



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

DC Retail Water and Sewer Rates Committee

1385 Canal Street SE, Washington, DC 20003

Tuesday, February 28, 2023

9:30 a.m.

Microsoft Teams meeting

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Meeting ID: 254 587 687 769 | Passcode: f6qBUE

Or call in (audio only)

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Phone Conference ID: 422 650 959#

1. **Call to Order** **Chairman Tommy Wells**
2. **Roll Call**..... **Michelle Rhodd**
3. **Monthly Report to DC Retail Water & Sewer Rates Committee (Attachment A)**..... **Matthew Brown**
4. **FY2023 Operating Reserves, Renewal and Replacement Reserves, and Rate Stabilization Fund Cost of Service Study Update for FY 2024 – FY 2028 (Attachment B)** **Ed Marcus**
5. **The Proposed FY 2024 Budget (Attachment C)** **Matthew Brown**
6. **Action Items (Attachment D)**..... **Matthew Brown**
 - **Proposal of Ten-Year Financial Plan FY 2023 – FY 2032 (Action Item 1)**
7. **DC Retail Water and Sewer Rates Committee Workplan (Attachment E)** **Matthew Brown**
 - **FY 2023 Proposed DC Retail Rates Committee Workplan**
8. **Agenda for March 28, 2023, Committee Meeting (Attachment F)** **Chairman Tommy Wells**
9. **Other Business** **Matthew Brown**
10. **Executive Session***
11. **Adjournment**

*The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(2); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4)(A); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); train and develop members of a public body and staff under D.C. Official Codes § 2-575(b)(12); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



Fiscal Year 2023

Monthly Report to DC Retail Water and Sewer Rates Committee

Period Ending January 31, 2023

DEPARTMENT OF FINANCE

Matthew T. Brown, CFO & Executive Vice President, Finance and Procurement

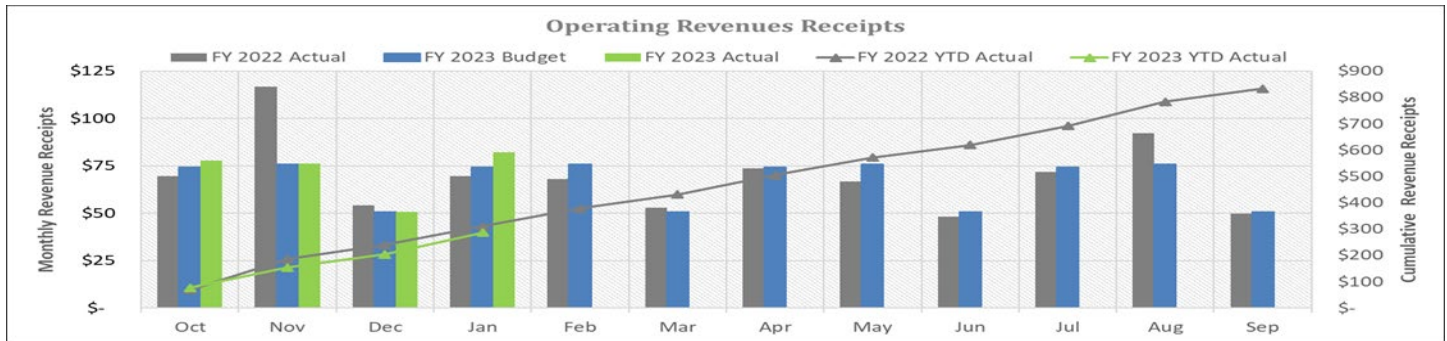
Syed Khalil, Director, Rates & Revenue

Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date
As of January 31, 2023

Operating Revenues (\$'000's)

FY 2022		CATEGORY	FY 2023					
Actual			Year-to-Date Performance					
Total Annual	YTD January		Annual Budget	YTD Budget	Actual	% of Budget	Variance \$ Fav(Unfav)	Variance % Fav(Unfav)
\$451,336	\$153,757	Residential / Commercial / Multi-Family	\$460,881	\$153,628	\$159,967	34.7%	\$6,339	4.1%
77,112	36,782	Federal	84,768	42,384	41,919	49.5%	(465)	(1.1%)
21,055	7,042	Municipal (DC Govt.)	21,039	7,013	7,449	35.4%	436	6.2%
13,210	4,349	DC Housing Authority	13,465	4,488	5,271	39.1%	783	17.5%
23,134	7,325	Metering Fee	24,083	8,289	8,274	34.4%	(15)	(0.2%)
42,079	15,034	Water System Replacement Fee (WSRF)	39,717	14,208	15,033	37.9%	825	5.8%
84,899	21,243	Wholesale	89,791	22,448	24,294	27.1%	1,846	8.2%
22,630	7,993	PILOT/ROW	23,070	8,166	8,552	37.1%	386	4.7%
98,140	56,650	All Other	47,249	14,789	15,993	33.8%	1,204	8.1%
\$833,594	\$310,175	TOTAL	\$804,064	\$275,413	\$286,753	35.7%	\$11,340	4.1%



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of January 2023, cash receipts totaled \$286.8 million, or 35.7 percent of the FY 2023 budget. The YTD Budgeted receipts were \$275.4 million. The total receipts for January were \$82.2 million as compared to the budgeted \$74.4 million. Several categories of customers make payments on a quarterly basis, including the Federal Government (which made their second quarterly payment in January), and wholesale customers (who made their first quarterly payment in November 2022).

Areas of Over-collection	Areas of Under-collection
<p><u>Residential, Commercial and Multi-Family</u> – Receipts for this category are slightly higher at \$160.0 million or 34.7 percent of the budget. The higher receipts are mainly due to higher consumption as compared to the budget. The January 2023 receipts were lower by \$0.7 million, or 1.7 percent as compared to the monthly budget of \$38.4 million.</p> <p><u>District Government</u> – Receipts are slightly higher at \$7.4 million or 35.4 percent of the budget. The January 2023 receipts are slightly lower at \$1.6 million as compared to the monthly budget of \$1.8 million.</p> <p><u>DC Housing</u> - Receipts are slightly higher at \$5.3 million or 39.1 percent of the budget. The January 2023 receipts are slightly higher by \$0.2 million as compared to the monthly budget of \$1.1 million.</p> <p><u>Wholesale</u> – Receipts were slightly higher by \$1.8 million. The receipts were \$24.3 million or 27.1 percent of the budget. The higher receipt is due to early second quarter payment of \$1.9 million by Loudon County in January, which was scheduled to be paid in February 2023. The wholesale customers will make their second quarter payment in February 2023.</p> <p><u>PILOT/ROW</u> – The receipts for PILOT/ROW are slightly higher at \$8.6 million or 37.1 percent of the budget. The January 2023 receipts are slightly higher by fourteen thousand dollars as compared to the monthly budget of \$2.4 million.</p> <p><u>Other Revenue</u> - Receipts are slightly higher at \$16.0 million or 33.8 percent of the budget. The higher receipts are mainly due to early DC Fire Protection Services Fee payment for the second quarter, although it is scheduled for February 2023.</p>	<p><u>Federal</u> - Actual receipts through January 2023 total \$41.9 million or 49.5 percent of the budget. The Federal government made their second quarter payment in January 2023. The lower actual Federal receipt is due to disputed accounts of Soldiers Home.</p>

Monthly Report to DC Retail Water and Sewer Rates Committee

As of January 31, 2023

Operating Revenues Detail

(\$ in millions)

Revenue Category	FY 2023 Budget	YTD Budget	Actual	Variance		Actual % of Budget
				Favorable / (Unfavorable)		
Residential, Commercial, and Multi-family	\$460.9	\$153.6	\$160.0	\$6.4	4.1%	34.7%
Federal	84.8	42.4	41.9	(0.5)	-1.1%	49.5%
District Government	21.0	7.0	7.4	0.4	6.2%	35.4%
DC Housing Authority	13.5	4.5	5.3	0.8	17.5%	39.1%
Customer Metering Fee	24.1	8.3	8.3	(0.0)	-0.2%	34.4%
Water System Replacement Fee (WSRF)	39.7	14.2	15.0	0.8	5.8%	37.9%
Wholesale	89.8	22.4	24.3	1.9	8.3%	27.1%
Right-of-Way Fee/PILOT	23.1	8.2	8.6	0.4	4.7%	37.1%
Subtotal (before Other Revenues)	\$756.9	\$260.6	\$270.8	\$10.2	3.9%	35.8%
IMA Indirect Cost Reimb. For Capital Projects	5.9	2.0	1.5	(0.5)	-25.0%	25.4%
DC Fire Protection Fee	11.5	2.9	5.8	2.9	100.0%	50.4%
Stormwater (MS4)	1.0	0.3	0.3	0.0	0.0%	30.0%
Interest	4.4	1.5	0.8	(0.7)	-46.7%	18.2%
Developer Fees (Water & Sewer)	6.0	2.0	4.5	2.5	125.0%	75.0%
System Availability Fee (SAF)	7.7	2.6	1.4	(1.2)	-46.2%	18.2%
Washington Aqueduct Backwash	3.3	1.1	0.1	(1.0)	-90.9%	3.0%
Others	7.4	2.5	1.7	(0.8)	-32.0%	51.5%
Subtotal	\$47.2	\$14.8	\$16.0	\$1.2	8.1%	33.9%
Rate Stabilization Fund Transfer	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	0.0%
Other Revenue Subtotal	\$47.2	\$14.8	\$16.0	\$1.2	8.1%	33.9%
Grand Total	\$804.1	\$275.4	\$286.8	\$11.4	4.1%	35.7%

BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY (\$ in 000's)

Customer Category	Water	Sewer	Clean Rivers IAC	Metering Fee	WSRF	Total
Residential	\$13,544	\$21,363	\$8,493	\$3,583	\$3,200	\$50,184
Commercial	26,655	30,179	10,297	2,377	5,540	75,048
Multi-family	17,940	27,593	3,903	1,160	2,588	53,183
Federal	15,441	17,552	8,926	785	2,905	45,609
District Govt	2,097	2,837	2,515	282	663	8,393
DC Housing Authority	1,984	2,940	347	87	138	5,496
Total:	\$77,661	\$102,464	\$34,481	\$8,274	\$15,033	\$237,914

Note: The breakdown of Collections into Residential, Commercial, & Multi-family and Water and sewer is approximate as it is based on percentages of historical data and does not take into account adjustments and timing differences

Clean Rivers IAC - Actual vs Budget (\$ in 000's)

Customer Category	FY2023 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	\$24,093	\$8,031	\$8,493	\$462	6%	35%
Commercial	28,572	9,524	10,297	773	8%	36%
Multi-family	11,637	3,879	3,903	24	1%	34%
Federal	18,438	9,219	8,926	(293)	-3%	48%
District Govt	7,680	2,560	2,515	(45)	-2%	33%
DC Housing Authority	1,006	335	347	12	3%	34%
Total:	\$91,426.00	\$33,548.33	\$34,481.45	\$933.12	3%	38%

Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date
As of January 31, 2023

Retail Accounts Receivable (Delinquent Accounts)

The following tables show retail accounts receivable over 90 days (from the billing date) including a breakdown by customer class.

Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
September 30, 2015	\$6.5	11,981
September 30, 2016	\$7.7	12,406
September 30, 2017	\$8.4	11,526
September 30, 2018	\$13.4	16,273
September 30, 2019	\$10.6	8,744
September 30, 2020	\$17.9	13,775
September 30, 2021	\$26.3	13,065
September 30, 2022	\$29.1	12,168
October 31, 2022	\$29.4	12,370
November 30, 2022	\$29.7	12,689
December 31, 2022	\$31.0	13,465
January 31, 2023	\$30.1	13,170

Notes: The increase in the accounts receivable over 90 days (from the billing date) is due to the temporary suspension of collections procedures because of the new billing system VertexOne, which was implemented in December 2017. The increase in accounts receivable from March 2020 to September 2022 is primarily due to increased delinquencies and deferred payments due to the impact of COVID-19.

Greater Than 90 Days by Customer

	Number of Accounts			Month of Jan (All Categories)				Total Delinquent				
	W & S	Impervious Only	Total No. of	Active		Inactive		Dec		Jan		
				No. of	Amount	No. of	Amount	No. of	Amount	No. of	Amount	
a/c	a/c	a/c	a/c	(\$)	a/c	(\$)	a/c	(\$)	a/c	(\$)	%	
Commercial	9,070	2,145	11,215	1,156	6,649,777	68	\$222,483	1,305	\$8,108,550	1,224	\$6,872,260	23%
Multi-family	8,635	355	8,990	1,296	12,860,917	20	\$91,436	1,316	\$12,678,368	1,316	\$12,952,353	43%
Single-Family Residential	107,153	2,055	109,208	10,484	10,154,925	146	\$160,961	10,844	\$10,229,976	10,630	\$10,315,886	34%
Total	124,858	4,555	129,413	12,936	\$29,665,619	234	\$474,880	13,465	\$31,016,894	13,170	\$30,140,498	100%

Notes: Included in the above \$30.1M (or 13,170 accounts) of the DC Water Over 90 days delinquent accounts, \$4,880,456.56 (or 1,330 accounts) represents Impervious only accounts over Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.
 -Delinquent accounts (13,170) as a percentage of total accounts (129,413) is 10.2 percent.
 -Delinquent impervious only accounts (1,330) as a percentage of total accounts (129,413) is 1.0 percent.
 -Delinquent impervious only accounts (1,330) as a percentage of total delinquent accounts (13,170) are 10.1 percent.

Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date
As of January 31, 2023

Arrears by Customer Category

	<u>Over 30 Days</u>		<u>Over 60 Days</u>		<u>Over 90 Days</u>	
	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>
Commercial	2,132	\$ 9,122,927.92	1,517	\$ 7,625,213.36	1,224	\$ 6,872,260.13
Multi-family	1,880	\$ 16,626,016.94	1,495	\$ 14,763,418.64	1,316	\$ 12,952,352.63
Residential	19,647	\$ 13,792,436.91	13,631	\$ 11,824,814.02	10,630	\$ 10,315,885.61

Arrears by WARD for Residential Category

	<u>Over 30 Days</u>		<u>Over 60 Days</u>		<u>Over 90 Days</u>	
	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>
Ward 1	1,362	\$ 998,677.52	901	\$ 854,465.43	683	\$ 741,245.80
Ward 2	557	\$ 334,348.92	374	\$ 282,635.40	283	\$ 251,053.11
Ward 3	665	\$ 387,438.76	363	\$ 307,514.05	257	\$ 218,121.50
Ward 4	3,453	\$ 2,340,266.79	2,217	\$ 1,959,551.25	1,690	\$ 1,697,956.28
Ward 5	3,967	\$ 2,570,088.10	2,734	\$ 2,178,815.19	2,168	\$ 1,890,837.06
Ward 6	1,531	\$ 891,995.13	1,031	\$ 758,089.96	814	\$ 676,846.89
Ward 7	5,169	\$ 3,861,920.60	3,748	\$ 3,358,526.14	2,978	\$ 2,985,627.34
Ward 8	2,943	\$ 2,407,701.09	2,263	\$ 2,125,216.60	1,757	\$ 1,854,197.63
Total	19,647	\$ 13,792,436.91	13,631	\$ 11,824,814.02	10,630	\$ 10,315,885.61

CAP, CAP2 and CAP3 Customers in Arrears*

	<u>Over 30 Days</u>		<u>Over 60 Days</u>		<u>Over 90 Days</u>	
	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>	<u>No. of Accts</u>	<u>(\$)</u>
CAP	670	\$ 309,702.31	380	\$ 240,213.35	193	\$ 195,408.76
CAP2	34	\$ 12,913.06	16	\$ 10,484.34	8	\$ 8,798.72
CAP3	6	\$ 11,917.23	6	\$ 11,239.56	4	\$ 10,692.74

*Based on number of accounts that have been given credit in Jan 2023.

Customer Arrears Data

CAP, CAP2 and CAP3 Customers in Arrears*

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
CAP	670	\$ 309,702.31	380	\$ 240,213.35	193	\$ 195,408.76
CAP2	34	\$ 12,913.06	16	\$ 10,484.34	8	\$ 8,798.72
CAP3	6	\$ 11,917.23	6	\$ 11,239.56	4	\$ 10,692.74

*Based on number of accounts that have been given credit in Jan 2023.

CAP Customer Arrears by Ward*

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1	33	\$ 14,564.93	18	\$ 11,353.74	10	\$ 7,878.59
Ward 2	6	\$ 1,787.44	4	\$ 1,218.44	2	\$ 1,013.75
Ward 3	2	\$ 1,423.28	1	\$ 971.76	0	\$ -
Ward 4	82	\$ 62,094.59	47	\$ 50,357.05	26	\$ 43,612.56
Ward 5	112	\$ 47,003.23	64	\$ 35,605.37	37	\$ 29,049.06
Ward 6	36	\$ 7,141.25	19	\$ 4,502.05	11	\$ 3,407.71
Ward 7	230	\$ 69,936.51	129	\$ 49,294.15	61	\$ 36,376.54
Ward 8	169	\$ 105,751.08	98	\$ 86,910.79	46	\$ 74,070.55
Total	670	\$ 309,702.31	380	\$ 240,213.35	193	\$ 195,408.76

*Based on number of accounts that have been given credit in Jan 2023.

CAP2 Customer Arrears by Ward*

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1	0	\$ -	0	\$ -	0	\$ -
Ward 2						
Ward 3	0	\$ -	0	\$ -	0	\$ -
Ward 4	4	\$ 2,122.27	1	\$ 1,529.27	1	\$ 1,173.55
Ward 5	4	\$ 6,355.63	3	\$ 6,037.37	3	\$ 5,513.97
Ward 6	3	\$ 388.22	2	\$ 109.19	0	\$ -
Ward 7	15	\$ 1,307.48	7	\$ 513.33	2	\$ 111.48
Ward 8	8	\$ 2,739.46	3	\$ 2,295.18	2	\$ 1,999.72
Total	34	\$ 12,913.06	16	\$ 10,484.34	8	\$ 8,798.72

*Based on number of accounts that have been given credit in Jan 2023.

CAP3 Customer Arrears by Ward*

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1						
Ward 2						
Ward 3	0	\$ -	0	\$ -	0	\$ -
Ward 4	1	\$ 9,131.98	1	\$ 9,131.98	1	\$ 9,024.41
Ward 5	2	\$ 1,874.07	2	\$ 1,649.59	1	\$ 1,482.72
Ward 6	0	\$ -	0	\$ -	0	\$ -
Ward 7	2	\$ 757.41	2	\$ 364.05	1	\$ 153.46
Ward 8	1	\$ 153.77	1	\$ 93.94	1	\$ 32.15
Total	6	\$ 11,917.23	6	\$ 11,239.56	4	\$ 10,692.74

*Based on number of accounts that have been given credit in Jan 2023.

Developer Deposits

Developer Deposits are funds paid to DC Water for plans that are approved by the Permit Operations Department. They include:

- Flat fees for taps, abandonments, sewer connections, etc.
- Reimbursable fees for inspection labor hours charged to the accounts.
- Deposits held as security against damage and uncharged accounts.
- Miscellaneous non-commercial account items (hydrant use, groundwater dewatering, waste hauler fees, etc.)
- As of January 31, 2023, developer deposits had \$45.4 million in credit balances (liability) and \$10.6 million in debit balances (receivable).

Balances by Year as of January 31, 2023

Year	Credit Balances	Number of Accounts with Credit Balances	Debit Balances	Number of Accounts with Debit Balances	Net Balance
2001	\$ -	-	\$ 960,164.05	1	\$ 960,164.05
2002	\$ -	-	\$ 1,836.00	2	\$ 1,836.00
2004	\$ (749.61)	1	\$ 9,066.08	6	\$ 8,316.47
2005	\$ (389,745.13)	90	\$ 269,202.91	90	\$ (120,542.22)
2006	\$ (283,990.18)	32	\$ 284,522.42	78	\$ 532.24
2007	\$ (151,559.96)	31	\$ 150,176.99	50	\$ (1,382.97)
2008	\$ (348,658.90)	41	\$ 192,952.22	50	\$ (155,706.68)
2009	\$ (183,867.44)	30	\$ 209,997.20	49	\$ 26,129.76
2010	\$ (302,803.30)	47	\$ 147,072.58	40	\$ (155,730.72)
2011	\$ (479,078.67)	89	\$ 431,485.17	56	\$ (47,593.50)
2012	\$ (1,251,962.24)	253	\$ 459,126.05	94	\$ (792,836.19)
2013	\$ (1,843,156.70)	279	\$ 264,550.40	82	\$ (1,578,606.30)
2014	\$ (2,092,346.03)	282	\$ 954,917.41	65	\$ (1,137,428.62)
2015	\$ (1,624,327.46)	294	\$ 280,382.85	41	\$ (1,343,944.61)
2016	\$ (3,120,464.94)	365	\$ 537,012.57	64	\$ (2,583,452.37)
2017	\$ (2,358,997.13)	436	\$ 487,170.81	120	\$ (1,871,826.32)
2018	\$ (5,162,335.47)	550	\$ 1,428,837.83	124	\$ (3,733,497.64)
2019	\$ (7,329,873.09)	488	\$ 1,590,569.83	182	\$ (5,739,303.26)
2020	\$ (4,948,442.41)	366	\$ 660,316.04	181	\$ (4,288,126.37)
2021	\$ (5,335,787.50)	381	\$ 510,461.06	178	\$ (4,825,326.44)
2022	\$ (6,996,708.93)	423	\$ 634,006.74	195	\$ (6,362,702.19)
2023	\$ (1,199,415.10)	41	\$ 169,596.09	67	\$ (1,029,819.01)
Total	\$ (45,404,270.19)	4,519	\$ 10,633,423.30	1,815	\$ (34,770,846.89)

Forfeiture Action

Accounts Forfeited on August 16, 2021	(4,838,938.52)	1,011
Accounts Forfeited on September 23, 2022	(1,286,705.10)	348
Accounts with refund requests or activities within the last 10 years or pending analysis for forfeiture action.	(3,392,415.43)	893

Developer Deposits

Customer Communication

Statements are provided to customers when there is activity on the account. To ensure that all customers are aware of the balances, statements are also mailed annually irrespective of whether there is an activity on the account. During 2022 and 2021, annual statements were mailed to customers on January 25, 2022, and February 25, 2021.

By law, refunds are to be requested by the account owner within two years of completion (DC Code § 34–2401.10). If not requested in that time frame, these accounts can be forfeited and closed. DC Water has placed a statement on invoices beginning in November 2019 notifying customers of the District law and that funds would be forfeited unless a refund is requested within two years of project completion or account inactivity. A notification to customers that is posted on our website indicates that unless a refund was requested, funds would be forfeited for projects without activity for ten years. AOBA and DCBIA have been asked to notify their membership to examine the invoices.

For accounts that were forfeited, zero balance statements were mailed out on Monday, August 16, 2021, and September 21, 2022.

Refund Requests and Forfeiture Disputes

More than 400 different customers have submitted refund requests representing approximately 1400 primary accounts and in excess of 2000 associated accounts. Approximately 500 accounts did not qualify for refund and were eliminated, mostly these were fire hydrant use permits being handled by Water Quality Department.

Currently there are 1,245 accounts representing 809 projects in active status and are pending refunds.

Over the past month we have processed refunds totaling \$325,000 for about 14 accounts.

The forfeiture Activity has not changed in the past month.

Disconnection Moratorium Legislation Reporting Requirement

Fiscal Year-to-Date
As of January 31, 2023

Number of Active Accounts by Zip Code & Customer Class

As of Jan 31, 2023

Zip Code	Residential					Commercial					Multifamily				
	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.*
20000	1														
20001	650	77	20	12		179	12	4	3	11	31	1			
20002	1321	193	64	41		220	15	5		13	248	43	14	8	
20003	372	44	14	8		67	2			3	26	7	1		
20004						1									
20005	8	1				23	1		2	1	5				
20006						7	1				1				
20007	231	15	5			53	7	1	1	4	21				
20008	77	9	3	3		33	5	1		3	10	2	1		
20009	248	23	12	6		55	8	1	1	5	46	10	1		
20010	469	58	19	13		55	2		2	9	31	5			
20011	1922	294	118	80		141	22	9	4	7	114	26	10	1	
20012	399	81	24	18		32	5		1	3	11	2			
20015	125	18	6	2		7	1			1	2				
20016	166	13	6	5		63	2	1		1					
20017	667	100	44	41	1	36	3			2	20	3	2	1	
20018	930	127	43	35	1	115	8	1	3	14	28	6	3		
20019	2962	390	164	98	2	151	5		4	5	284	48	10	6	
20020	1801	235	103	81	2	74	5		1	7	348	74	43	19	
20023	2														
20024	54	6	3	2		14	2	1		2	11				
20032	1098	159	69	39		87	3	1		2	243	49	17	8	
20036	2	1	1	2		22	4		1	1	5				
20037	23	1				11	1				5	1			
20059						2									
Total	13528	1845	718	486	6	1448	114	25	23	94	1490	277	102	43	

*Note: inactive accounts in arrears are not included in the above and the accounts by customer class are as follows: Res. 291, Com. 94 and MF 38

*Note: Disconnect Work Orders for Multi-Family Properties were created and not assigned for field completion but are manually managed for further collection actions

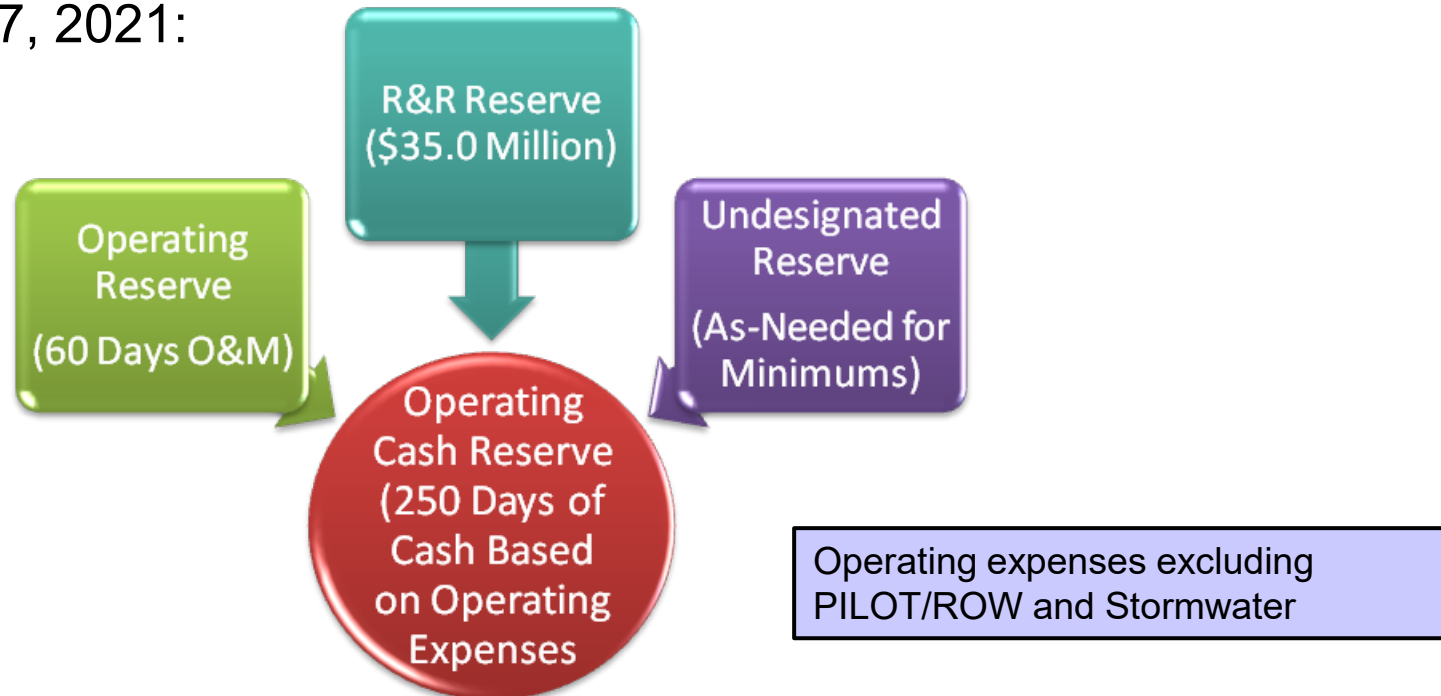
Operating Reserve (including R&R) & Rate Stabilization Fund (RSF) Study

February 28, 2023



Background - Reserves & RSF Policies

- Bond indenture requires: a) 60 day Operating Reserve, and b) a Renewal & Replacement (R&R) Reserve (with the amount to be recommended by independent study – currently \$35.0 million).
- Current Operating Cash Reserve requirements approved by the Board on October 7, 2021:



- RSF has no required minimum balance: sources & uses are as authorized by the Board.

Study Purpose & Reserve/RSF History

- Most recent report on Reserves was prepared in 2018. The purpose of this study is to recommend Reserve & RSF levels and policies for 2023 – 2032.
- The growing debt service coverage and levels of reserves has correlated well with the increasing strength of DC Water’s bond ratings, even as total debt increased

(All Figures Except Coverage and % are in \$000)

	2007	2012	2017	2022
Debt Service Coverage				
Senior	3.43	3.50	5.47	6.53
Subordinate	2.07	1.83	2.12	2.98
Combined	1.58	1.48	1.76	2.29
Total Debt (Exclude CP)	1,046,189	1,768,671	3,003,874	3,726,934
10-Year CIP	3,057,268	3,849,178	4,002,124	6,951,067
Reserve Levels				
RSF	68,500	27,950	61,450	35,644
Operating Reserve Including \$35M R&I	116,743	140,251	147,212	257,374
Credit Ratings (Senior)				
S&P	AA-	AA+	AAA	AAA
Moody's	Aa3	Aa2	Aa1	Aa1
Fitch	AA-	AA	AA	AA+

Note: 2022 coverage was higher than usual due to the one-time transfer of funds from RSF based on the change in financial policies on 10/7/2021. Actual coverages in 2021 were 5.08, 2.36 and 1.86 for Senior, Subordinate and Combined, respectively.

Purpose of Reserve Funds & RSF

- Provide resources that are available when the unexpected happens, both operationally (Operating Reserve) and in capital improvements (R&R Fund)
- Satisfy the minimum requirements of the Bond Indenture; and support a much stronger credit rating with actual an Operating Cash Reserve that significantly exceeds the minimums (Operating Reserve + R&R Fund + Undesignated Reserves)
- Provide resources through the RSF to help “smooth out” the impacts of rate increases or achieve other objectives, with fewer limitations compared to Reserve Fund withdrawals

Amawalk Qualifications

- In addition to having the pleasure of serving as a Financial Consultant to DC Water since 2008, Amawalk works with New York Water, Boston Water and Sewer, the Philadelphia Water, Sewer & Stormwater Rate Board and Portland (OR) Water. Last year, the firm completed an independent financial review of the North Texas Municipal Water District; we previously assisted the National Association of Clean Water Agencies with their triennial financial survey of large wastewater utilities across the nation.
- Shan Lin and Ed Markus of Amawalk collectively have over 57 years of experience in the water, wastewater and stormwater industry. In addition to his financial and management experience, Ed Markus has two engineering degrees and held a professional engineer's license.

Study Methodology/Presentation Outline

- Examples of potential risks and available resources to respond
- DC Water experience with one type of risk: COVID-19 pandemic
- Each of the three funds requires a focus on different priorities: unexpected operational needs, unexpected capital needs and a flexible source of cash to smooth rate increases or address other needs

Operating Reserve

- Stability of revenues;
- Predictability of expenditures;
- Liquidity;
- Liabilities; and
- Insurance and other resources.

R&R Reserve

- Infrastructure condition;
- O&M practices;
- Capital planning & implementation;
- Experience with unforeseen events; and
- Other available resources.

RSF

- Stability of revenues;
- Historical & projected use of the RSF;
- Comparison of DC Water rates and charges with other utilities; and
- Affordability of retail rates.

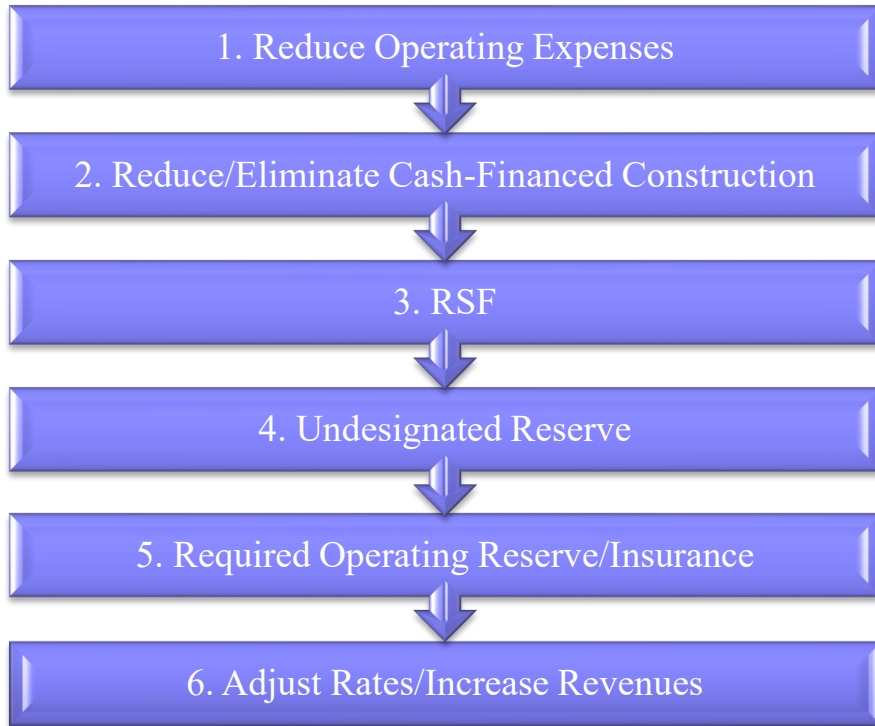
- Bond rating considerations
- Industry observations and peer practices (highly rated utilities in the region and the nation)
- Reserves & the RSF – factors to consider
- Potential Options

Examples of Risks That DC Water Faces

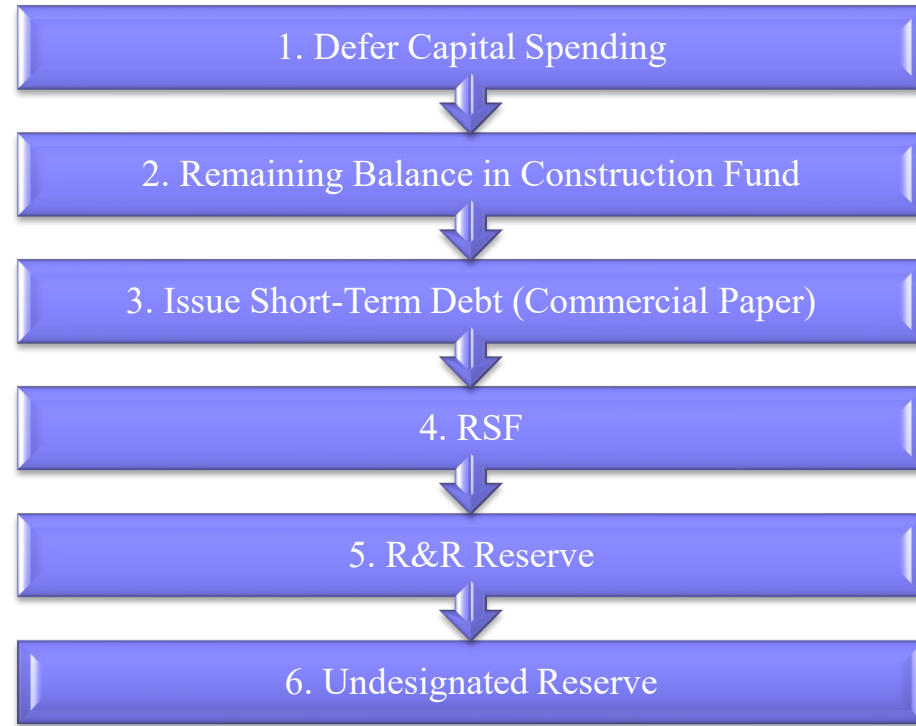
- Risks (not all-inclusive and some could be placed in more than one category):
 - Routine: consumption decline or inflation greater than anticipated, regulatory changes/penalties, economic downturn, liquidity needed to balance receipts vs. spending
 - Non-routine: water main breaks/sewer backups with property damage, COVID-19 form of pandemic outbreak, cyber attack, reduced access to credit markets
 - Catastrophic: reduction in available water supply, natural hazards such as high intensity storms, etc.
 - Financing: CIP is intensive, bond ratings/cost of borrowing, interest rates, limited access to capital markets
- Reasonable rates of interest on new debt are very important for the next 10 years – the anticipated future borrowing of \$2.73B (incl. WIFIA loan) directly impacts annual debt service
- CIP of \$5.7B (w/o IMA share) will be the primary driver of increasing user rates to pay for debt service and cash-financed capital construction

Available Resources to Respond to Financial Stress

Operating



Capital



The order of the resources as shown above represents one approach to the sequence in which resources can be accessed; other approaches are possible.

Illustration: COVID-19 Impacts & Responses

- Water sales vs prior year:

Consumption Changes	2020	2021	2022	2023 YTD (Dec 22)
Residential (Incl MF)	4.9%	-0.7%	-2.0%	-1.9%
Non-residential (Excl WA)	-9.6%	-3.2%	4.5%	0.5%
Total (Excl WA)	-3.0%	-2.0%	1.3%	-0.6%

- Collection enforcement suspended/delayed + customer stress = increasing delinquencies: \$10.6M (2019), \$17.9M (2020), \$26.3M (2021)
- Revenues vs budget: +\$28.8M (2019), +\$11.1M (2020), & (\$24.2M)(2021)
- In 2020:
 - Actual expenses \$25.7M below budget: personnel (pause in hiring, lower benefits, reduced OT), favorable prices for chemicals & utilities, water purchases & contractual services (spending reductions to achieve targets)
 - Debt service \$8.3M below budget, including 2013 Series A Bonds refunding
- In 2021:
 - Operating expenditure reductions to achieve \$10.5 million in savings, mainly in personnel, chemicals, contracts and water purchases

Operating Reserves: Findings to Consider

- Operating liquidity – DC Water is routinely “cash positive” on a cumulative basis (revenues vs. expenditures) from October 1 through September 30; no cash from reserves (liquidity) is typically needed to pay operating expense bills
- Capital construction liquidity – DC Water is routinely “cash positive” on a cumulative basis (sources vs. uses) from October 1 through September 30; no cash from reserves (liquidity) is needed to pay construction bills
- Judgments & claims paid in the last five years have been modest and accommodated as part of O&M expenses; ranging from a low of \$151,000 in 2022 to high of \$2.2 million in 2019
- The inclusion of significant \$ in the annual budget for cash-financed construction or defeasance enables DC Water to reduce the planned contributions in the event of revenue shortfalls or greater expenses, thus helping to avoid the need for a withdrawal from reserves

Operating Reserves: Industry Notes & Peer Practices

- AWWA Cash Reserve Policy Guidelines – some observations:
 - Days of cash-on-hand for O&M expenses is the most common metric for the sizing of operating reserves
 - The size of unrestricted reserves is a key factor in assigning bond ratings
- Peer utilities: are large, reflect both a regional & national presence, and are highly-rated (A+ and above, most are AA and above). Each typically has projected or actual debt service coverage and cash on hand that far exceeds the minimum requirements, similar to DC Water
- Peers that we surveyed:

Baltimore	New York	Boston
Philadelphia	Dallas	MWRA
Denver	San Antonio	Great Lakes
WSSC	Louisville	San Francisco
San Diego (RSF)	Portland (RSF)	

Operating Reserves: Industry Notes & Peer Practices

- Rating Agency focus – some observations:
 - Operating Reserves, R&R Reserve & RSF are part, but not all, of the cash and cash equivalents shown in audited financial statements
 - The size of unrestricted reserves in the form of total days cash on hand is a key factor in assigning bond ratings
- The most commonly required operating reserve minimum among surveyed peers is one-sixth of annual O&M expenses, or 61 days; there are some peers that have requirements less than 61 days and some with greater. Similar to coverage, policies and actual reserve levels typically exceed the minimums
- DC Water and one of the 12 surveyed peers require 250 days reserve policies; however, that does not preclude peers from achieving or exceeding such a level:
 - From San Francisco's policies that include a 90-day minimum: "In the event that Fund Balance Reserve exceeds 250 days or 68% of Operation & Maintenance Expenses, this fact will be brought to the Commission during the subsequent biannual budget process for consideration for uses..."
- Amawalk to provide a brief description of the reserve practices of several large utilities

Operating Reserves: Industry Notes & Peer Practices

- In a chart prepared by Moody's Investor Service in 2021, the days cash on hand for DC Water was shown as 366, which was below the median levels of 410 days for A-rated issuers and 486 days for Aa-rated issuers

R&R Fund: Findings to Consider

- The intent of the moneys held in the R&R Fund is to have readily available cash in the event of an unplanned significant capital expenditure
- The R&R Reserve (currently funded at \$35M) is a part of the total balance in the Operating Reserve; the rating agencies view the collective reserves of DC Water as a key strength of the utility
- To consider the capital risk and adequacy of the CIP, the most recent independent engineering report (JMT, 2018) concluded that DC Water performed well in planning and implementing capital improvements and in operating and maintaining its assets. The current independent analysis by PEER Consultants is underway with an expected completion date of June 2023.
- DC Water can promptly access construction cash through short-term financing under typical market conditions
- DC Water has never withdrawn moneys from the R&R Fund
- The inclusion of significant \$ in the annual budget for cash-financed construction or defeasance enables DC Water to reduce the planned contributions and redirect certain funds in the event the need arose for unplanned capital \$

R&R: Industry Notes & Peer Practices

- AWWA Cash Reserve Policy Guidelines indicate that the purpose is to fund unplanned or accelerated rehabilitation and replacement needs; such reserves could also serve as a source of funds for cash-financed construction (already part of a separate budget line item for DC Water)
- There is no uniformity in the industry regarding the use of a R&R Reserve. Five out of 12 surveyed peers do not have a specific R&R reserve requirement – funds, if needed, are drawn from other sources
- For those that have a requirement, the method of determining required deposits also varies significantly; examples include % of annual depreciation, % of O&M expenses, % of R&R expenses, and residual funds at year-end
- A peer policy that we wish to highlight from a utility with a R&R reserve:
 - The Massachusetts Water Resources Authority (“MWRA”) requires \$35 million for R&R, comprised of \$10 million in cash and \$25 million in commercial paper capacity or other sources

RSF: Findings to Consider

- Over the last ten years, DC Water has made contributions to the RSF and withdrawals from the RSF
- The RSF is more flexible than the Operating Reserve or R&R Reserve in terms of deposits (sources), and the use of funds upon withdrawal – there is no minimum required balance and no requirement to replenish after a withdrawal (Operating Reserves and the R&R Reserve would need to be replenished if a withdrawal is made)
- DC Water’s typical annual single family residential charge is somewhat higher than that of other utilities; the customer assistance program is robust in reducing the total bill for low income ratepayers. Rates will increase in 2024 through 2032 to recover additional capital costs (increasing debt service and increasing cash-financed construction), higher O&M expenses and deposits to reserves.

RSF: Industry Notes & Peer Practices

- AWWA Cash Reserve Policy Guidelines indicate that moneys in a RSF are typically used to address potential fluctuations in revenues and to “smooth out” rate increases
- AWWA Guidelines states that RSF is viewed by rating agencies with mixed feelings: it differs from dedicated reserves - can be withdrawn on short notice and replacement may not be required
- Most of the surveyed utilities have no RSF requirement
- In Philadelphia, the RSF and Residual Fund serve multiple purposes: operating reserve and RSF
- A policy that we wish to highlight relative to the sizing and potential use of RSF \$:
 - San Diego has a policy of Rate Stabilization Fund Reserves equivalent to 5% of prior year’s operating revenue. The target level in FY 2023 for water and sewer combined is \$50.5 million. “Saving one-time revenue for use in a reserve is a financial best practice so that the funds can be used to provide one-time operating revenue to offset or mitigate the need for sudden or dramatic rate increases in the future. The PUD Outlook projects use of the Rate Stabilization Reserve Fund in FY 2023 through FY 2027.” Amawalk notes that the use relates to balances over the target.

RSF: Industry Notes & Peer Practices

- Policies that we wish to highlight relative to the potential use of RSF \$: Withdrawals in a given year for the MWRA are capped at a % of debt service payments. In addition:
 - “MWRA staff are recommending the execution of an approximately \$29.7 million in defeasance to reduce future year rate increases. The \$29.7 million in available funds is derived from the FY22 surplus (MWRA funds RSF with surplus at end of year) These funds will be used to prepay debt service coming due in FY24 through FY27.....From 2006 through this proposed transaction, MWRA has defeased \$782.0 million in debt service to reduce future year rate revenue requirements.”
 - MWRA projected that its RSF balance of \$41.5 million at the end of FY 2021 would remain relatively constant in FY 2022 through FY 2027.

RSF: Peer Comparison

Utility	Requirement/Policy
Baltimore DPW	Transfers to RSF are determined by the City. RSF may be used to pay operating expenses, to fund transfers to any fund established under the Resolution, to make pmts required under any Hedge Agreement, for pmt of principal, redemption premium and interest on any revenue bonds or notes.
Boston Water and Sewer Commission	Stabilization fund can be used to mitigate rate increases and also pledged as security for all bonds and the Commission's obligations. The Resolution contains a Stabilization Fund Requirement of 4% of the aggregate principal amount of variable rate bonds outstanding. The current Commission Policy, amended in 12/2000, further states that the amount on deposit in Stabilization Fund will be the greater of the Resolution Requirement or 10% of previous FY's net billed charges.
Dallas Water Utilities	No RSF requirement
DC Water	RSF will be held in a separate account in accordance with the Indenture. The planned transfer out of the RSF will be formally approved by the Board as part of the 10-year financial plan. Transfers into the RSF is determined annually on DC Water's financial performance and approved by the Board.
Denver Water	No RSF requirement
Great Lakes Water Authority	Ordinance requires maintenance of budget stabilization fund in case of cash shortfalls. The 2018 Memorandum of Understanding set the balance to be retained at \$7.5M for the life of the Regional System Leases. The Water Fund has retained \$2M and the Sewerage Disposal Fund has \$5.5M.
Louisville Water Company	No RSF requirement
Massachusetts Water Resources Authority	MWRA finances this reserve with unexpected or surplus funds available from the expense budget at the end of each fiscal year. The reserve is used to reduce rate revenue requirements. By Resolution, the annual use of RSF monies cannot exceed 10% of the year's senior debt service.
New York Water	No RSF requirement
Philadelphia Water Department	Purpose is to maintain assets to be drawn down to offset future deficits and corresponding rate increase requirements; FY2021 balance is \$145M.
San Antonio Water	No RSF requirement
San Francisco Public Utilities Commission	No RSF requirement
Washington Suburban Sanitary Commission (WSSC)	No RSF requirement

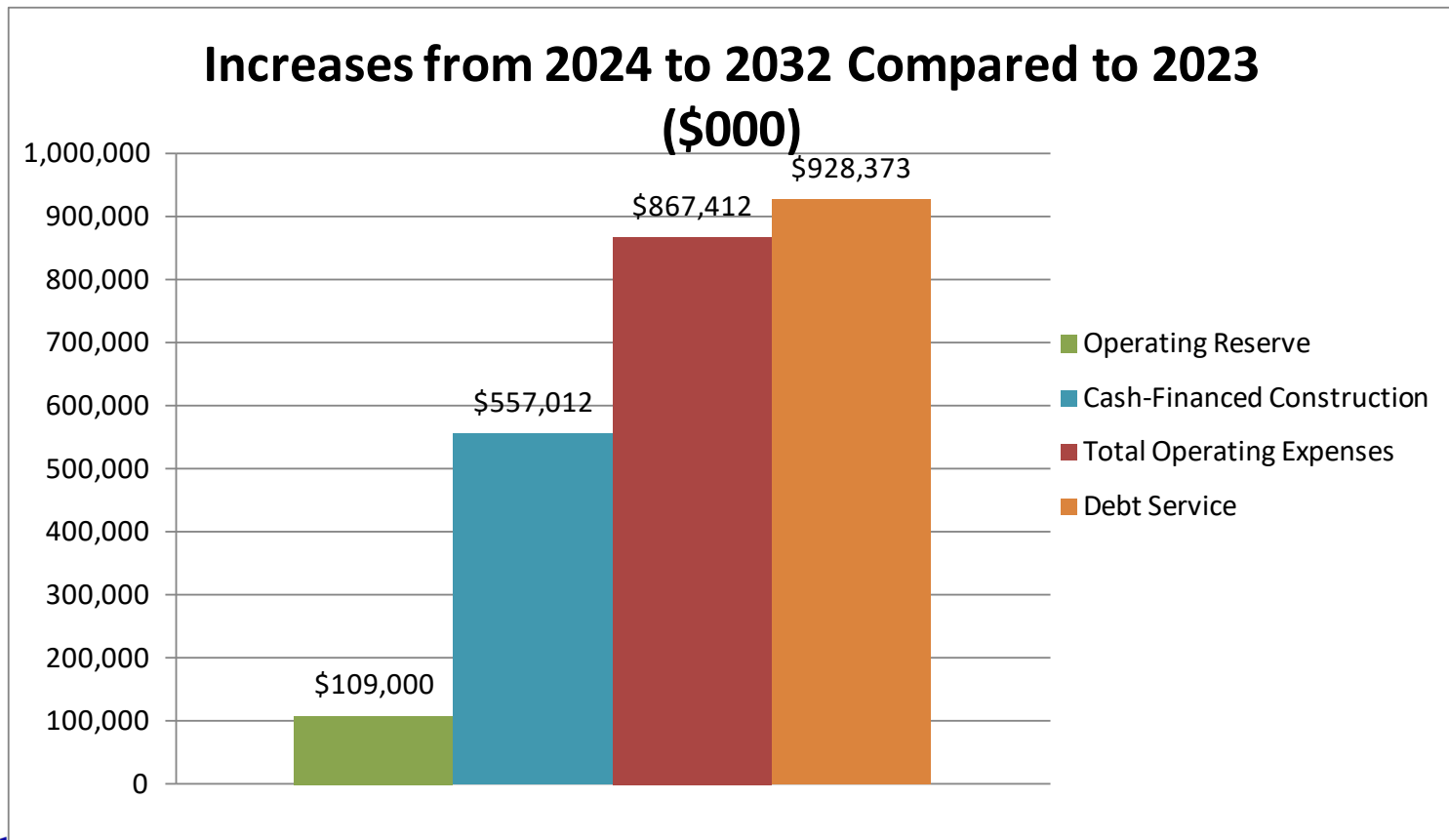
Financing - Bond Rating Considerations

- DC Water is highly-rated by all three agencies; examples of agency observations:
 - Consistently exceeds debt service coverage & liquidity policies; healthy liquidity, coverage & financial practices expected going forward
 - Diverse revenue streams & affordability assistance programs
 - Exceptional financial & management practices
 - Challenges associated with a large capital program
- Strong bond ratings optimize the cost of borrowing
- CIP anticipates \$2.7B in new bonds issued through 2032:
 - Total debt increases from \$3.7B (exclude CP) in 2022 to a much higher level in 2032
 - Debt service increases from \$231M in 2023 to \$419M in 2032
 - Retail revenues increase from \$686M in 2023 to \$1,082M in 2032, a 58% total increase or an average of 5.2% per year on a compound basis; as noted on the next slide, capital costs are the drivers of needed revenue/rate increases
- Maintaining the current strong credit ratings is very important: for example, the sensitivity of future cash flows to marginal changes in interest rates: a 10 basis point increase in interest rates = \$13M in higher debt service through 2032 and higher amounts in the years thereafter

Subordinate Debt Ratings:
Moody's: Aa2
Standard & Poor's: AA+
Fitch: AA

Key Financial Points to Consider

- 2023 RSF balance: \$35.6M; Operating Reserve balance, including R&R: \$274.6M
- Factors other than Reserves are the primary drivers of future rate increases:



Key Financial Points to Consider

- In a “typical” interest earnings environment, the balances in each reserve fund will earn a reasonable amount of interest and those earnings can significantly offset the annual deposits needed from customer receipts to maintain the required balances. The Financial Plan anticipates that the entire amount of the proposed additions to Reserves can be funded through earnings on the balances.
- In years past, many utilities maintained both operating reserves and debt service reserve funds (DSRF). The intent of the DSRF was to provide a greater level of assurance to bondholders that the utility would make its annual debt service payments by setting aside funds (often one year of debt service payments) into a separate DSRF. DC Water, through its bond indenture, had the option of making a DSRF deposit, or not, for each bond issue. It has been many years since DC Water has made a DSRF deposit.
- The importance of strong credit ratings is highlighted even more if financial markets are in distress. Occurrences are rare but access to markets at attractive rates is very important for future rates to support the CIP
- Only retail customers contribute to the Reserve Fund balances

Potential Reserve & RSF Options

Operating Reserves:

- The foundation for the Operating Reserve requirement is the Bond Indenture minimum of 60 days of operating expenses. Under the existing Board policy of 250 days of operating expense, DC Water projects that the required balance will increase from \$274.6M in 2023 to \$383.6M in 2032. Interest earnings on the fund balance pay for the entire increase.
- The available policy option for the Board to consider is the sizing of the required fund balance: maintain 250 days, or modify the minimum to a higher or lower threshold.

R&R:

- The foundation for the R&R Reserve requirement is again the Indenture. Under the existing policy of \$35M in required cash, DC Water projects that the required balance will remain the same from 2023 to 2032.
- The available policy options for the Board to consider include: a) the sizing of the required fund balance: maintain, or modify the minimum to a higher or lower threshold, and b) whether that balance is met with all cash on hand or a mix of cash and available credit.

Potential Reserve & RSF Options

RSF:

- The RSF is permitted but not required to have a balance by the Indenture. Funds can be transferred into or out of the RSF at the recommendation of management and at the discretion of the Board. DC Water projects that the current balance will remain the same from 2023 to 2032.
- Among the available policy options are: a) retaining the status quo; b) setting a threshold above which funds would be drawn down; c) withdrawing all funds from the RSF; and d) creating a preference for the use of withdrawn funds (e.g., similar to MWRA) while retaining recommendations of management and at the discretion of the Board since market conditions or specific needs of DC Water may alter the preferred use of funds.

The Reserves and the RSF

- Each should be considered both individually and collectively, including the role of the funds as a part of total days cash on hand, a key rating agency metric.

Summary/Questions

- Amawalk Summary of progress to date/next steps
- We would be pleased to respond to any questions regarding the analysis to date
- Thank you!

Appendix

- **Historical Reserves**
- **Projected Reserves**
- **Results of Peer Comparisons**
- **Comparative User Charges**
- **Comparative User Charges as % of HH Income**

Historical Reserves & Available Funds

Summary of Reserve Requirements and Total System Fund on Hand Year-End (\$000)

	2018	2019	2020	2021	2022
1 CASH BALANCE PER BANK:	229,246	249,214	278,071	285,029	258,179
2 RESERVE REQUIREMENTS:					
3 Operating Reserve 60 days of prior year O&M Expenses	51,705	51,694	54,308	50,031	55,472
4 Renewal / Replacement Reserve Minimum of \$35.0 Million	35,000	35,000	35,000	35,000	35,000
5 TOTAL DESIGNATED OPERATING RESERVES Required to satisfy 60-day policy + R&R Reserve policy	86,705	86,694	89,308	85,031	90,472
6 TOTAL UNDESIGNATED OPERATING RESERVES	38,795	38,806	36,192	40,469	131,064
7 TOTAL OPERATING & MAINTENANCE RESERVES	125,500	125,500	125,500	125,500	221,535
8 EXCESS LIQUIDITY Prior to 10/7/2021, maintained by DC Water for liquidity purposes and an additional reserve	41,296	61,264	61,327	70,786	0
9 ENDING CASH BALANCE	166,796	186,764	186,827	196,286	221,535
10 OTHER RESERVES					
11 Rate Stabilization Fund	61,450	61,450	90,244	87,744	35,644
12 DC Insurance Reserve	1,000	1,000	1,000	1,000	1,000
13 TOTAL CASH BALANCE & RESERVE FUNDS	229,246	249,214	278,071	285,029	258,179

Projected Reserves – Current Policies

- Deposits will be needed in each year as O&M expenses increase.

Projected Operating Reserves (All Figures Except Days are in \$000)

Line No	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1 Operating Expenses	401,231	425,383	441,828	458,923	476,695	495,170	514,376	534,342	555,099	576,678
2 Less:PILOT/ROW (A.)	23,070	23,430	23,796	24,170	24,552	24,941	25,337	25,742	26,155	26,576
3 Less: Stormwater (A.)	1,107	1,107	1,107	1,107	1,107	1,107	1,107	1,107	1,107	1,107
4 Net O&M Expenses	377,054	400,847	416,925	433,646	451,036	469,122	487,931	507,493	527,837	548,994
Available Reserves										
5 60 Day Reserve (B.)	58,067	63,027	66,992	69,672	72,459	75,357	78,372	81,506	84,767	88,157
6 R&R Reserve (C.)	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
7 Base Amount of Reserves	93,067	98,027	101,992	104,672	107,459	110,357	113,372	116,506	119,767	123,157
8 Days of Net O&M (D.)	89	88	88	87	86	85	84	83	82	81
9 250 Days of O&M Expenses (line 4 times 250/360)	261,843	278,366	289,531	301,143	313,220	325,779	338,841	352,425	366,553	381,246
10 Amount Above Base Attributable to 250 Day Reserve (E.)	168,776	180,339	187,539	196,471	205,761	215,422	225,469	235,919	246,787	258,089
11 DC Water Projection of Reserves	274,600	282,600	292,600	303,600	314,600	327,600	340,600	354,600	368,600	383,600
12 DC Insurance Reserve	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
13 Days of Net O&M Using Projected Reserves (F.)	263	255	254	253	252	252	252	252	252	252

Peer Comparison: Operating Reserve (1 of 2)

- DC Water has strong operating reserve policies

Utility	Operating Reserve (Days)	Bond Rating	Coverage	Note
Baltimore DPW	29	S&P: AA-; Moody's: Aa2	Required: 1.15 senior, 1.00 combined; recent coverage is senior: water 1.79x, wastewater 2.21x; combined: water 1.10x, wastewater 1.47x	Both water and wastewater are required to maintain minimum reserve of 8% of operating expenses.
Boston Water and Sewer Commission	61	S&P: AAA; Moody's: Aa1	1.25 required; recent coverage was 1.68	The Resolution requires that the Operating Reserve Fund be maintained in an amount that is equivalent to 1/6 of BWSC's operating and maintenance expenses, plus 1/6 of the Massachusetts Water Resources Authority charges.
Dallas Water Utilities	See note	S&P: AAA; Fitch: AA; Moody's: Aa2	1.25 required; Internal policy requires 1.50 maximum ann debt service at year end and 1.30 maximum debt service at all times; recent coverage was 2.90	Unreserved cash balance at minimum 30 days of budgeted O&M expenses and to provide a quick ratio of 1.50
DC Water	60 (Indenture) and 250 (Board policy, see note)	S&P: AAA; Moody's: Aa1; Fitch: AA	Senior: 5.08x; Subordinate: 2.36x; Combined 1.86x; Indenture requires 1.20 for Senior Debt and 1.00 for Subordinate Debt; internal policy requires combined coverage of 1.60	The Indenture requires at least 60 days of operating and maintenance expenses in the Operating Reserve Fund. The Board adopted financial policies which require the Authority to maintain in operating reserves 250 days of projected Operating Expenses.
Denver Water	91	S&P: AAA; Moody's: Aaa	1.10 required, target 1.80, actual recent actual of 2.75	The Board's practice is to maintain reserves that are sufficient to provide: 25% of the next year's operating costs.
Great Lakes Water Authority (Water System)	See note	S&P: AA-; Moody's: A1; Fitch: A+	Ordinance requires 1.20x for senior, 1.10 for junior, and 1.00 for SRF/pension junior lien bonds. Recent actual coverages are: 1.99, 1.40 and 1.38, respectively, for Water and 2.92, 1.97 and 1.51, respectively, for Sewer.	Operating Fund appears to be discretionary, not restricted.

Peer Comparison: Operating Reserve (2 of 2)

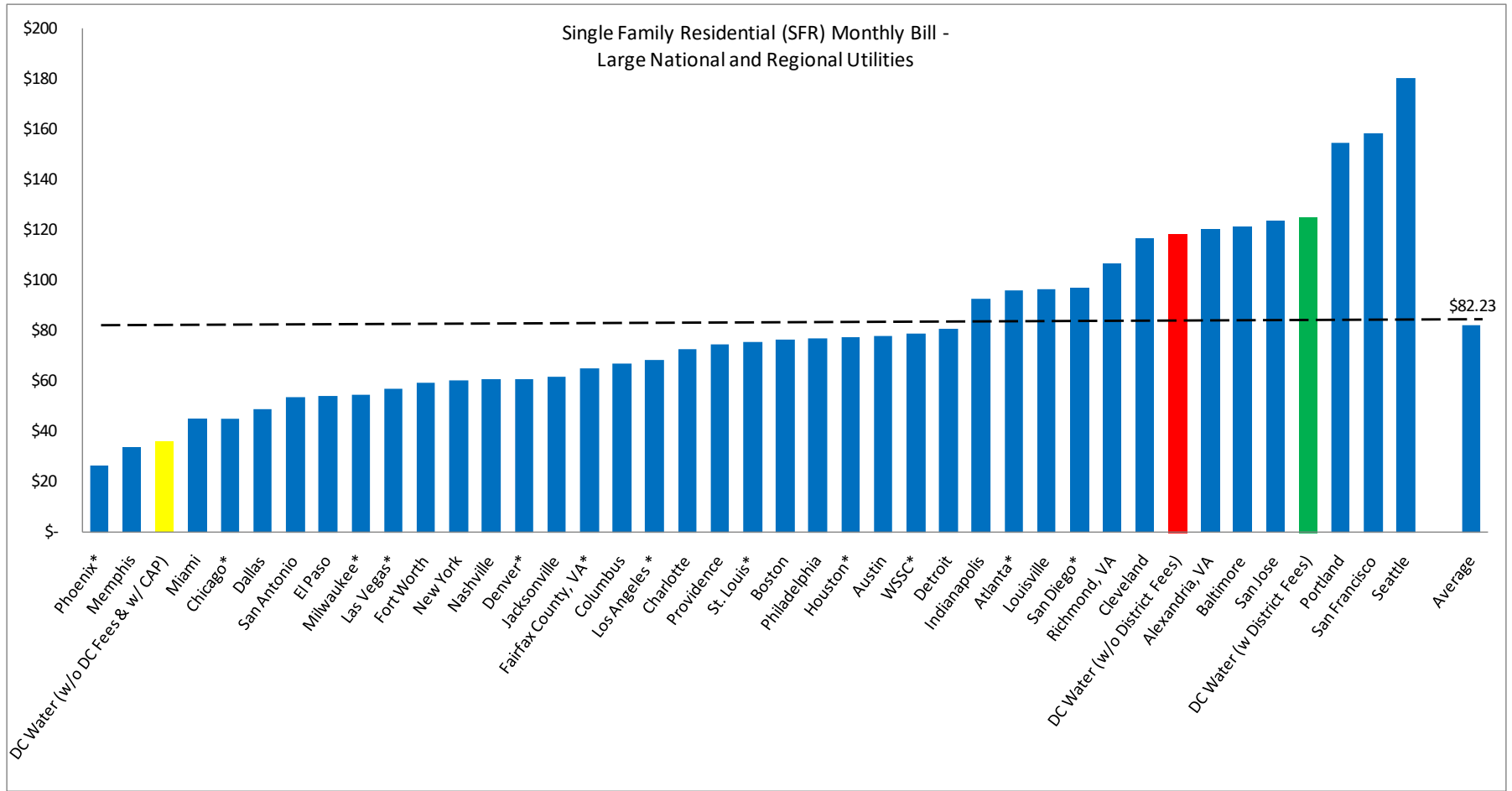
Utility	Operating Reserve (Days)	Bond Rating	Coverage	Note
Louisville Water Company	See note	S&P: AAA; Moody's: Aaa	Rate Covenant requires 1.30; internal target is 2.0; recent actual is 2.10.	Restricted operating reserve is not specified. Targeted days of funded operations is 250 days (considering cash and short-term liquid investments).
Massachusetts Water Resources Authority	61	S&P: AA+; Moody's: Aa1; Fitch: AA+	1.20 required for senior; 1.10 required for combined; recent coverage was 2.03 for senior & 1.20 combined	Operating reserve requirement is set at 1/6th of operating expenses.
New York Water	61	S&P: AAA; Moody's: Aa1; Fitch: AA+	1.15 required for senior; 1.00 required for combined; recent coverage has far exceeded the minimums	Operating reserve requirement is set at 1/6th of operating expenses. In addition, there is an extraordinary pledge of the City to operate system, without reimbursement for operating expenses, in the unlikely event that funds are not available.
Philadelphia Water Department	See note	S&P: A+; Moody's: A1; Fitch: A+	Senior: 1.28x, Combined: 1.13x; Requirement: senior 1.20x, senior exclude RSF transfer 0.90x, combined 1.00x	Rate stabilization fund and Residual Fund serve as an operating reserve. For FY21 both funds together represent about 113 days of O&M.
San Antonio Water	61	S&P: AA+; Moody's: Aa1; Fitch: AA+	1.25 required for senior; 1.00 required for junior; recent coverage was 9.68 senior & 1.91 combined	Operating reserve is maintained at two months of budgeted O&M expenses
San Francisco Public Utilities Commission	91	S&P: Water AA- WW AA; Moody's: Aa2	Covenant requires indenture coverage 1.25 and current coverage 1.00; internal target indenture coverage at 1.35 and current coverage at 1.10; recent actual indenture coverage was 1.88 water and 3.73 ww	Fund Balance Reserve policy is to maintain at least 90 days or 25% of O&M expenses to bridge shortfalls in cash flow and cover unanticipated expenditures. In the event that Fund Balance Reserve exceeds 250 days or 68% of O&M expenses, the Commission may decide to use the funds to reduce future rate increases, fund PAYGO, or manage unanticipated one-time events.
Washington Suburban Sanitary Commission (WSSC)	120-150 (internal target, see Note)	S&P: AAA; Moody's: Aaa; Fitch: AAA	Not applicable – underlying security for all bonds and notes of the District is the ability to levy property taxes (although WSSC does not currently do so). Internal target is between 1.10 to 1.25. Recent actual is 1.01.	The Commission's policy is to maintain a reserve in the amount of at least 15% of the budgeted water and sewerage operating revenues to offset any shortfall in such revenues. Internally targets 120-150 Days of Operating Reserve-on-Hand.

Peer Comparison: R&R Reserve

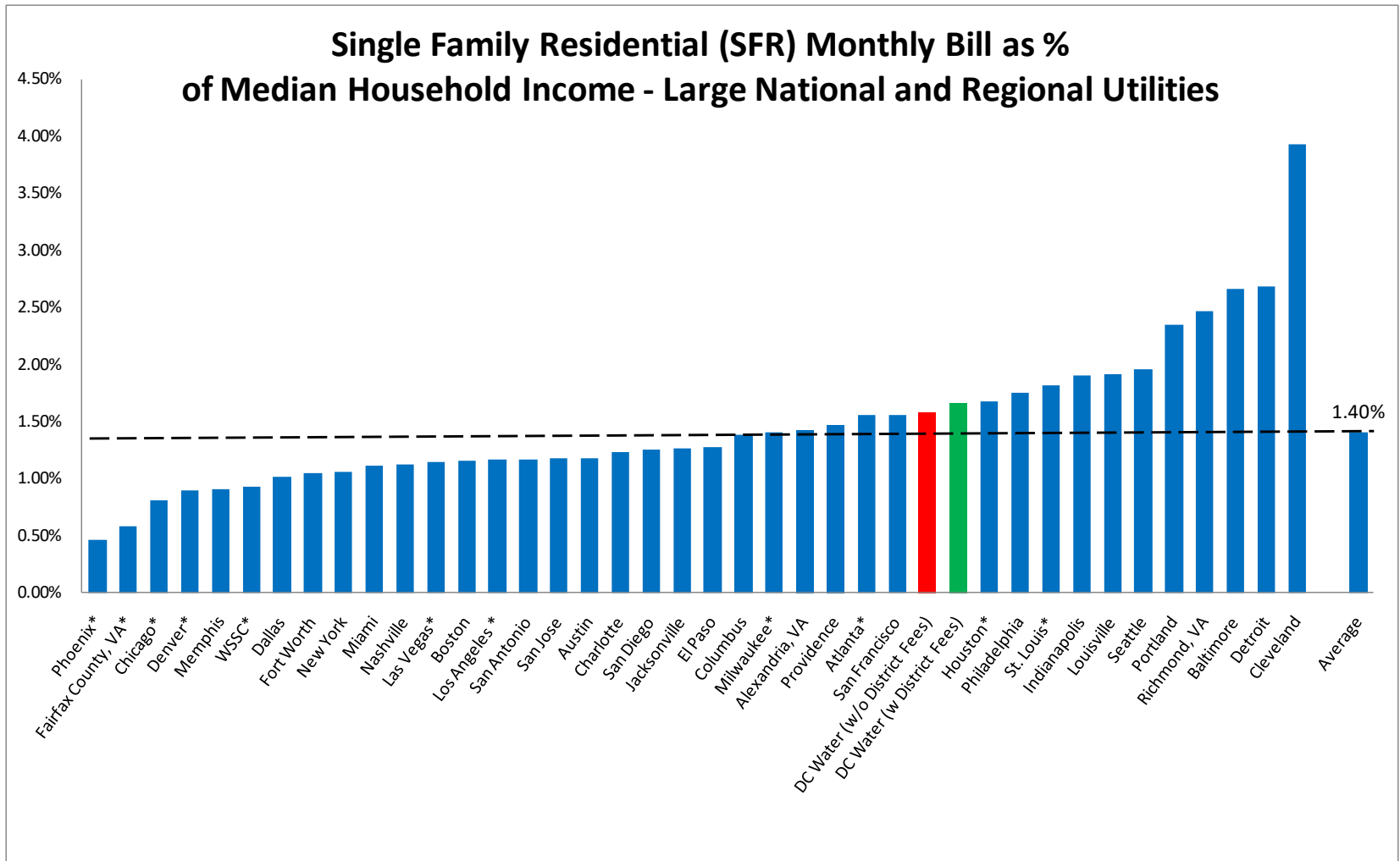
- R&R requirements vary significantly:

Utility	Requirement/Policy
Baltimore DPW	Net revenues remaining as of 6/30 of any FY may be deposited in the Residual Fund in an amt determined by the City. Residual Fund is used to pay amts necessary to fund Ordinary Capital Requirement and for any other lawful purpose for the purpose of funding Extraordinary Capital Requirement
Boston Water and Sewer Commission	Set to 25% or more of current budgeted R&R expenditures. The Fund is to provide additional funds for R&R projects if there are insufficient funds in the R&R Account to pay for these projects.
Dallas Water Utilities	No R&R Reserve requirement
DC Water	The Indenture allows this requirement to be either 2% of original cost value of plant in service or an amount approved by the Board. The Board has adopted policy to maintain \$35 million in the R&R Reserve.
Denver Water	Board maintains reserves that are sufficient to provide the greater of average annual depreciation cost and 2% of current total Capital Assets, before depreciation, for replacement capital and equipment purchases
Great Lakes Water Authority	Extraordinary R&R maximum requirement is 15% of budgeted O&M, minimum requirement is 1/12 of 3% of the budgeted O&M. The fund is used for major unanticipated repairs and replacement to the system.
Louisville Water Company	Infrastructure Replacement Reserve Fund supports infrastructure replacement and rehabilitation projects. Depreciation Fund is available to fund capital expenditures and its monthly deposit is required to be 1/12 of the annual depreciation charge
Massachusetts Water Resources Authority	R&R requirement is \$35 million, comprised of \$10 million in cash and \$25 million through available commercial paper or other sources; adequacy reassessed every third fiscal year by the consulting engineer. Fund is to be used to fund emergency repairs or capital improvements of a major nature when funds are not otherwise available.
New York Water	No R&R Reserve requirement
Philadelphia Water Department	No R&R Reserve requirement
San Antonio Water	It's used to pay capital expenditures, unexpected repairs & replacements or O&M expenses when System funds are not available, paying bonds or other obligations when System revenues are not available, and in the last month of any Fiscal Year to make up any shortfall in the required payments to the General Fund of the City, or any other lawful purpose in support of the System. Deposits to R&R are to be made equally, on a dollar-for-dollar basis with amount payable to the General Fund of the City, until full amt to the City has been paid. Thereafter all surplus Net Rev are deposited in the R&R
San Francisco Public Utilities Commission	No R&R Reserve requirement
Washington Suburban Sanitary Commission (WSSC)	No R&R Reserve requirement

Comparative User Charges – Large National and Regional Utilities



Comparative User Charges as % of Median HH Income – Large National/Regional Utilities





The Proposed FY 2024 Budget

Presentation to the Retail Rates Committee on February 28, 2023

District of Columbia Water and Sewer Authority



Blue Plains

- 💧 Review the management's budget proposal
- 💧 Obtain committee's recommendation to the Board on the following:
 - Proposed FY 2023 – FY 2032 Financial Plan, including the revenue requirements to support the operating and capital budgets

- Preparation of Proposed Budget ✓
- Wholesale customer briefing ✓
- Board review of proposals
 - Two months of committee review by Finance and Budget, Environmental Quality and Operations, and Retail Rates Committees
- Office of People’s Counsel Budget Briefing ✓
- Budget Adoption by the full Board on March 2, 2023
- Fiscal year begins on October 1, 2023



Timeline (2023)	Activity	Status
January 5	Budget Workshop with Board of Directors	✓
January 10	Office of People's Counsel Briefing	✓
January 13	Wholesale Customer Briefing	✓
	Committee Discussions & Reviews	✓
January 19	Environmental Quality & Operations	✓
January 24	Joint DC Retail Water & Sewer Rates and Finance & Budget Committee	✓
February 2	Board Meeting (No Board Action Required)	✓
	Committee Reviews, Recommendations & Actions	✓
February 16	Environmental Quality & Operations	✓
February 23	Finance & Budget	
February 28	DC Retail Water & Sewer Rates	
March 2	Board Adoption	
April	Submit Budget via the District to U.S. Congress	
October 1	Fiscal Year 2024 Begins	

- 💧 The Board of Directors has the sole authority to adopt DC Water's budget
- 💧 When DC Council established DC Water, they emphasized the importance of need for independent financial control in DC Code § 34–2201.01:
 - **(3)** The **financing requirements** for water distribution and sewage collection, treatment, and disposal systems, including the ability to fund capital programs without undue reliance on the general obligation credit of the District, are substantial and **require financial resources independent of other District funds**
 - **(4)** Creation of an **independent authority** with secure funding **separated** from the District's General Fund to oversee water and sewer operations for the District and surrounding jurisdictions will **enhance the financial viability of water distribution and sewage collection, treatment, and disposal systems in the District and enhance the District's ability to meet its statutory obligation to provide sanitary sewer services to the surrounding jurisdictions**
 - **(7)** It is in the **best interest** of the District, its citizens, and the surrounding jurisdictions that the Council establish an **independent water and sewer authority** to achieve the following goals and objectives
 - **(B)** To expedite the repair, replacement, rehabilitation, modernization, and extension of existing water distribution and sewage collection, treatment, and disposal systems **including the financing, on a self-sustaining basis, of capital and operating expenses** relating thereto

- 💧 DC Council and the U.S. Congress enacted legal requirements for DC Water's budget:
 - **7 affirmative [Board member] votes shall be required for approval of the Authority's budget.** See D.C. Law 11-111; D.C. Code § 34-2202.04(b)(4)(j)
 - The District of Columbia Water and Sewer Authority established pursuant to Chapter 22 of Title 34 shall prepare and annually submit to the Mayor, for inclusion in the annual budget, annual estimates of the expenditures and appropriations necessary for the operation of the Authority for the year. All such estimates shall be forwarded by the Mayor to the Council for its action pursuant to §§ 1-204.46 and 1-206.03(c), **without revision but subject to his recommendations.** Notwithstanding any other provision of this chapter, the **Council may comment or make recommendations** concerning such annual estimates, but **shall have no authority under this chapter to revise such estimates.** See Pub. L. 104-184, § 4(a); D.C. Code § 1-204.45a(a)

💧 Proposed Operating Expenditure Budget of \$737.6 million

- Operations and Maintenance (O&M) budget of \$433.9 million for personnel and non-personnel
- Debt Service budget of \$232 million and Cash Financed Capital Improvements budget of \$48.3 million
- PILOT & ROW payments to the District of \$23.4 million or an increase of \$0.4 million

💧 Proposed 10-year Capital Budget of \$6.95 billion

- Capital Projects – \$6.27 billion for mandated projects, equipment upgrades and rehabilitation at Blue Plains, and continued investments in the aging water and sewer infrastructure
- Capital Equipment – \$347.4 million equipment including pumps, motors, meters, backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs
- Washington Aqueduct (WAD) – \$338.5 million for DC Water's share of WAD's capital program

💧 Proposed Financial Plan

- Includes previously approved FY 2024 rates and fees
- Revenue requirements support the forecasted operating expenditures and ten-year CIP
- Meets Board financial policy requirements



DC Water Budget Overview

FY2023-2032 Proposed Capital Investments of \$6.95 billion

\$963 million



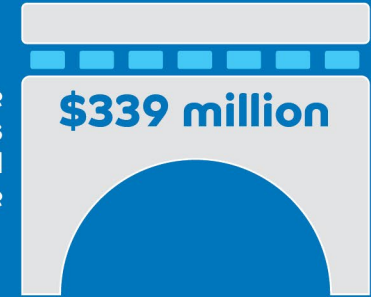
Fully funds DC Clean Rivers projects to meet Consent Decree requirements



\$347 million

Invests in process equipment, specialized vehicles, and information technology infrastructure

Invests in the Aqueduct's capital infrastructure



\$339 million

Continues investment in Water & Sewer infrastructure



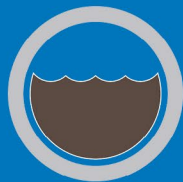
\$612M

to remove all lead service lines by **2030**



\$1.4 billion

Ramps up to 1.5% replacement for small diameter water mains per year



\$1.8 billion

Ramps up to 1.0% rehabilitation for small sewer lines per year

\$141 million



Constructs the new Fleet and Sewer Facilities, renovates the Historic Main Pump Station, and restores the Main & O campus seawall



\$72 million

Improves stormwater pump stations to relieve local flooding

\$1.18 billion



Funds rehabilitation and upgrades at Blue Plains

DC Water Budget Overview

FY 2024 Operating Budget of \$737.6 million

\$201.6 million

Pays the salaries, benefits and overtime of 1342 employees, including **17 new positions** (to maintain our increased assets, provide customer engagement, and support recruitment, and Diversity, Equity & Inclusion efforts), 17 apprentices, and Summer Internship Program



\$1.3 million

Expands various initiatives to improve customer engagement and stakeholder communication and provide support for the Building Information Management (BIM), Per- and Polyfluoroalkyl Substances (PFAS) monitoring, innovation, and strategic programs



\$23.4 million

PILOT & ROW payments to the District

\$91.0 million



Funds core operations including critical infrastructure and facilities maintenance and repairs, software technology, legal, compliance, insurance, credit card fees, audit services, biosolids hauling services, government affairs, and workforce development



\$0.9 million

Continues the Leak Assistance Program for customers to repair property side leaks impacting water bills and expands the Backwater Valve Program to install backwater valves on private properties impacted by storm events in the District



\$280.2 million

Other non-operational needs for debt service and Paygo for the capital program

paygo



\$1.4 million

Funds the maintenance of the Green Infrastructure (GI) facilities to manage stormwater

\$137.8 million



Funds fixed and nondiscretionary costs for chemicals & supplies, water purchase, and utilities

💧 The increase in operating revenues of \$36.1 million (retail & wholesale) in FY 2024 is needed to support:

- Increased costs for **salary and wages** plus **health benefits** to deliver vital water and sewer services and the addition of 17 positions to **improve operations**, \$15.4 million increase
- Fixed costs like **chemicals** and **energy** for wastewater treatment, \$1.4 million increase
- Purchase of **clean drinking water** from the Aqueduct, \$3.7 million increase
- Rising cost of **insurance premiums** needed to protect our assets, \$1.4 million increase
- Increased costs for professional service contracts including **maintenance and repairs** to ensure reliability of our assets and improve key performance indicators, \$2 million increase
- New initiatives to improve **customer engagement** and **stakeholder communication**, \$1.1 million increase
- CIP increases for programs like **Clean Rivers** and **Lead-Free DC** programs through FY 2030 and **water and sewer infrastructure** projects




💧 DC Water has some of the most robust customer assistance programs in the nation

- We know that some households cannot afford the vital service that we provide, so DC Water has implemented programs to help
- Household incomes up to \$142,300 (household of four) may qualify



For more information, please see:
<https://www.dewater.com/customer-assistance>

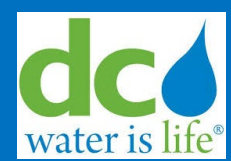



 FY 2023 and FY 2024 Revenues have been revised upward due to following:

- Retail Revenue – higher projected consumption by 1.0 million Ccf
- Wholesale Revenue – increase in O&M cost
- Interest Earnings and Interest on Bond Reserves – higher projected interest rates
- Other Revenue – increase in projected Engineering/Permit fee based on Cost of Service

FY 2023	Current	Revision	Proposed
Retail Revenue	\$ 667,024,202	\$ 18,481,139	\$ 685,505,341
Wholesale Revenue	85,720,070	18,839,431	104,559,501
Interest Earnings	4,161,829	2,866,384	7,028,213
Other Revenue	42,861,646	1,966,795	44,828,441
Interest on Bond Reserve	225,034	295,811	520,845
Total	\$ 799,992,781	\$ 42,449,560	\$ 842,442,341

FY 2024	Current	Revision	Proposed
Retail Revenue	\$ 689,378,359	\$ 28,932,111	\$ 718,310,470
Wholesale Revenue	89,142,239	17,376,830	106,519,069
Interest Earnings	4,150,788	3,544,015	7,694,803
Other Revenue	44,756,646	882,795	45,639,441
Interest on Bond Reserve	276,595	74,296	350,891
Total	\$ 827,704,627	\$ 50,810,047	\$ 878,514,674



Revenue Comparison by Customer Class

- Total revenue is projected to increase by \$8.8 million for FY 2023 as compared to FY 2022 Actual and increase by \$36.1 million or 4.3% for FY 2024 due to the rate increase
 - *Retail Revenue* – Decrease by \$17.6 million or 2.6% in FY 2023 and increase by \$32.4 million or 4.9% in FY 2024. The decrease in FY 2023 is due to utilization of \$52.1 million RSF in FY 2022; \$41.6 million RSF was transferred to ending cash balance
 - *Wholesale Revenue* – Increase by \$19.7 million or 23.2% in FY 2023 and increase by \$2.0 million or 1.9% for FY 2024 due to operations and maintenance expense projection. Revenue estimates are based on most recent flow data

\$ in thousands	Actual FY 2022	Revised FY 2023	Proposed FY 2024	FY 2023 vs FY 2022		FY 2024 vs FY 2023	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$680,026	\$662,435	\$694,881	-\$17,591	-2.6%	\$32,446	4.9%
Wholesale Revenue							
Potomac Interceptor (PI)	3,405	3,547	3,547	141	4.1%	-	0.0%
Loudoun County Sanitation Authority (LCSA)	7,695	9,300	9,538	1,604	20.8%	239	2.6%
Washington Suburban Sanitary Commission (WSSC)	59,049	73,648	74,959	14,599	24.7%	1,312	1.8%
Fairfax County*	14,749	18,066	18,475	3,316	22.5%	409	2.3%
Total Wholesale Revenue	\$84,899	\$104,560	\$106,519	\$19,659	23.2%	\$1,960	1.9%
Other Revenue	68,670	75,447	77,115	6,777	9.9%	1,668	2.2%
Rate Stabilization Fund (RSF)	-	-	-	-	-	-	-
Total Revenues**	\$833,595	\$842,442	\$878,515	\$8,846	1.1%	\$36,073	4.3%

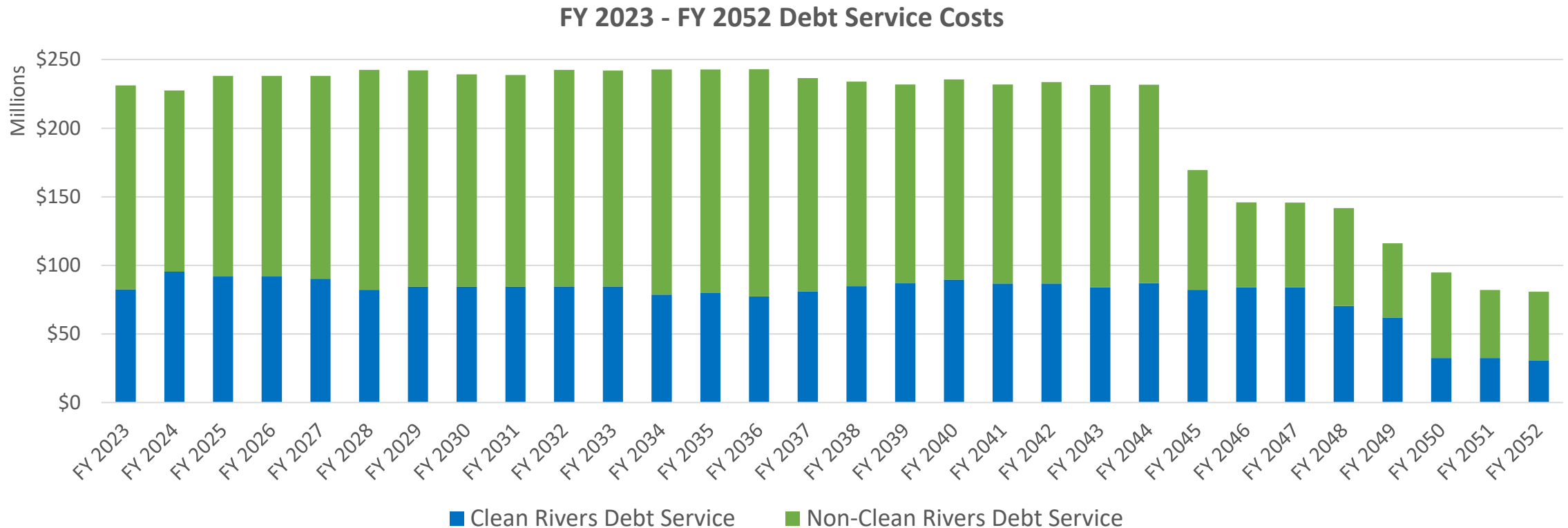
* The reduced revenues for Fairfax reflects decrease in percentage flow in 2021 (9.16%) as compared to 9.78% that was used in the FY 2022 approved budget last year. Most recent flow that is available at the time of preparing the projections is used to estimate revenue. However, actual costs will be distributed, and revenues recouped using actual flows for FY 2023 and FY 2024

** FY 2022 receipts include \$41.6 million RSF amount, which was transferred to ending cash balance

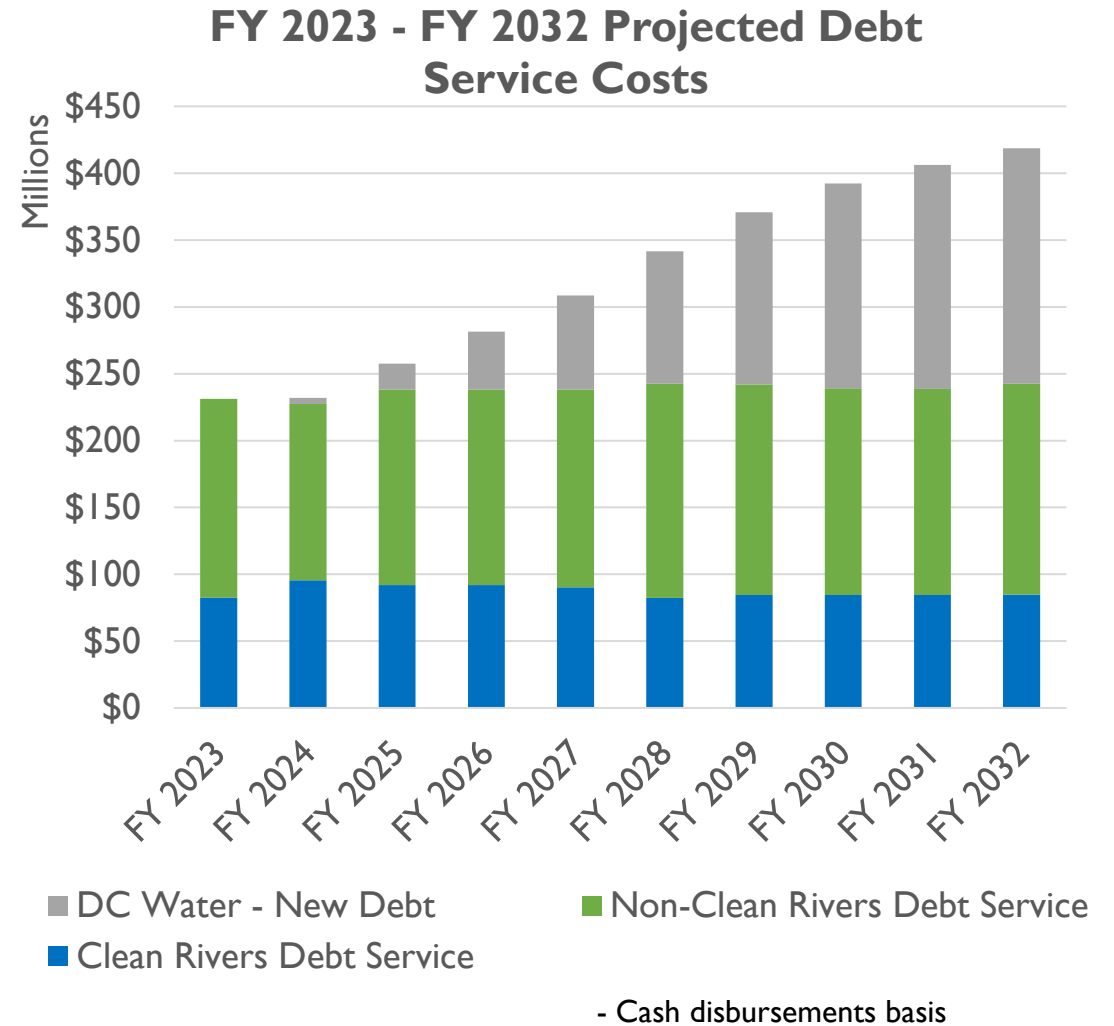
- The metrics maintained in DC Water's financial plan are intended to maintain our credit ratings and keep borrowing costs low
- Over the next ten years DC Water plans to borrow an additional \$2.7 billion that must be repaid through customer rates
- DC Water's prudent approach to borrowing is designed to provide generational equity among ratepayers without compromising future financial flexibility or incurring unnecessary costs
 - Borrowing allocates a portion of current capital costs to future ratepayers for capital improvements expected to remain in use at the time repayment occurs, but increases total costs due to interest expenses incurred
- Financial strength has allowed DC Water to spread repayment of once-in-a-generation capital costs aggressively and equitably, providing relief to current ratepayers
 - Financial Plan contemplates the issuance of \$2.7 billion of new debt; only ~\$1.8 billion of existing bonds are scheduled to be repaid through FY2032
 - Existing debt includes a \$350 million century bond will not be repaid until 2114 and represents the only century bond within the municipal utility sector
 - Commitments to generational equity in the debt portfolio are more aggressive than they could be at a lower rating level., with century bond market not available to lower-rated issuers and escalating credit premiums required for maturities >30 years.
- Weakening of financial metrics could compromise access or increase costs for financial products that provide savings to DC Water ratepayers

Debt Service for Existing Debt

- Debt service costs *for current debt* are projected to be approximately \$6.2 billion over the next 30 years through 2052
 - Clean Rivers debt service costs are \$2.4 billion and Non-Clean Rivers debt service costs are \$3.8 billion



- To advance the capital program, DC Water will borrow an additional \$2.7 billion over the next ten years
- These new debt service costs will require additional rate adjustments
- DC Water must maintain a strong financial position and its bond ratings in order to borrow funds to finance the capital program

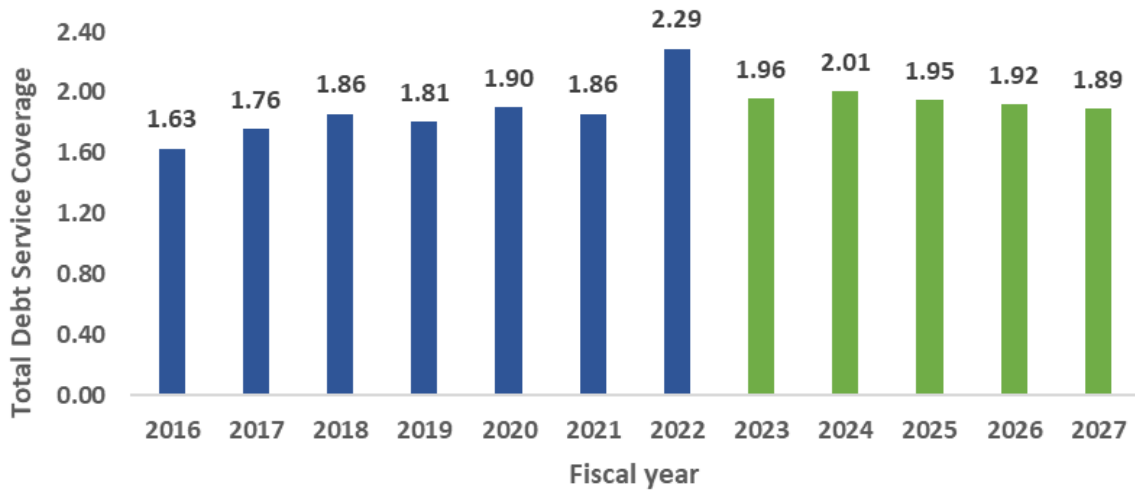


- The chart below demonstrates the substantial financial impact of lower credit ratings under normal and stressed market conditions per \$100 million of debt issuance, noting that DC Water has plans to issue at least \$2.7 billion of new money debt in the next ten years and maintains over \$3.5 billion of outstanding debt, some of which could be refinanced in the future
 - Low-cost debt funding is vital to continued refinancing efforts that have generated hundreds of millions of dollars of present value debt service savings over the past ten years
- Costs shown measure incremental interest costs incurred for a fixed amount of borrowing at various rating levels versus DC Water's current rating level, but do not measure the full interest costs related to proposed additional borrowing
 - Additional borrowing compounds added costs

Rating	Average Credit Spreads				Maximum Credit Spreads			
	Yield Differential vs. AAA Rating	Annual Cost Differential (per \$100 million)	Total Cost Differential (Through Maturity)	PV at 3.50%	Yield Differential vs. AAA Rating	Annual Cost Differential (per \$100 million)	Total Cost Differential (Through Maturity)	PV at 3.50%
AAA	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -
AA+	0.10%	100,000	2,000,000	\$1,421,240	0.20%	200,000	4,000,000	\$2,842,481
AA	0.15%	150,000	3,000,000	\$2,131,860	0.35%	350,000	7,000,000	\$4,974,341
AA-	0.25%	250,000	5,000,000	\$3,553,101	0.65%	650,000	13,000,000	\$9,238,062
A+	0.35%	350,000	7,000,000	\$4,974,341	0.95%	950,000	19,000,000	\$13,501,783
A	0.45%	450,000	9,000,000	\$6,395,581	1.30%	1,300,000	26,000,000	\$18,476,124
A-	0.55%	550,000	11,000,000	\$7,816,822	1.60%	1,600,000	32,000,000	\$22,739,845

- Coverage is a core financial metric that reflects the financial health of a utility and measures the funds that are available to pay debt service after operating costs are met
 - *Funds representing excess coverage are used as PAYGO or cash to fund the capital program and reduce required borrowing*
 - *A reduction in PAYGO would require additional borrowing to cover capital budget expenditures for infrastructure improvements*
- Coverage projections in the budget and the financial plan is consistent with recent results that have led to high bond ratings and lower borrowing costs for customers in DC
- Higher coverage indicates greater flexibility to tolerate financial stress from unexpected expenditures or a shortfall in revenues while still assuring repayment of debt
- The Trust Indenture requires coverage of 1.2X for senior bonds and 1.0X for subordinate coverage; Board Policy requires a minimum of 1.6X combined coverage
 - DC Water management policy of a maximum of 33% of revenues (one-third of every dollar) to be spent on debt; given the significant amount of debt to be added to the balance sheet over the next ten years this increases coverage
 - The Fitch ratings process in large part is determined by leverage – which measures a utility’s debt and other fixed obligations (net of certain balance sheet resources), relative to its annual cash flows available to service those obligations
 - A reduction in coverage from our current levels impacts the Fitch leverage calculation and could result in a ratings downgrade and an increase in borrowing costs that would put pressure on customer rates
- Maintaining this metric in the Financial Plan is deliberate and not arbitrary; it has been recognized by Rating Agencies as a financial strength and a reason that DC Water can borrow at low rates

Historical and Projected Debt Service Coverage

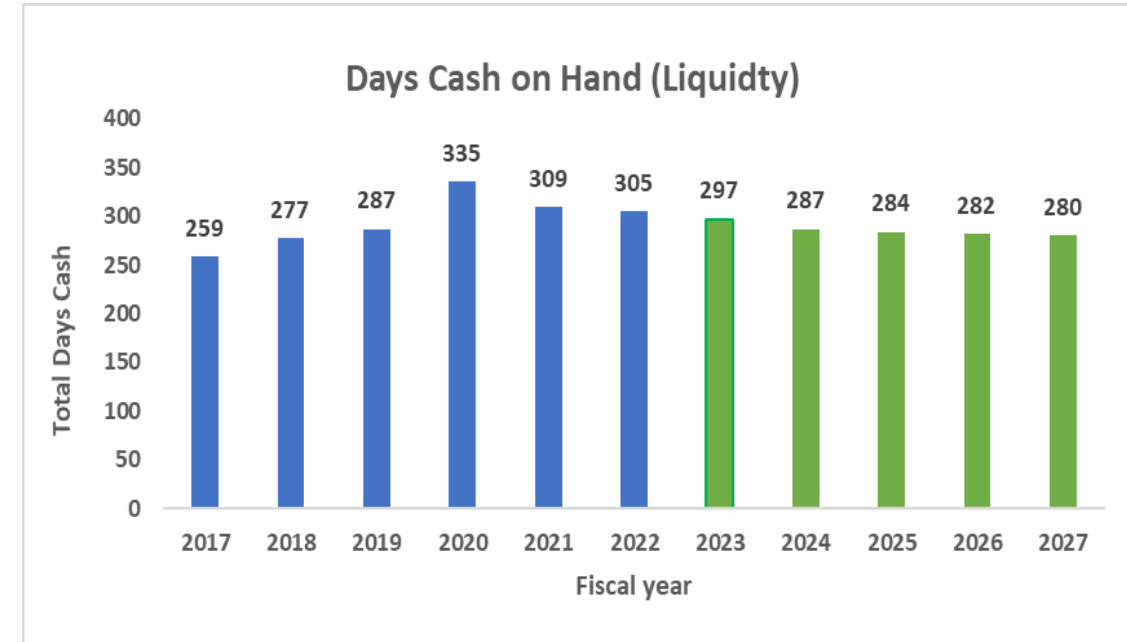


Higher 2022 coverage projection is the result of a Rate Stabilization Fund withdrawal to establish 250 days of cash outside of that Fund

- In calculating debt service coverage, withdrawals from RSF are counted as revenues; deposits to RSF are subtracted from revenues

- Fitch wrote in our last ratings report that “Rate adjustments that are not sufficient to support sustained revenue growth and hold debt service coverage by net revenue close to current levels” could result in a ratings downgrade
- Moody’s: “departure from history of routine rate increases that weakens the authority’s financial metrics” could result in a downgrade
- A downgrade would increase borrowing costs for our customers
- Minimum coverage requirements in our Indenture and in our Board Policy are not sufficient to maintain our bond ratings, especially with an additional \$2.7 billion in planned borrowing over the next ten years

- 💧 Liquidity is measured in the number days of unrestricted operating cash
 - *Liquidity is the number of days that DC Water could cover operating costs without additional revenue*
- 💧 Higher liquidity indicates greater flexibility to deal with unexpected expenditures or a shortfall in revenues
- 💧 DC Water has maintained a minimum of 250 days of cash since 2015, which is required by Board policy
- 💧 Certain rating agencies expect > 250 days of cash for utilities rated in the highest category
 - Fitch wrote in our last ratings report that “Sustained declines in operating liquidity, or a change in regulations or water quality that necessitates much more borrowing” could result in a ratings downgrade
- 💧 DC Water’s unrestricted liquidity is low when compared to its highly rated peers
- 💧 Maintaining this metric in the Financial Plan is deliberate and not arbitrary; it has been recognized by Rating Agencies as a financial strength and a reason that DC Water can borrow at low rates



Liquidity as measured by credit rating agencies includes unrestricted reserves in addition to Rate Stabilization Fund balance.

- DC Water's combined debt service coverage is in line with similarly rated peers(1)
- Liquidity at 366 days is low compared to our peers (2)
- Current coverage and liquidity levels need to be maintained to keep borrowing costs low for our customers

Selected Peer	Type	Moody's Rating (Senior)	S&P Rating (Senior)	Fitch Rating (Senior)	Total Operating Revenues (\$000s)	Total Annual Debt Service (\$000s)	Debt Ratio	Long Term Debt (\$000s)	Total Debt Service Coverage	DS as a % of Total Operating Revenues	Days Cash on Hand
Atlanta, GA	Water & Sewer	Aa2	AA-	AA	482,084	235,362	41.5%	2,947,648	1.9x	48.8%	1,291 Days
Charlotte, NC	Water & Sewer	Aaa	AAA	AAA	458,669	142,074	32.4%	1,460,786	2.0x	31.0%	498 Days
Dallas, TX	Water & Sewer	Aa2	AAA	AA	675,180	222,946	48.3%	3,178,441	1.4x	33.0%	245 Days
DC Water	Water & Sewer	Aa1	AAA	AA+	770,557	214,611	42.6%	3,422,793	2.2x	27.9%	366 Days
Louisville MSD, KY	Sewer	Aa3	AA	AA-	365,367	162,506	65.9%	2,333,927	1.6x	44.5%	364 Days
Metro St. Louis Sewer District, MO	Sewer	Aa1	AAA	AA+	458,249	123,886	41.6%	1,740,295	2.2x	27.0%	494 Days
NE Ohio Regional Sewer District	Sewer	Aa1	AA+	NR	382,237	108,963	51.4%	1,915,685	2.5x	28.5%	1,196 Days
NYC Water	Water & Sewer	Aa1	AAA	AA+	3,879,042	593,200	83.8%	31,542,159	3.9x	15.3%	336 Days
San Antonio, TX	Water & Sewer	Aa1	AA+	AA+	779,332	204,249	47.6%	4,041,445	2.0x	26.2%	523 Days

1

2

Metrics	Indenture Requirement	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 days	250 Days	—	252 - 263 Days
Combined Coverage Ratio	—	1.6X	—	1.76X – 2.01X
Senior Coverage	1.2X	—	—	5.80X – 7.83X
Subordinate Coverage	1.0X	—	—	2.07X – 2.45X
Debt Service as a % of Revenue	—	—	33% of Revenue or Less	26% - 33%



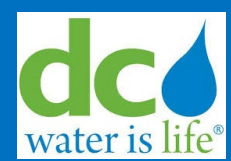
Revised

\$ in thousands

OPERATING	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
<i>Retail</i>	\$685,505	\$ 718,310	\$ 755,081	\$ 802,038	\$ 852,254	\$ 898,145	\$ 953,657	\$ 1,006,114	\$ 1,049,289	\$ 1,081,751
<i>Wholesale</i>	104,560	106,519	110,780	115,211	119,819	124,612	129,597	134,781	140,172	145,779
<i>Other</i>	52,377	53,685	53,625	58,319	63,816	67,423	65,912	64,501	62,804	60,816
<i>RSF</i>	-	-	-	-	-	-	-	-	-	-
Operating Receipts ⁽¹⁾	\$ 842,442	\$ 878,515	\$ 919,485	\$ 975,568	\$ 1,035,890	\$ 1,090,180	\$ 1,149,166	\$ 1,205,396	\$ 1,252,264	\$ 1,288,346
Operating Expenses	(401,231)	(425,383)	(441,828)	(458,923)	(476,695)	(495,170)	(514,376)	(534,342)	(555,099)	(576,678)
Debt Service	(231,232)	(231,953)	(257,615)	(281,518)	(308,481)	(341,582)	(370,871)	(392,286)	(406,343)	(418,816)
Cash Financed Capital Improvement	\$ (23,505)	\$ (48,256)	\$ (60,406)	\$ (72,183)	\$ (76,703)	\$ (80,833)	\$ (85,829)	\$ (90,550)	\$ (94,436)	\$ (97,358)
Net Revenues After Debt Service	\$ 186,474	\$ 172,922	\$ 159,636	\$ 162,943	\$ 174,011	\$ 172,596	\$ 178,090	\$ 188,218	\$ 196,387	\$ 195,495
Operating Reserve-Beg Balance	257,374	274,600	282,600	292,600	303,600	314,600	327,600	340,600	354,600	368,600
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(11,688)	(11,256)	-	-	-	-	-	-	-	-
Pay-Go Financing	(157,560)	(153,665)	(149,636)	(151,943)	(163,011)	(159,596)	(165,090)	(174,218)	(182,387)	(180,495)
Operating Reserve - Ending Balance	\$ 274,600	\$ 282,600	\$ 292,600	\$ 303,600	\$ 314,600	\$ 327,600	\$ 340,600	\$ 354,600	\$ 368,600	\$ 383,600
Rate Stabilization Fund Balance RSF ⁽²⁾	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)
Senior Debt Service Coverage	580%	734%	783%	699%	644%	659%	656%	620%	645%	617%
Combined Debt Service Coverage	196%	201%	195%	192%	189%	181%	178%	178%	178%	176%
Actual/Projected Water/Sewer Rate Increases	9.50%	3.25%	9.00%	7.50%	8.00%	8.00%	7.50%	7.50%	6.50%	6.50%
Operating Receipts \$ Increase/Decrease										
Retail	34,950	32,805	36,770	46,957	50,216	45,890	55,513	52,457	43,174	32,463
Wholesale	19,660	1,960	4,261	4,431	4,608	4,793	4,984	5,184	5,391	5,607
Operating Receipts % Increase/Decrease										
Retail	5.4%	4.8%	5.1%	6.2%	6.3%	5.4%	6.2%	5.5%	4.3%	3.1%
Wholesale	23.2%	1.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

⁽¹⁾ Includes interest earnings on senior lien revenue bonds' debt service reserve fund

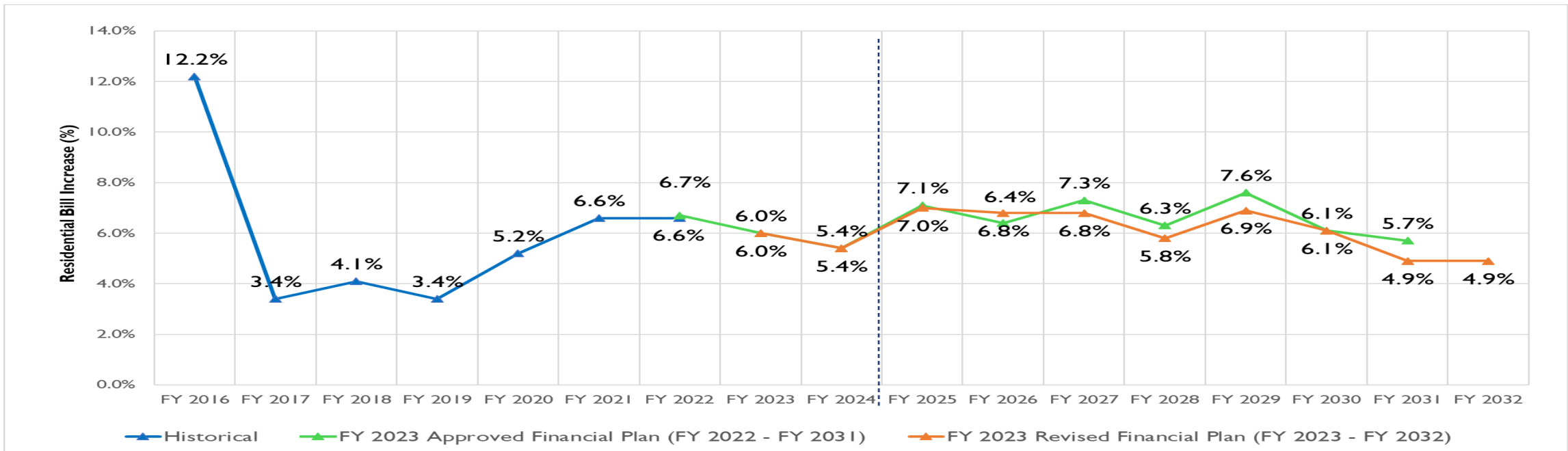
⁽²⁾ FY 2024 planned transfer of \$0.0 million to Rate Stabilization Fund and \$0.0 million utilization will keep the total fund balance at \$35.644 million.



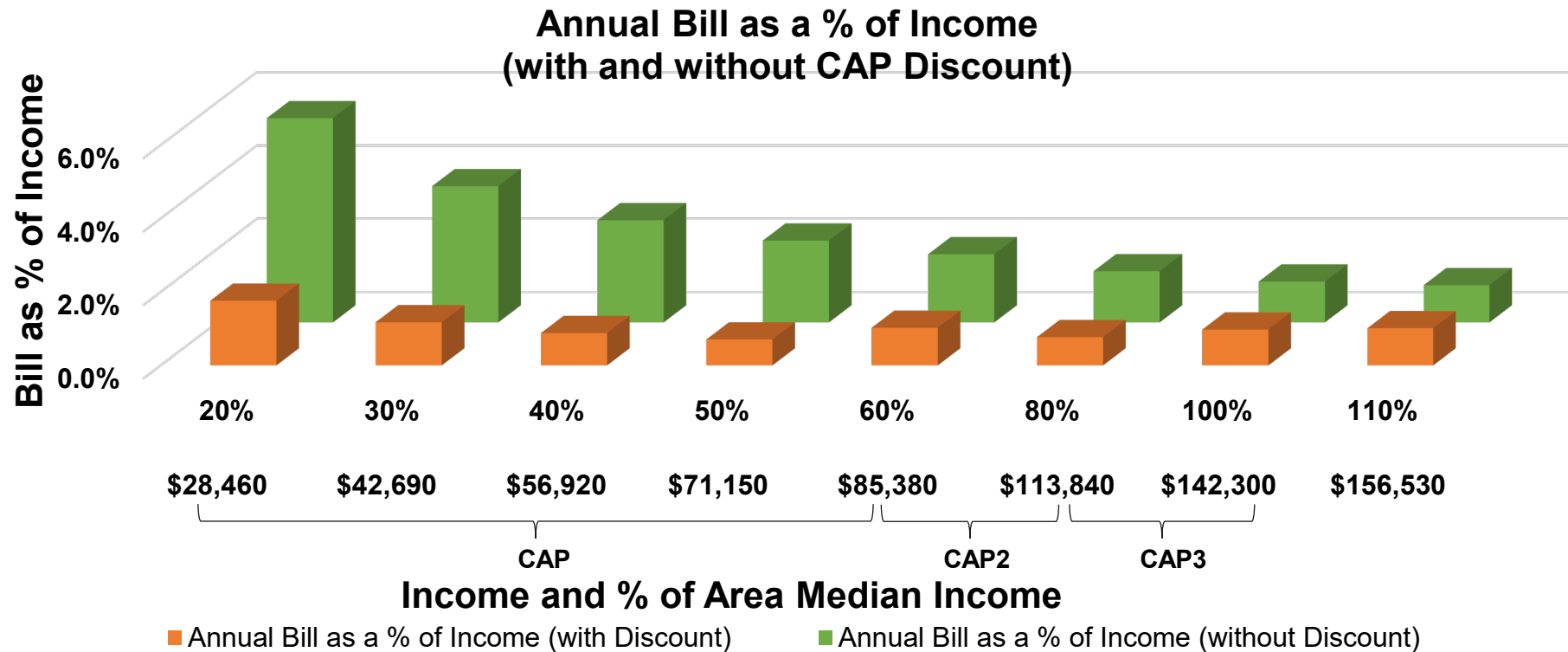
Historical and Projected Combined Rate Increases

- DC Water calculates rate increases that will be required to meet operating and capital budget expenditures as well as maintenance of financial metrics that keep borrowing costs low
- Rate increases are required because of increases in spending on operations and infrastructure investment (the capital budget)
 - DC Water offers some of the most robust customer assistance programs in the country for those who cannot afford our services
- Debt service is the fastest growing portion of the budget
 - Using cash for capital projects (PAYGO) and sustaining our high bond ratings help keep customer rates lower

The stable outlook incorporates the expectation that the authority will manage rates effectively to maintain healthy liquidity and sound debt service coverage while generating new revenue over the longer term to support capital improvements – Moody's



- 💧 CAP provides discounts to households up to 100% Area Median Income
- 💧 Those with lower incomes receive a greater benefit
- 💧 Programs assist with affordability for households below area median income



Committee Actions & Budget Adoption

	Environmental Quality & Operations	Finance & Budget	DC Retail Water & Sewer Rates
Committees & Meeting Dates	February 16	February 24	February 28
FY 2023 - FY 2032 Capital Budget <ul style="list-style-type: none"> Revised FY 2023 Capital Disbursements Proposed FY 2024 Capital Disbursements Ten-Year Disbursements Lifetime Project 	Action Required	Action Required	
Annual Operating Expenditure Budgets <ul style="list-style-type: none"> Proposed Revised FY 2023 Proposed FY 2024 		Action Required	
FY 2023 - FY 2032 Financial Plan <ul style="list-style-type: none"> Proposed Revised FY 2023 Revenues Proposed FY 2024 Revenues 		Action Required	Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing		Action Required	



Complete Budget Briefing available online at <https://www.dcwater.com/budget-and-rate-review-documents-0>

Navigation: My Accounts, Pay Your Bill, Report a Problem, Find a Job, Get a Permit, Contact Us, View Customer Center

Menu: About DC Water, Projects, Resources, What's Going On, Work with Us

Breadcrumb: Home > About DC Water > Finance > Ratemaking Process

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Ratemaking Process

The Board's Strategic Plan and 10-year financial plan provide the framework for the formulation, prioritization, implementation and monitoring of the annual budget process.

The annual budget process typically begins with planning in June and official kickoff in July of each year for the Operating and Capital Budgets. Plans and budgets are prepared at an appropriate level of detail for each management level. Assumptions inherent in the plans and budgets reflect the entity's historical experience, current conditions and Executive Team's directives. Once decisions are finalized for the operating and capital budgets, management develops the financial plan and rate model including various scenarios to ensure a balanced budget for recovery of costs. Further review is undertaken with independent consultants including benchmarking our proposed rates with peers in the industry. DC Water develops two-year rate proposals. The benefits of multi-year rates include greater revenue certainty, increased budget discipline and better alignment between revenues and expenditures.

The proposed budgets are finalized during the fall of each year, and introduced to the Board during the Budget Workshop typically in January. The Committees then submit their recommendations to the full Board for adoption and DC Water's adopted budget is included in the District of Columbia's budget submission to U.S. Congress.

DC Water's adopted budget and proposed rates are communicated via various news and media outlets as well as town hall meetings in each ward and a public hearing to provide customers the opportunity to comment on the changes. Once the budgets are appropriated by Congress and the final rates approved by the Board, they become effective on October 1st of each year.

IN THIS SECTION

- [FY 2024 Proposed Budget](#)
- [FY 2023 Approved Budget](#)
- [FY 2023 and FY 2024 Approved Rates](#)
- [Budget and Rate Review Documents](#)

OTHER LINKS & DOCUMENTS

Online Tools

- [Rate Comparison Tool](#)
- [Impervious Area Calculator](#)

FY 2023 & FY 2024 Approved Rate Documents

- [Responses to Comments and Recommendations on Proposed Rates](#)
- [FY 2023 & FY 2024 Proposed Rates Presentation - RRC February 22, 2022](#)
- [Independent Review of Proposed Rates for FY 2023 and FY 2024 - Report](#)
- [Independent Review of Proposed FY 2023 & FY 2024 Rates, Charges & Fees Presentation - RRC February 22, 2022](#)
- [2022 Cost of Service Study](#)
- [2022 Cost of Service Study Presentation - RRC January 25, 2022](#)

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Budget and Rate Review Documents

Date	Title
January 24, 2023	Joint DC Retail Water & Sewer Rates and Finance & Budget Committees Proposed FY 2023 - FY 2032 Capital Improvement Program
January 19, 2023	Environmental Quality and Operations Committee Proposed FY 2023 - FY 2032 Capital Improvement Program
January 5, 2023	Budget Workshop with the Board FY 2024 Proposed Budget



Are You In The Know?

Strategy



People



Thank you!

Teamwork Delivered the Budget Proposal

Management recommends the approval of the following:

- Proposed FY 2023 – FY 2032 Financial Plan, including the revenue requirements to support the operating and capital budgets



DC Retail Water and Sewer Rates Committee
Action Items

1. Proposal to approve the FY 2023 – FY 2032 Financial Plan, including the revenue requirements to support the operating and capital budgets.

ACTION ITEM 1

Proposed Ten Year Financial Plan FY 2023 – FY 2032

Attached is a summary of the 10-year Financial Plan, which is based on the following key assumptions for FY 2023 and FY 2024:

Revised FY 2023

- Operating receipts totaling \$842.44 million, an increase of \$8.85 million over FY 2022 funded through:
 - Retail Revenue – increase of \$34.51 million.
 - Wholesale Revenue – increase of \$19.66 million.
 - Other Revenue – decrease of \$45.32 million.
- Operating disbursements of \$655.97 million in FY 2023; and
- A ten-year capital improvement plan (FY 2023 – FY 2032) of \$6.95 billion on a cash disbursement basis.

FY 2024

- Operating receipts totaling \$878.51 million, an increase of \$36.07 million over FY 2023 funded through:
 - Retail Revenue – increase of \$32.44 million.
 - Wholesale Revenue – increase of \$1.96 million.
 - Other Revenue – increase of \$1.67 million.
- Operating disbursements of \$705.59 million in FY 2024; and
- A ten-year capital improvement plan (FY 2023 – FY 2032) of \$6.95 billion on a cash disbursement basis.

The FY 2023 – FY 2032 Financial Plan is projected to meet the Board's policy requirement of combined debt service coverage of 160 percent and an operating reserve of 250 days of budgeted operations and maintenance costs.

District of Columbia Water & Sewer Authority
FY 2023 – FY 2032 Financial Plan
(In 000's)

OPERATING	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Retail	\$685,505	\$ 718,310	\$ 755,081	\$ 802,038	\$ 852,254	\$ 898,145	\$ 953,657	\$1,006,114	\$1,049,289	\$1,081,751
Wholesale	104,560	106,519	110,780	115,211	119,819	124,612	129,597	134,781	140,172	145,779
Other	52,377	53,685	53,625	58,319	63,816	67,423	65,912	64,501	62,804	60,816
RSF	-	-	-	-	-	-	-	-	-	-
Operating Receipts ⁽¹⁾	\$ 842,442	\$ 878,515	\$ 919,485	\$ 975,568	\$1,035,890	\$1,090,180	\$1,149,166	\$1,205,396	\$1,252,264	\$1,288,346
Operating Expenses	(401,231)	(425,383)	(441,828)	(458,923)	(476,695)	(495,170)	(514,376)	(534,342)	(555,099)	(576,678)
Debt Service	(231,232)	(231,953)	(257,615)	(281,518)	(308,481)	(341,582)	(370,871)	(392,286)	(406,343)	(418,816)
Cash Financed Capital Improvement	\$ (23,505)	\$ (48,256)	\$ (60,406)	\$ (72,183)	\$ (76,703)	\$ (80,833)	\$ (85,829)	\$ (90,550)	\$ (94,436)	\$ (97,358)
Net Revenues After Debt Service	\$ 186,474	\$ 172,922	\$ 159,636	\$ 162,943	\$ 174,011	\$ 172,596	\$ 178,090	\$ 188,218	\$ 196,387	\$ 195,495
Operating Reserve-Beg Balance	257,374	274,600	282,600	292,600	303,600	314,600	327,600	340,600	354,600	368,600
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(11,688)	(11,256)	-	-	-	-	-	-	-	-
Pay-Go Financing	(157,560)	(153,665)	(149,636)	(151,943)	(163,011)	(159,596)	(165,090)	(174,218)	(182,387)	(180,495)
Operating Reserve - Ending Balance	\$ 274,600	\$ 282,600	\$ 292,600	\$ 303,600	\$ 314,600	\$ 327,600	\$ 340,600	\$ 354,600	\$ 368,600	\$ 383,600
Rate Stabilization Fund Balance RSF ⁽²⁾	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)
Senior Debt Service Coverage	580%	734%	783%	699%	644%	659%	656%	620%	645%	617%
Combined Debt Service Coverage	196%	201%	195%	192%	189%	181%	178%	178%	178%	176%
Actual/Projected Water/Sewer Rate Increases	9.50%	3.25%	9.00%	7.50%	8.00%	8.00%	7.50%	7.50%	6.50%	6.50%
Operating Receipts \$ Increase/Decrease										
Retail	34,950	32,805	36,770	46,957	50,216	45,890	55,513	52,457	43,174	32,463
Wholesale	19,660	1,960	4,261	4,431	4,608	4,793	4,984	5,184	5,391	5,607
Operating Receipts % Increase/Decrease										
Retail	5.4%	4.8%	5.1%	6.2%	6.3%	5.4%	6.2%	5.5%	4.3%	3.1%
Wholesale	23.2%	1.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

⁽¹⁾ Includes interest earnings on senior lien revenue bonds' debt service reserve fund

⁽²⁾ FY 2024 planned transfer of \$0.0 million to Rate Stabilization Fund and \$0.0 million utilization will keep the total fund balance at \$35.644 million.

District of Columbia Water & Sewer Authority
Average Residential Customer Monthly Bill
FY 2023 - FY 2032

	Units	Current									
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
DC Water Water and Sewer Retail Rates ^{(1),(5)}	Ccf	\$ 86.07	\$ 89.03	\$ 97.00	\$ 104.31	\$ 112.67	\$ 121.65	\$ 130.78	\$ 140.58	\$ 149.72	\$ 159.46
DC Water Clean Rivers IAC ⁽²⁾	ERU	18.14	21.86	23.03	25.20	27.08	27.44	29.87	31.04	31.28	31.32
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 118.26	\$ 124.94	\$ 134.08	\$ 143.56	\$ 153.80	\$ 163.14	\$ 174.70	\$ 185.67	\$ 195.05	\$ 204.83
Increase / Decrease		\$ 6.89	\$ 6.68	\$ 9.14	\$ 9.48	\$ 10.24	\$ 9.34	\$ 11.56	\$ 10.97	\$ 9.38	\$ 9.78
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 3.20	\$ 3.31	\$ 3.36	\$ 3.41	\$ 3.47	\$ 3.52	\$ 3.58	\$ 3.63	\$ 3.69	\$ 3.74
District of Columbia Right-of-Way Fee ⁽¹⁾	Ccf	1.03	1.03	1.03	1.08	1.08	1.08	1.14	1.14	1.14	1.14
District of Columbia Stormwater Fee ⁽³⁾	ERU	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.90	\$ 7.01	\$ 7.06	\$ 7.16	\$ 7.22	\$ 7.27	\$ 7.39	\$ 7.44	\$ 7.50	\$ 7.55
Total Amount Appearing on DC Water Bill		\$ 125.16	\$ 131.95	\$ 141.14	\$ 150.72	\$ 161.02	\$ 170.41	\$ 182.09	\$ 193.11	\$ 202.55	\$ 212.38
Increase / Decrease Over Prior Year		\$ 7.05	\$ 6.79	\$ 9.19	\$ 9.58	\$ 10.30	\$ 9.39	\$ 11.68	\$ 11.02	\$ 9.44	\$ 9.83
Percent Increase in Total Bill		6.0%	5.4%	7.0%	6.8%	6.8%	5.8%	6.9%	6.1%	4.9%	4.9%

(1) Assumes average monthly consumption for FY14 6.2 Ccf, or (4,638 gallons), FY15 6.01 Ccf, or (4,495 gallons), FY16 5.88 Ccf, or (4,398 gallons), FY17 5.72 Ccf, or (4,279 gallons), FY18 5.5 Ccf, or (4,114 gallons), FY19 5.39 Ccf, or (4,032 gallons)
(2) Assumes average 1 Equivalent Residential Unit (ERU)
(3) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010
(4) DC Water "Water System Replacement Fee" of \$6.30 for 5/8" meter size effective October 1, 2015
(5) Assumes 1 percent decline in consumption FY 2020 - FY 2028

District of Columbia Water & Sewer Authority
Retail Rates, Charges and Fees
FY 2022 - FY 2024

	Units	FY 2022	Approved FY 2023	Approved FY 2024
DC Water Retail Rates Water (Residential Lifeline 0 - 4 Ccf)	Ccf	\$3.63	\$4.28	\$4.38
DC Water Retail Rates Water (Residential > 4 Ccf)	Ccf	\$4.74	\$5.58	\$5.70
DC Water Retail Rates Water (Multi-Family)	Ccf	\$4.15	\$4.90	\$5.00
DC Water Retail Rates Water (Non-Residential)	Ccf	\$4.91	\$5.78	\$5.89
DC Water Retail Rates Sewer	Ccf	\$10.64	\$11.26	\$11.70
DC Water Clean Rivers IAC	ERU	\$18.40	\$18.14	\$21.86
DC Water Customer Metering Fee	5/8"	\$7.75	\$7.75	\$7.75
DC Water System Replacement Fee	5/8"	\$6.30	\$6.30	\$6.30
District of Columbia PILOT Fee	Ccf	\$0.56	\$0.59	\$0.61
District of Columbia Right-of-Way Fee	Ccf	\$0.19	\$0.19	\$0.19
District of Columbia Stormwater Fee	ERU	\$2.67	\$2.67	\$2.67

FY 2023 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
1. Proposal to 1) Remove FY 2022 CAP2 Recertification Requirements Language; and 2) Extend DC Water Cares: Residential Assistance Program and Multifamily Assistance Program for FY 2023			
a. <i>Presentation to RRC on proposal to amend Customer Assistance Program (CAP)</i>	June 28, 2022	√	Customer Service
b. <i>RRC recommends Board approval to amend the CAP regulations for CAP2, and extension of DC</i>	June 28, 2022	√	RRC
c. <i>Board approval to publish Notice of Emergency and Proposed Rulemaking (NOEPR) to amend the CAP regulations for CAAP2, and DC Water Cares Residential and Multifamily Assistance Programs extension</i>	July 7, 2022	√	Board of Directors
d. <i>Publish NOEPR and Notice of Public Hearing in DC Register</i>	July 22, 2022	√	DGLA
e. <i>Public comment period</i>	July 22 – September 19, 2022	√	OMAC & Board Secretary
f. <i>Public Hearing</i>	September 14, 2022	√	Board of Directors
g. <i>Public comment period closes</i>	September 19, 2022	√	Board Secretary
h. <i>RCC approves final proposal to amend CAP regulations for CAP2 and DC Water Cares Residential and Multifamily Assistance Programs extension</i>	September 27, 2022	√	RRC
i. <i>Implement extended DC Water Cares RAP and MAP in FY 2023</i>	October 1, 2022	√	Customer Care
j. <i>Board approval to publish Notice of Final Rulemaking to Approval of Notice of Final Rulemaking (NOFR)</i>	October 6, 2022	√	Board of Directors
k. <i>Publish NOFR in D.C Register</i>	October 21, 2022	√	DGLA
l. <i>Continue Implementing DC Water Cares RAP and MAP Programs in FY 2023</i>	October 21, 2022	√	Customer Care

FY 2022 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
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2. 2023 COS for Operating Reserves			
<i>a. Present 2023 Operating Reserves Cost of Service Study for FY 2024 – FY 2028 to RRC</i>	February 28, 2023		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	March 31, 2023		

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
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3. 2023 COS for Renewal & Replacement Reserves			
<i>a. Present 2023 Renewal and Replacement Reserves Cost of Service Study for FY 2024 – FY 2028 to RRC</i>	February 28, 2023		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	March 31, 2023		

4. 2023 COS for Rate Stabilization Fund (RSF)			
<i>a. Present 2023 Rate Stabilization Fund Cost of Service Study for FY 2024 – FY 2028 to RRC</i>	February 28, 2023		Rates and Revenue
<i>b. Discussion with the Committee</i>	TBD		
<i>c. Post Final COS on DC Water's website</i>	March 31, 2023		

5. 2023 COS for Engineering Inspection			
<i>a. Present 2023 Cost of Service Study for Engineering Inspection for FY 2024 – FY 2028 to RRC</i>	July 25, 2023		Engineering
<i>b. Post Final COS on DC Water's website</i>	August 31, 2023		

FY 2023 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
6. 2023 COS for Federally Owned Water Mains (FOWM)			
<i>a. Present 2023 Cost of Service Study for Federally Owned Water Mains to RRC</i>	TBD		Engineering
<i>b. Post Final COS on DC Water's website</i>	TBD		
7. 2023 COS for Stormwater Charges and Recovery Methodology			
<i>a. Present 2023 Cost of Service Study for Stormwater Charges and Recovery Methodology to RRC</i>	TBD		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	TBD		
8. 2023 COS for Water Supply Reliability and Resilience			
<i>a. Present 2023 Cost of Service Study for Water Supply Reliability and Resilience to RRC</i>	TBD		Engineering
<i>b. Post Final COS on DC Water's website</i>	TBD		
9. 2023 COS for Water, Sewer and CRIAC			
<i>a. Present 2023 Cost of Service Study for Water, Sewer and CRIAC to RRC</i>	January 24, 2024		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	TBD		

FY 2023 Proposed RRC Committee Workplan

Objective/*Activities/Task*

10. Delinquent Accounts			
a. <i>Soldiers Home Negotiations</i>	Monthly, as needed		DGLA

Objective/ <i>Activities/Task</i>	Date of Activity	Completed	Responsible Department
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11. Rate Stabilization Fund			
a. Rate Stabilization Fund	Monthly, as needed		Rates & Revenue



**D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
RETAIL WATER & SEWER RATES
COMMITTEE MEETING**

Tuesday, March 28, 2023; 9:30 a.m.

AGENDA

Call to Order	Committee Chairperson
Monthly Updates	Chief Financial Officer
Committee Workplan	Chief Financial Officer
Agenda for April 25, 2023, Committee Meeting	Committee Chairperson
Other Business	Chief Financial Officer
Adjournment	