16, 2017. The inspection included treatment units and equipment, and the review of effluent sampling and laboratory procedures and records, discharge monitoring reports, and the Stormwater Pollution Prevention Plan and operation and maintenance records. No major concerns were identified during the inspection.

The Committee received the Capital Improvement Program (CIP) Quarterly update. Paul Guttridge, Manager of Program Services, stated that current projects for FY 2017 CIP disbursements through the end of October were 11 percent above the baseline. Of the six CIP service areas, mostly wastewater treatment and CSO contributed to the overage.

Mr. Gibbs reported that the six-month look ahead for significant contract actions included the following projects: small diameter water main rehab 13a and 13d, B Street/New Jersey Avenue Trunk Sewer Rehab and Cleaning, low area trunk sewer rehab, and Potomac Project 1.

Mr. Gibbs indicated that the Committee asked about performance indicators that are repeatedly more than one month late. He asked how they are reported. They asked if it would assist to have performance indicator deadline dates.

Seven joint action items were up for consideration by the Committee. Following much discussion, the Committee recommended the joint use action items for approval by the full Board.

Tom Jacobus, General Manager of the Washington Aqueduct, presented an update on the agency's activities and began by summarizing its services, customers, governance, and issues of interest. He gave a report on the plans for incorporating ozone and biologically active filtration in McMillan and incorporating ultra-violet at Dalecarlia. This will enhance pathogen removal and make treatment at both plants equivalent.

Mr. Gibbs reported that the final agenda item was the update by Deidre Saunders, Manager of Construction, Department of Engineering and Technical Services, on the Anacostia Second High Pressure Zone Improvement Program (PZIP). The purpose is to address historical low water pressure in areas of southeast D.C. by improving system reliability, increasing water pressure, and improving fire flows. A new pressure zone is being created by dividing Anacostia into two zones. Currently under construction is the St. Elizabeth two million gallon elevated water tower and the PZIP Valve Installation Program. Mr. Gibbs stated that they have 861 signed agreements and 413 pressure reducing valves have been installed.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Butani Bhatt, Chair

Ms. Butani Bhatt reported that the Committee met on Tuesday, November 14, 2017 and received a review of rate setting policy from Chief Financial Officer Brown (CFO). Committee member Gibbs had requested the presentation because of new Board members. CFO Brown briefed on rate design and on Board rate policies. He informed them that operational expenses, capital expenses, and debt services must be recovered with rates. Debt service makes up about 33 percent of the Authority's budget and is a substantial fixed cost. D.C. Water looks at expenses over a ten-year period in the financial plan to determine the net revenue requirements. Mr. Brown informed the Committee that the Board has made statements about rates and rate policies through resolutions, the annual budgets and multi-year rate options. The Board has shown special concern about low-income customers and affordability, and this has been addressed through the Customer Assistance Program.

Additional issues covered during Mr. Brown's presentation on rates and rate policies included a history of the development of rate setting policies in 2010 and 2014 and the Clean Rivers Imperious Area Charge. The Committee received a briefing from Jon Davis, Raftelis Financial Consultants, on the Impervious Surface Area Charge discounts/credits and utility comparisons. The Committee had requested that Raftelis look at segmentation on specific non-residential customer groupings which are typically non-profit organizations, religious organizations, schools and universities, etc., with respect to the new Customer Information System, VertexOne. This will help with future analyses.

Mr. Davis reported that there are different types of price breaks that utilities offer to their customers, which include credits, exemptions, discounts, and CAPs. After comparing peer utilities throughout the country, it was determined that D.C. Water is comparable to its peers in what it offers customers.

Mr. Brown briefed the Board on the combined domestic and unmetered fire service lines and the background of the Water and Sewer Replacement Fund (WSRF). It is anticipated that WSRF will generate \$40 million annually to cover the costs of the one percent renewal and replacement program for D.C.'s aging water infrastructure. Black and Veatch was contracted with to define an alternative approach to assess the monthly WSRF for the 179-combined domestic serviced meters and their annual revenue impact. They will also develop an estimate

of the total number of unmetered fire lines that are likely in D.C. Water's system, determine the annual WSRF, and base the revenue impact assessing these fees on those unmetered fire lines.

Mr. Brown reported that the Committee met prior to the full Board meeting to discuss the District Government's affordable housing projects and the resolution which was added to the agenda. He indicated that they are proposing to extend the start of the Systems Availability Fee to June 1, 2018.

Finance and Budget Committee

Reported by: Sarah Motsch

Ms. Motsch stated that the Committee met on Tuesday November 14, 2017 and were briefed by exception on the October 2017 Financial Report by Chief Financial Officer Matthew Brown. D.C. water is on track and in line with budgetary exceptions. With approximately 8.3 percent of the fiscal year completed, total operating revenues are at \$65.3 million or 10.6 percent of the budget. Operating expenditures are at \$40.7 million or 7.2 percent and capital disbursements are at \$42.5 million or 11.0 percent of budget. Mr. Brown reported that there are no significant variances at this early stage in the fiscal year. In response to Chairman Wells' inquiry on higher revenues, Mr. Brown explained that the Federal Government has made its first quarterly payment. The wholesale customers' quarterly payments are anticipated in November.

Ms. Motsch reported that the remaining agenda items were reviewed by exception and that they were updates on the performance of CIP and the Environmental Impact Bond,

CEO and General Manager's Report

Reported by: George S. Hawkins, CEO/General Manager

Mr. Hawkins stated that he will miss some things about the job and one is serving the Board. He mentioned many activities particularly related to D.C. Water's customer response. Since the clunky old Customer Information System is being switched to the new eCIS system, customer response is more important on this mammoth project. They are utilizing 96 employees on the project. Mr. Hawkins indicated that it has been an extraordinary team that Charlie Kiely and Tom Kuczynski have put together. Because of reassigning employees from their jobs to this project, customer response time has taken a down turn. The new CIS is scheduled to be turned on Monday, December 11, 2017. He noted that he is pleased that the schedule is on time, but performance is being impacted. This will be remedied soon, and with so much more information available, things will improve and result in better customer service.

Mr. Hawkins then informed the Board that Chris Allen, Clean Rivers' Director of Construction, passed away the day after Thanksgiving. He was responsible for the largest contract D.C. Water has ever had, the Blue Plains Tunnel and other tunnels. He will be sincerely missed. He assured the Board that Carlton Ray and his team can handle all the projects. He noted that Chris has had a tremendous impact on this city, an incredible legacy.

Mr. Hawkins reported that the Anacostia River Tunnel has now won its own award, the International Tunnel Association Award for sustainability initiative for 2017. He had the present team members stand when their names were read.

General Manager Hawkins stated that there are two people he needed to mention, Linda Manley, Board Secretary, who embodies the delivery of service. He reminded everyone that

Linda has never missed a Board meeting since it was created in 1996. She also manages the committee meetings, supports all the Board members, and works closely with the Executive Team members. Mr. Hawkins said that he sometimes does not give credit when it is deserved. Just like the water D.C. Water delivers is fundamental and relied on, so is Linda Manley. He thanked her for everything and said "bravo."

The second person Mr. Hawkins mentioned was Lisa Barton who he met on the Saturday before he was to start his new position, and they have become family. He said she tells him everything he needs to hear, the good and the not so good. Mr. Hawkins pointed to many of Lisa's strengths which include her management of his phone, 24/7 work schedule, calls from happy and unhappy customers and her commitment to solving their problems, and her working relationship with the D.C. Council, the Mayor's Office, the ANCs and responsiveness to their needs. He thanked her again.

Consent Items (Joint Use)

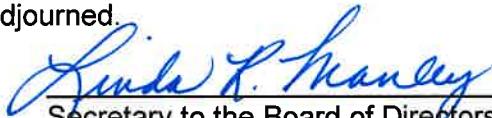
Boardman Chairman Wells asked for a motion to approve joint use contract action items. Mr. Firestine moved to approve Resolution Nos. 17-74 through 17-82, and it was seconded. The motion to approve Resolution Nos. 17-74 through 17-82 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Wells asked for a motion to approve non-joint use action items. Ms. Boardman moved to approve Resolution No. 17-83 and it was seconded. The motion to approve Resolution No. 17-83 was unanimously approved by the members of the Board.

Executive Session

Chairman Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, or privileged matters under Section 2-575(b) 4 and 10 of the D.C. Official Code. It was so moved and seconded. The Board went into Executive Session at 10:36 a.m. The public meeting was resumed and there being no additional business, the meeting was adjourned.



Linda L. Manley
Secretary to the Board of Directors