

Minutes of the Public Hearing
Alexandria Renew Enterprises
Board of Directors
9:30 a.m., Saturday, May 11, 2019

On Saturday, May 11, at 9:30 a.m., a Public Hearing to consider Alexandria Renew Enterprises' (AlexRenew) Resolution of Intent to Adopt and Change Certain Rates, Fees and Charges was held at the AlexRenew Environmental Center, 1800 Limerick Street, in the Ed Semonian Boardroom. Notice of the Public Hearing was published as required, having been placed in the April 18 and April 25, 2019 editions of the *Alexandria Gazette* and the April 19 and April 26, 2019 editions of the *Washington Post*. The following AlexRenew representatives attended:

Members: Mr. John Hill, Chair
Mr. Bruce Johnson, Vice Chair
Mr. William Dickinson, Secretary-Treasurer
Mr. James Beall, Member
Ms. Patti Turner, Member

Staff: Ms. Karen Pallansch, Chief Executive Officer
Ms. Liliana Maldonado, Deputy General Manager, Engineering & Planning
Mr. Brian Mosby, Deputy General Manager, Operations & Maintenance
Ms. Lisa Van Riper, Director, Enterprises Communications
Ms. Christine McIntyre, Director of Finance
Ms. Monica Billger, Community Outreach Specialist
Ms. Lorna Huff, Secretary to the Board

Counsel: Mr. Jonathan Rak, McGuireWoods, LLP

Consultants: Mr. Rob Ori, Principal PRMG
Mr. Thierry Boveri, Senior Analyst, PRMG

At 9:31 a.m., the Chairman opened the Public Hearing to consider the Resolution of Intent to Adopt and Change Certain Rates, Fees and Charges.

Mr. Hill noted that the Board members are Alexandria citizen volunteers. They introduced themselves as follows:

- Mr. Jim Beall, a citizen of Alexandria since 1987.
- Mr. Bill Dickinson, a citizen of Alexandria for 42 years. Currently retired but performs consulting work.
- Mr. Bruce Johnson, a citizen of Alexandria since 1981. Formerly worked with the City of Alexandria and former Acting City Manager.
- Ms. Patti Turner, a citizen of Alexandria for 15 years. Works with United Way Worldwide. Reported her interest in serving on the Board is due to her love of Alexandria's trails and interest in keeping local waterways clean.

The Chairman introduced Ms. Pallansch, CEO of Alexandria Renew Enterprises and Mr. Robert Ori of Public Resources Management Group (PRMG). Ms. Pallansch began a presentation on AlexRenew and the proposed upcoming changes to its rate structure. She reviewed AlexRenew's operational, capital and financial profile. She reported on AlexRenew's history, the relationship between Alexandria Renew Enterprises, Virginia American Water (VAW) and the City of Alexandria (Alexandria's One Water System) and the service that each

entity performs for their customers in Alexandria. She noted that AlexRenew also serves the County of Fairfax through a wholesale wastewater service agreement. She reported on AlexRenew's contractual overview with the three jurisdictions. She reported that in June 2018, the City of Alexandria transferred their four outfalls to AlexRenew.

She reported that AlexRenew capital program is a major driver of rates and that increases in the costs of chemicals and power, in addition to increased regulatory requirements, are major reasons for the rate increases.

Ms. Pallansch then recognized Mr. Ori, who reviewed considerations during their rate analysis: to maintain sustainability of operations, cost of service recovery, revenue stability and predictability, fair and equitable rates among users, payment flexibility, easy to understand rates, adequate notice, and minimizing rate shock. He further reviewed AlexRenew's rate design process and Financial Policy.

Mr. Hill noted slide 35 that shows the impact to AlexRenew's financial picture without the proposed rate increase. The most equitable way to spread the increase among ratepayers is to provide increases to both the volumetric and base charges. Mr. Ori reviewed AlexRenew's rates over the next two years versus the projected increases from local wastewater utilities including Arlington, Fairfax and Prince William Counties, and DC Water.

Board members inquired about debt service and a 20-year versus a 30-year payoff timeline, AlexRenew's winter quarter average, and would AlexRenew borrow from the Virginia Pool. Mr. Ori reported that it depends on the interest rate. A 30-year timeline would provide for a lower interest payment, but the debt service timeline should coincide with the useful life of the asset. AlexRenew's winter quarter average (December, January, and February) is a more accurate gauge of consumer sewer use and sets the cap for nine months. AlexRenew borrowing will likely be from the Virginia Revolving Loan Fund through the Virginia Resources Authority (VRA).

There were no more questions from the Board. The Chairman opened the floor for public comment.

Public Hearing Testimony

Mr. Dino Drudi, 315 N. West Street, spoke against the proposed rate increase. Mr. Drudi was opposed to the City's accepting the state's draconian standards to remediate the CSOs. He stated that the CSOs should be grandfathered and that the water quality in the Chesapeake Bay is rated C or C-; that is a passing grade. He understands the legislative requirements. He wants to speak against the rate increase. He reported that the CSO remediation program is an unfunded mandate and should be resisted. He also asserted that the proposed rate increase will drive the middle class and small businesses out of the City of Alexandria and that the City should push back against the legislation. He said that this strategy places too much burden on the ratepayers and felt that this is not an engineering issue but a political issue. He also felt that tunneling under the river was not done very often for that distance, and that it was unusual if not unprecedented.

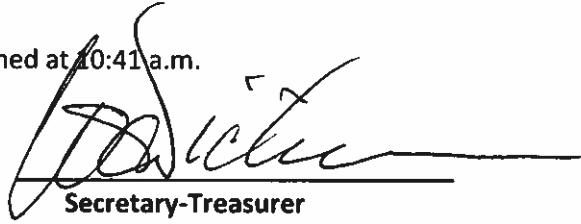
There were no additional attendees wishing to speak. Written comments were provided to Mr. Rak for summarizing.

This concluded the public hearing. The record will be open for additional written comments until May 21, 2019. No action was taken today.

The Chairman requested a motion to adjourn. Mr. Beall moved and Mr. Dickinson provided the second. The Board unanimously approved.

The Public Hearing adjourned at 10:41 a.m.

APPROVED:



Secretary-Treasurer