

CHESAPEAKE BAY and WATER RESOURCES POLICY COMMITTEE
777 North Capitol Street, N.E.
Washington, D.C. 20002

MINUTES of November 16, 2012 MEETING

ATTENDANCE:

Members and alternates:

Chair Penny Gross, Fairfax County
Hamid Karimi, District of Columbia
Shelley Aloi, City of Frederick
Bruce Williams, City of Takoma Park
Jerry Maldonado, Prince George's County
Karen Pallansch, Alexandria Renew Enterprises
Craig Rice, Montgomery County
JL Hearn, WSSC
Andrew Fellows, City of College Park
Mark Charles, City of Rockville
Cathy Drzyzgula, City of Gaithersburg
J Davis, City of Greenbelt
Libby Garvey, Arlington County
Shannon Moore, Frederick County
Tim Stevens, City of Falls Church
Maureen Holman, DC Water

Jerry Johnson, DC Water

COG Staff:

Stuart Freudberg, DEP Director
Heidi Bonnaffon, DEP
Karl Berger, DEP
Lana Sindler, DEP
Tanya Spano, DEP
Brian Lecouteur, DEP

Visitors:

Rich Anderson, U.S. Conference of Mayors
Judy Sheahan, U.S. Conference of Mayors
George Hawkins, DC Water
Allen Rowley, Arlington County
Glyn Rountree, National Assoc. of Home Builders

1. Introductions and Announcements

Chair Gross called the meeting to order at approximately 10:05 a.m.

She noted that COG's new executive director, Chuck Bean, was introduced to the COG Boards at its Nov. 14 meeting.

2. Approval of Meeting Summary for Sept. 21, 2012

Members approved the draft summary.

3. U.S. Conference of Mayors Briefing on Water Quality Regulatory Initiatives

Mr. Anderson, who staff the Mayors' Water Council, discussed the council's efforts to engage EPA in a dialogue about the affordability of water quality regulations and the degree of flexibility that can be afforded permittees. The council began this dialogue in 2009, he said, in response to EPA's stepped-up regulation of combined sewer and sanitary sewer overflows (CSO and SSO, respectively). Consent agreements in this area are costing large cities hundreds of millions of dollars to comply.

Mr. Anderson presented a number of national metrics on the capital and annual maintenance costs of wastewater, stormwater and drinking water systems across the country. Between 1972 and 2010, for example, the cumulative costs total \$1.77 trillion, of which about half has been incurred in the last 10 years. At the same time, federal grant assistance has dried up and Congress has determined that these costs must be borne entirely by local and state governments. Moreover, huge capital needs are driving debt service fees higher at a rate that outpaces the revenue

that can be obtained from customer fees or the growth in gross domestic product.

In response, the council is seeking greater flexibility from EPA through initiatives such as integrated permitting, Mr. Anderson said. It also hopes to engage EPA in an affordability dialogue that will seek to set some standards for how much local governments can be expected to pay to meet their regulatory requirements across the spectrum of water quality services.

Discussion: Chair Gross noted the risk that Congress may do away with the tax exemption for municipal bonds, which would be disaster for local government budgets. She also noted that Fairfax County has had to increase its wastewater fees almost every year recently.

Mr. Moore noted that affordability sometimes focuses on the idea that all water services should cost no more than four percent of median household income. She said Frederick County does not agree that this should be the standard.

Ms. Garvey said local governments are caught between the need to raise rates and public perception that these services are free or close to free.

Ms. Davis said there are some similarities to the debate over climate change and said she hopes affordability will not be a pretext for doing nothing. In response, Mr. Anderson said that the council does not intend to challenge the validity of the Clean Water Act, but hopes that a way can be found to make water quality progress without overly burdening local governments.

Mr. Fellows asked whether rate structures could be adjusted to provide relief to lower income residents. In response, Mr. Anderson said that this has been examined that that it would be illegal to do so under the Clean Water Act.

In summary, Chair Gross noted that COG's current positions are very well aligned with those of the council. She asked Mr. Anderson to continue to keep COG informed of its discussions with EPA and said COG may want to endorse some of your future policies or legislation.

4. Committee Actions re Previous Agenda Items - Nutrient Trading – Proposed COG Policy Position

Mr. Berger of COG staff presented a proposed policy position on nutrient trading, much of which was derived from the Chesapeake Bay Commission's recent report on the economics of nutrient trading. The draft position is organized around five main principles, according to Mr. Berger: the need for cost effectiveness, allowing the states to maintain their own individual programs within river basins, promoting programs that allow trades across all sources of pollution, supporting the establishment by EPA of minimum criteria for trading programs, and supporting the idea that trading cannot be used to degrade existing water quality.

Members raised several concerns about these principles. In particular, Ms. Moore said it may not be wise to restrict trading to state-river basins because that may well make trading infeasible in a number of places because of limited opportunities. She also expressed concern that addressing local water quality restrictions might make it impossible to trade to meet Chesapeake Bay TMDL goals.

Action item: The committee directed COG staff to revise its recommendations and present a trading policy for consideration at a future meeting.

COG Report: *What Our Region Grows: A Look at Agriculture Production and Demand in the Washington Area Foodshed*

Mr. Lecouteur noted that he and his colleague, John Galli, had briefed the committee on this COG staff report at its September meeting. Since that time, staff has presented the report, which documents the extent of agricultural production of different crops in the region and compares production to the amount of food consumed in the region, to several other COG committees. Although several aspects of the report have been changed, he said, the recommendations remain the same. He asked for committee approval to present the report to the COG Board.

Discussion:

Ms. Gross noted that farmers have been adversely affected by cutbacks in funding for Cooperative Extension Service programs and suggested that might be addressed in the report

Mr. Charles asked whether the recommendations cover the need for farmers to be meeting TMDL goals for the reduction of nutrients and sediment from agriculture.

Ms. Garvey asked whether the report covers the growing practice of urban agriculture. Mr. Lecouteur noted that this issue was outside the scope of the current report, but could be addressed by future staff work in this area.

Action item: The committee endorsed transmission of the report to the COG Board.

5. Water Resources Infrastructure – Challenges & Opportunities

Before introducing a set of panelists to address water infrastructure issues in the region, Ms. Spano of COG staff outlined the numbers and service areas of the water, wastewater and stormwater entities responsible for infrastructure in the region and noted a few basic budget numbers for the major water and wastewater utilities. She also summarized the challenges and opportunities these entities face, including the need to raise fees. She then introduced the panelists.

Mr. Johnson, general manager of the Washington Suburban Sanitary Commission, noted that the utility provides water and wastewater service to about 1.8 million people. He said about one quarter of the utility's 5,600 miles of water main are currently more than 50 years old and produce an average of about 1,600 leaks a year. He noted that the public has been supportive of the utility's efforts to address aging pipes, which requires substantial capital. This year, for example, will replace about 46 miles of pipe at a cost of \$1.4 million/mile. The utility has a long-term goal to replace 55 miles a year, he said, but even at this rate it would take 100 years to replace the entire distribution system.

Mr. Johnson noted a number of initiatives to reduce costs, improve water conservation and do things more efficiently. However, he noted, maintaining the system and meeting increasingly strict regulatory requirements is increasing capital budgets, debt service and customer rates. He said WSSC is interested in the idea of integrating the various kinds of water permits and added that both the Clean Water and Safe Drinking Water acts may need to be revised to "catch up to where we are now."

Mr. Hawkins, general manager, of DC Water, said that water mains in the District average about 80 years old with some dating back to the Civil War. They, too, are prone to breaks, which average 400 – 500/year. The utility is ramping up its replacement program with a goal of replacing one percent of the system's pipes annually. However, he later said, one of the problems with infrastructure maintenance is that it has to compete for capital funds with new projects mandated by increasing regulatory requirements. Currently, DC Water is building tunnels to address a consent agreement for addressing combined sewer overflows, making improvements to its wastewater plant to

meet Bay TMDL and other water quality requirements and building a new solids handling system. The capital requirements, in turn, are driving rate increases. According to Mr. Hawkins, about half of the annual rates charged customers are now due to debt service.

DC Water's biggest challenge, he said, may be a lack of awareness among its customers of all of these realities. The customers are used to paying, what, in retrospect, were pretty low rates, he said, because in the past the managers of these services did not build replacement costs into their rate structure. Although rates have increased about 50 percent in the last four years, they are still less than \$100/month. However, financial projections show the need for annual rate increases for the next 20 years, he said.

In response, DC Water is looking at a variety of initiatives, such as nutrient trading and integrated permitting, for their potential to reduce costs. It also is looking at projects that might provide a return on capital investment, such as the solids handling process, which will produce electricity and should pay for itself over a period of time.

Mr. Rowley, who manages stormwater infrastructure for Arlington County, noted that cost drivers there have changed in the last 20 years. In the 1990s, the county invested heavily in pipe replacements to address infiltration and inflow issues. More recently, the county installed new technology at its wastewater plant, which did see total flows decrease from 30 to 22 million gallons a day as a result of the pipe repairs and the adoption of water conservation technology. Now, he said, the county's biggest water-related infrastructure cost is the need to install retrofits to address stormwater management in older developed areas, which is being driven by the Bay TMDL and other water quality regulatory initiatives.

Action Item: The committee endorsed the idea of a future webinar to inform elected officials in the region about the importance of water infrastructure and the funding challenges it faces.

6. Water Resources Program Updates

Potomac River Trends, Chesapeake Bay Program Updates, TapIt Program Update

Because of time constraints, staff did not discuss these issues, referring members to the handout distributed at the meeting.

7. New Business

None was discussed.

8. Adjourn

Ms. Gross adjourned the meeting at approximately 12:30 p.m.