

PUBLIC OVERSIGHT HEARING
COUNCIL OF THE DISTRICT OF COLUMBIA
THE HONORABLE MARY CHEH, CHAIRPERSON
COMMITTEE ON TRANSPORTATION AND THE ENVIRONMENT



TESTIMONY OF DAVID L. GADIS
CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

MONDAY, MARCH 15, 2021 AT NOON
JOHN A. WILSON BUILDING (VIRTUALLY)
1350 PENNSYLVANIA AVENUE, NW

Good afternoon Chairwoman Cheh and also to the newest members of the committee, Councilmembers Janeese Lewis George and Christina Henderson, along with members Charles Allen and Kenyan McDuffie, who I've worked with so well over the years.

My name is David Gadis and I am privileged to be serving in my third year as Chief Executive Officer and General Manager of DC Water.

A year ago, our oversight hearing was in person and it gave us the opportunity to interact with customers who came to the Wilson building to share their experiences.

This year, sadly, we're all virtual, just as much of life is since the public health emergency began.

I bring that up because it's a theme of my remarks to you today.

Madame Chair, COVID-19 has been the defining challenge of our past year of work and much of what I will talk to you about relates to our efforts to help our neighbors and customers cope with the impact of the deadly disease. I will discuss that in more detail shortly.

First, some basics for anyone watching this hearing: DC Water serves more than 1 million people in DC, Maryland and Virginia and we are one of the oldest water systems in America.

Our infrastructure covers 725 square miles, 1,350 miles of interconnected pipes, four pumping stations, five reservoirs, three elevated water tanks and nearly 44,000 valves. We also maintain 9,500 fire hydrants and 26,000 storm drains.

In the District, the median age of our water mains is 79 years and half of our sewer lines are more than 84 years old.

At the 150-acre Blue Plains Advanced Wastewater Treatment Plant, the largest of its kind in the world, we treat about 300 million gallons of wastewater a day.

We're an independent, regional authority with members from Maryland and Virginia working alongside DC members, all of whom are appointed by Mayor Bowser and confirmed by the Council.

Tommy Wells has been our chairman for the past four years, while also leading the District's Department of Energy and the Environment.

Equity Initiative

Before we get into the main testimony, I want to make one important announcement today that we have not yet shared anywhere else.

Beginning immediately, DC Water is undertaking a new approach to the way we deliver services. We will be focused on equity as a guiding principle and will at all times strive to be a utility that is inclusive, innovative and impactful.

I have tasked Kishia Powell, who is our Chief Operating Officer and is my right hand here at DC Water, with leading this initiative. We will work to ensure that all customers have access to clean, affordable water at all times, while also maximizing the benefits of water infrastructure investment for the community. And finally, we will work to foster community resilience in the face of a changing climate.

I am happy to discuss this in more detail with you, but I wanted you to be the first to learn of it, Madame Chair.

I would also like to note that Ms. Powell will be testifying before the U.S. Senate Committee on Environment and Public Works on Wednesday to discuss the financial challenges facing water and waste water infrastructure projects. Ms. Powell's vision and insight has not only been a tremendous asset to my senior leadership team and the Authority, but to the water industry in general.

The COVID 19 Pandemic

One point I want to make straightaway - during the past year, not a single DC Water employee has lost their job because of COVID-19. I stress that because I'm proud that we've managed our resources to provide that level of stability to our workforce but also because despite the economic turmoil everywhere around us, we are solid as a rock. I'm proud of the men and women of Team Blue and what they've accomplished during trying times.

That's not to say that we're not severely impacted - revenue is down, commercial consumption is down and our delinquencies are up 30 percent.

As you know, COVID-19 has impacted our city and the whole world in unforeseen ways. Our houses of worship, our children, our seniors and the very fabric of our economy has been shredded. Although I'm optimistic that we may start to turn the tide this year with widespread vaccinations and distancing protocols, the impacts are unknown and likely long-lasting.

At DC Water, we responded to the pandemic last March by being one of the first utilities to announce a blanket moratorium on water shut offs,

and followed that up with flexible payment plans and restoration of service for any unserved property.

Internally, we made countless adjustments to our work for the safety of our staff and the public. Our office employees transitioned to a safe work from home environment, while we regrouped our field crews into pods to minimize disruption if anyone contracted the virus.

We halted some work that put us and District residents into higher risk – for instance anything where we would have entered a customers’ home – and tried to maintain distance while still performing our essential work. For the most part, larger projects have not had their timing affected.

Thankfully, we are well underway with our plans to make our workspaces safe and efficient as we eventually transition our staff back to offices – following whatever guidance is issued by the District Health Department.

On a related note, DC Water is one of a handful of water utilities in the country that are participating in a federal study of sewage to locate COVID-19 hotspots. Although we’re just in the early stages of this research, we expect it to help advance the cause of science and health officials in the District and elsewhere understand this terrible virus.

Customer Focused

I take pride at DC Water in our engagement with our customers and in providing the very best level of service to everyone. That was no different this year as we had the opportunity to engage with many more customers than ever because of virtual formats. With more people in need, we did more to extend a hand to each of them, guided always by our focus on equity and understanding that not everyone is equally impacted by rates.

To that end, we have increased our customer assistance programs to maintain direct assistance to customers on their bills, help shaving down their arrearage if they've fallen behind and of course direct discounts on their Clean Rivers Impervious Area Charge, or CRIAC. We know that we have more than 10,000 customers in the District who are behind on their bills; that's a number higher than we've ever had before.

You'll recall Madame Chair that we tweaked that program a year ago at your recommendation in order to account for a greater percentage of usage instead of just square footage in the charges. The change to a partial volumetric charge for purposes for CRIAC billing meant some customers saw their bills drop – like churches - while other customers – like apartment buildings and families who consume a lot of water – saw

their bills increase. As always, our goal is striving for fairness and a justifiable rate structure.

And I am especially proud of this next policy which did not get a lot of attention locally, but which is truly on the cutting edge for the entire water industry – if not the utility industry itself.

DC Water last month pioneered a new assistance program that will provide financial help to customers even if they do not have an account with us or pay us a bill directly. It applies to residents of multi family structures, like condos or apartments, and it allows the property manager to receive a discount that can be passed along to tenants. We're quite excited about this and I will keep you apprised of our outcomes. To date, we have provided just over \$1.4 million in assistance to over 3500 affordable housing units.

Of course, we still are working closely with the DC Office of the People's Counsel on assisting customers in need and we will continue to provide unmatched transparency to our ratepayers and other stakeholders.

And one other note - the Stakeholder Alliance that I created in my first year at DC Water is going strong. We've had some members leave and

new ones join but the goal is the same; hearing from a wide range of viewpoints and backgrounds to providing a forum for those folks to speak directly to me.

The Floods

The September monsoon-like flooding that impacted the east coast last fall impacted hundreds of District residents. Although the sewer and storm water system functioned as it was designed, it did not have the capacity to handle so much rain all at once.

Eight inches of rain fell on September 10 at a level equivalent at times to a 100-year storm. Unfortunately, we expect more of those heavy rain events in years to come for the remainder of this century.

That one-day deluge overwhelmed sewers in some parts of the city and caused back-ups into some basements. The health risks, the destruction of property and the uncomfortable chore of cleaning damaged basements was tragic and my heart goes out to every single person who was impacted by those floods.

The destruction wrought by the flooding was not caused by any failings on our end and I want to make it clear; we acted to assist customers not

because we had to but because it was the right thing to do. We continue to urge our customers that they need to take actions as well; they ought to check their insurance and take steps to protect their basements from flooding.

Regardless, in the days after the flooding, we took several immediate steps:

First: I toured the impacted neighborhoods with the mayor and met directly with residents to listen to their concerns.

Second: I created a program to pay remediation costs of up to \$5,000 for each impacted home so homeowners could move quickly to eliminate any moisture or water-related damage.

Third: I announced that DC Water would immediately work to accelerate the process for enrolling homeowners into the backflow prevention device program, in which small flappers are installed in basements so that sewage is unlikely to ever push back up into the home again.

Fourth: we amended the eligibility process to provide this help to a greater number of customers. To date, we've received 382 applications and we are working through them quickly. We expect to spend about

\$1.5 million on behalf of customers during the next three years, getting these valves installed and providing greater peace of mind to many residents.

It goes without saying that some of those customers may still be frustrated with the impact the floods had on their homes. To that I can assure them and you - we are working hard each day to improve resiliency and assist customers who've experienced a flood.

Finances

I will give you some of the nuts and bolts on our financial picture, which is strong in part thanks to the effort of Matt Brown, our Chief Financial Officer, and his team.

Our operating revenues increased last year by 4.5 percent, or \$31.7 million, primarily due to the retail rate increase. Operating expenses decreased by \$7.2 million, or 1.6%, due to decreases in personnel services, chemicals, supplies, and small equipment, contractual services, utilities and rent.

DC Water received its 24th consecutive unmodified audit opinion on its financial statements and our credit ratings continue to be quite strong.

However, the COVID-19 pandemic has created a significant hole in our revenue stream thanks to so many industries and workers staying home and economic life in the District literally crippled.

We are taking steps to anticipate the next chapter in this pandemic but the most immediate impact has been the steep drop in consumption combined with the large number of delinquent accounts. Our past due total went from \$12 million a year ago to more than \$20 million now.

Clean Rivers

This was another successful year for our deep tunneling project – what I like to call the largest infrastructure project in D.C. that nobody has ever laid eyes on. The tunnel boring machine is 90 percent through its journey from RFK Stadium to the Shaw community.

Once operational, the Northeast Boundary Tunnel (NEBT) will join the existing Anacostia Tunnel in a mission to divert stormwater and sewage out of our waterways. The success so far is outstanding - 10 billion gallons of sewage and polluted stormwater captured and treated, 4,942 tons of trash, debris and other solids captured and a success rate of 90 percent – above all projections.

The result is a cleaner Chesapeake Bay and a healthier community. When complete, the 13-mile-long NEBT will add 90 million of additional capacity, enough to handle a 15-year-storm.

I'll note that despite the pandemic, drilling operations have continued unabated and I credit the Clean Rivers team and their contractor with those outcomes. In fact, we have crews that have begun to take core rock samples along the Potomac River in anticipation of our next and final leg of the Clean Rivers tunnel system. That will begin in 2025.

Sustainability

On another front, our energy program took another giant leap forward this year with the installation of a massive solar array at Blue Plains.

The project will generate significant electricity and represents a creative use of space and resources to lower our carbon footprint and generate revenue. DC Water is already on the forefront of that movement, generating power from our digestors and bringing in revenue with our growing Bloom operation – which turns sludge into a valuable gardening and planting commodity.

With Bloom soil, 2020 was a banner year. We signed an agreement with the District government to supply our Bloom soil to the Frederick Douglas Bridge project. Our fortified soil taken from the toilets of District residents and visitors, is being repurposed as high grade growing product to enrich the depleted, inferior soil that lies on either side of the Anacostia River alongside the new South Capitol Street bridge. We sold 45,000 tons in 2020 and expect to sell 62,000 tons of it next year; the future is bright for Bloom.

Our Strategy

Let me devote a minute to our internal strategic plan - The Blueprint. The document aligns our goals and objectives to our vision of being known for superior service, ingenuity and stewardship to advance the health and well-being of our diverse workforce and communities. My senior team, which I cemented in 2020, will help guide the men and women of DC Water along the roadmap to ensure we meet the challenges ahead. For example, as part of our goal of improved customer service we are currently sending our customers surveys asking them about their perception of DC Water and ways in which we can do better.

While we remain focused on our day-to-day mission, we also are constantly looking ahead to the next 10 to 15 years and beyond at what

lies before us. Again, the Blueprint will help keep us on track and united in purpose.

Conclusion

At DC Water, our hope is to not just deliver water but to be a trusted and valued utility.

We are devoted to this mission and enjoy our relationship with our customers – and with you, Madame Chair, and other members of the Council.

Thank you for the opportunity to appear before you today and I am happy to answer questions from the Committee.