



The Proposed FY 2025 Budget & Two-Year Rates

Budget Briefing to the Office of People's Counsel on January 19, 2024

District of Columbia Water and Sewer Authority



Blue Plains

Provide an overview of the Proposed Fiscal Year 2025 Budgets and Two-Year Rates:

- Operating Expenditures
- Ten-Year Capital Improvement Program
- Customer Assistance Programs
- Rates and Revenues
- Ten-Year Financial Plan



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

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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 2025 Proposed Budget & Two-Year Rates >](#)
- [FY 2024 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

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Budget and Rate Review Documents

Budget Review Documents

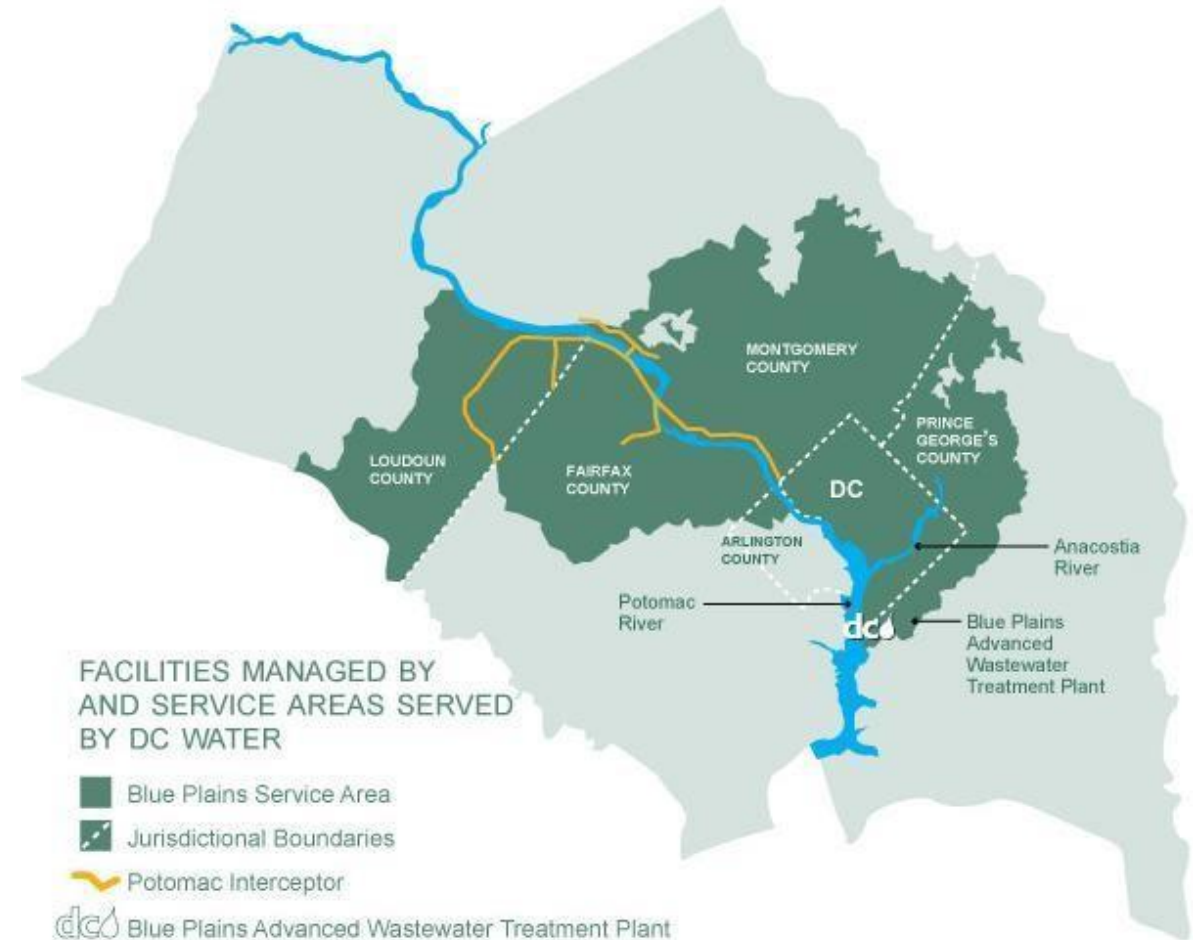
Date	Title
January 18, 2024	Environmental Quality and Operations Committee Proposed FY 2024 - FY 2033 Capital Improvement Program
January 4, 2024	Budget Workshop with the Board FY 2025 Proposed Budget & Two-Year Rates



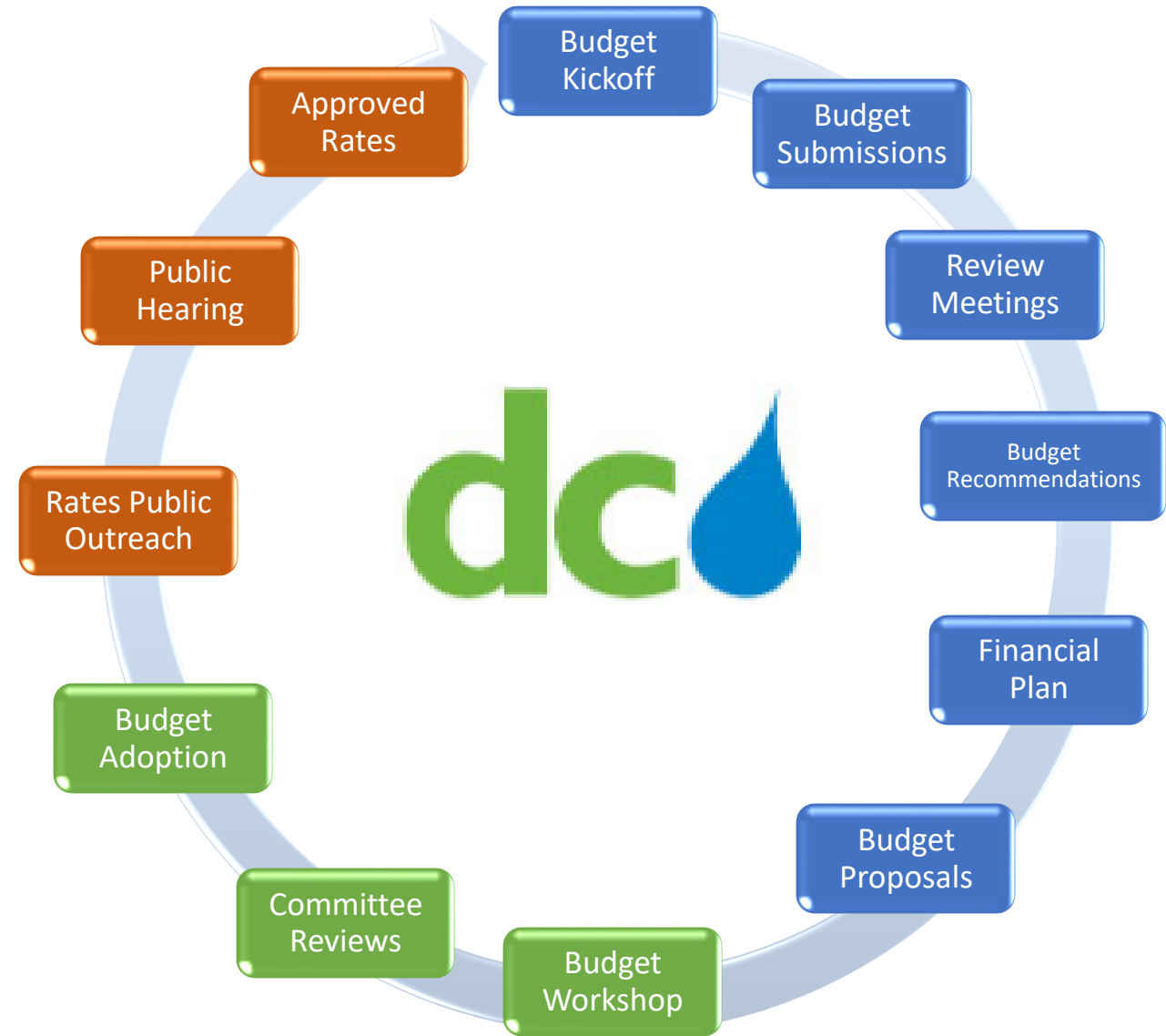
Are You In The Know?

Board of Directors meetings are held the first Thursday of every month and are open to the public. Join us in-person or watch

- ◆ DC Water **delivers water** through 1,300 miles of interconnected pipes, four pumping stations, four reservoirs, three water tanks, **43,860 valves**, and **9,510 fire hydrants**
 - The median age of water infrastructure is 79 years
- ◆ DC Water operates **1,900 miles** of sanitary and combined sewers, nine wastewater pumping stations, 16 stormwater pumping stations, and 12 inflatable dams
 - The median age of sewer infrastructure is 89 years
- ◆ Blue Plains Advanced Wastewater Treatment Plant is located at the southernmost tip of the District, covering more than **150 acres** along the Potomac River. Blue Plains is the largest advanced wastewater treatment facility in the world



- 💧 **Preparation** of Proposed Budget
- 💧 Board review of proposals
 - Two months of detailed review by Finance and Budget, Environmental Quality and Operations, and Retail Rates Committees
- 💧 Customer **Briefings** and **Feedback**
 - Wholesale Customer Briefing on January 12, 2024
 - **Office of People’s Counsel Budget Briefing on January 19, 2024**
 - Town Halls
- 💧 Board **Budget Adoption** on March 7, 2024
- 💧 **Public Hearing** on May 9, 2024
- 💧 **Board adoption** of rates on July 3, 2024
- 💧 Fiscal year begins on October 1, 2024



- Advances the Blueprint through investments in:
 - Clean Rivers** (*Resilient*) and critical **water and sewer infrastructure investments** (*Reliable*)
 - Our **people** through the Human Capital Management Strategy (*Equitable, Healthy, Safe & Well*), and
 - Operating efficiency** by reallocating vacancies to new needs (*Sustainable*)
- Budget department coordinates and leads the process; prioritizes submissions using established scoring criteria and analysis of expenditure trends
- Makes the best use of ratepayer funds; Budget process reduced departmental requests by \$16.7 million



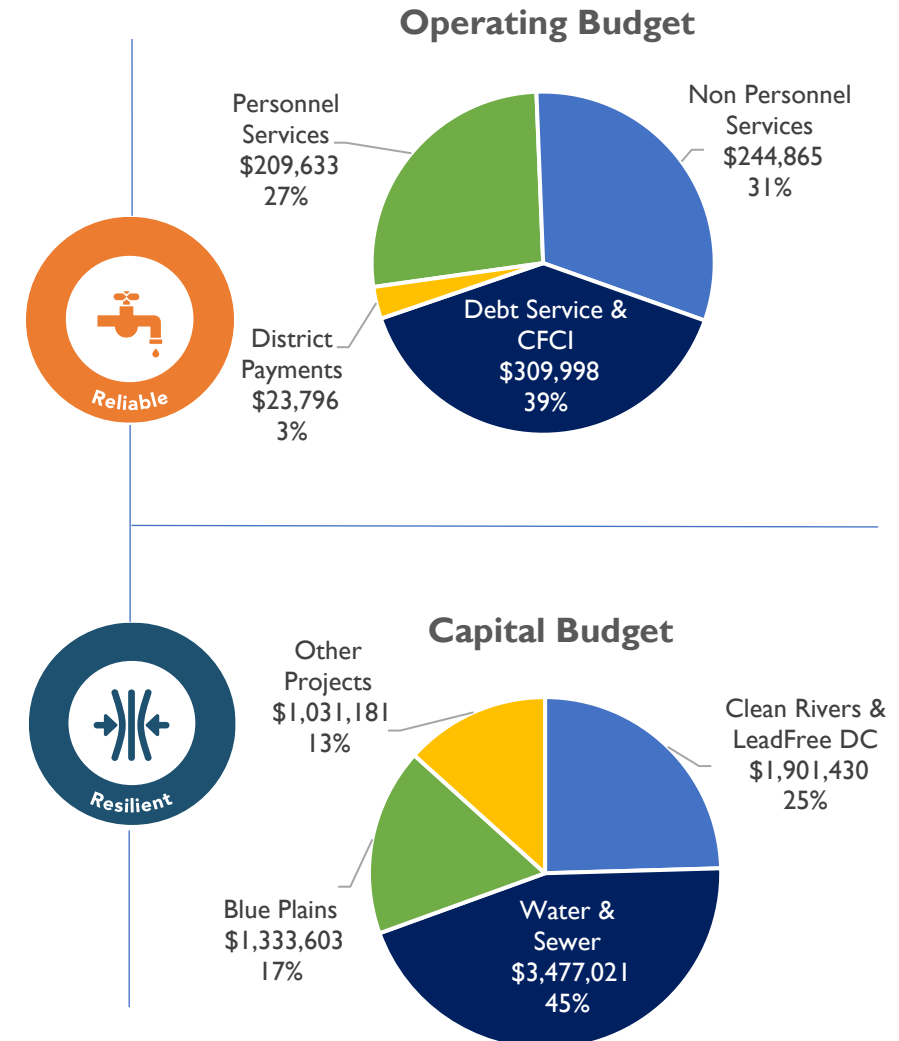
- DC Water will hold Town Hall Meetings in spring, in advance of the rates public hearing, to:
 - Inform customers about the Proposed FY 2025 and FY 2026 rates
 - Discuss the Capital Improvement Program, and
 - Promote all the existing and new customer assistance programs
- The meetings will be widely publicized through numerous channels, including:
 - Councilmember Offices
 - Advisory Neighborhood Commissions (ANCs)
 - DCWater.com website
 - Twitter, Facebook and Instagram
 - Nextdoor
 - Paid digital and print advertising



The Proposed Budget

\$ in thousands

- Includes \$1.2 billion to complete the Clean Rivers Program by 2030
- Holds the line on authorized headcount at 1325 by reallocating vacant positions to support in-house security functions and meet increased demand for procurement and compliance activities
- Allocates 58% of the operating budget for operations and maintenance including employee salaries and benefits, and 39% for debt service and PAYGO for the capital program
- Advances the Lead Free DC Program with \$731.6 million
- Leverages Federal Funds, including those from the Bi-Partisan Infrastructure Law for lead removal, small diameter water line replacement, and Blue Plains Upgrades
- Continues investment in aging water (\$1.62 billion) and sewer system (\$1.85 billion) in the proposed \$7.7 billion CIP
- Expands our already robust Customer Assistance Programs

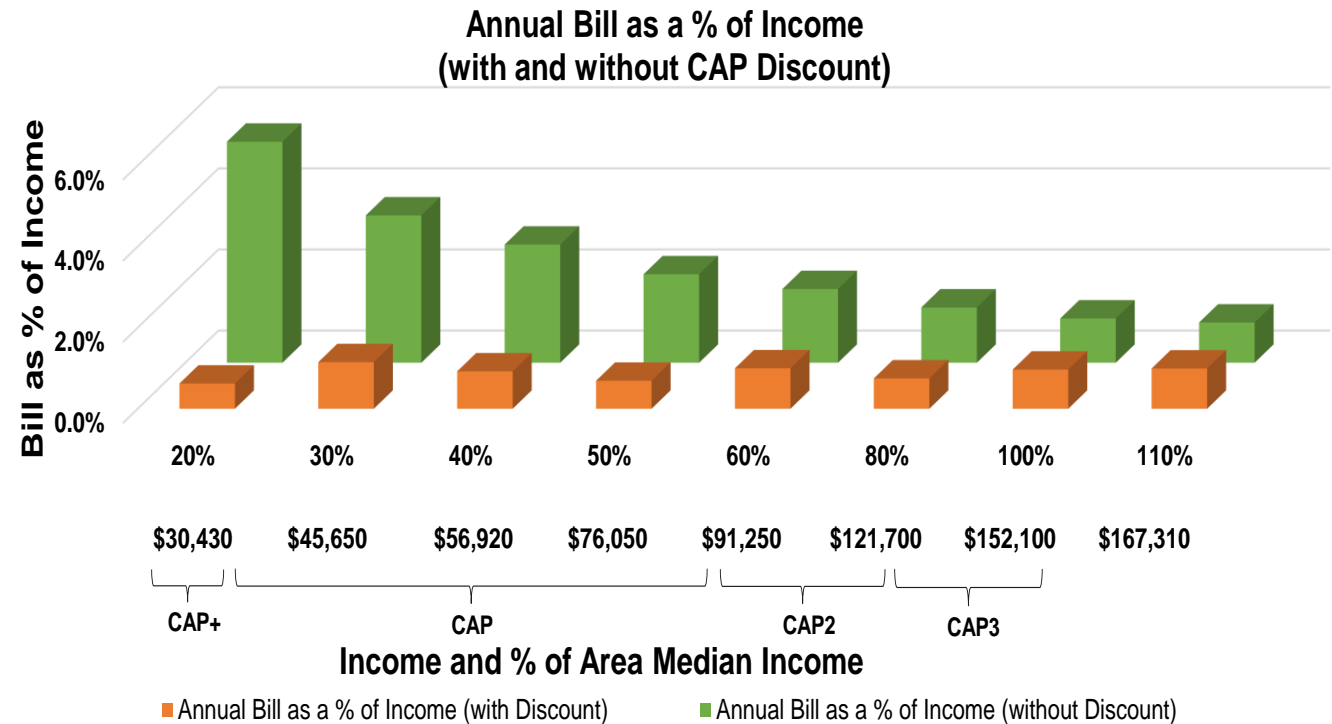


💧 The increase in operating revenues of \$36.5 million (retail & wholesale) in FY 2025 is needed to support:

- Team Blue **salary and wages** plus **health benefits** to deliver vital water and sewer services, \$8.1 million increase
- Fixed costs like **water usage and energy** for wastewater treatment, \$1 million increase
- Increased costs of **critical spare parts** to ensure operational continuity and contribute to overall efficiency and reliability, \$1 million increase
- Purchase of **clean drinking water** from the Aqueduct, \$1.3 million increase
- Rising cost of **insurance premiums** needed to protect our assets, \$1.1 million increase
- Increased costs for **maintenance and repairs** and various professional service contracts including **hauling and disposal, industrial cleaning** to ensure reliability of our assets and improve key performance indicators, \$8.1 million increase
- CIP investments for programs like **Clean Rivers** and **Lead Free DC** programs and **water and sewer infrastructure** projects, ten-year increase of \$608 million increase



- The average residential customer bill as a percentage of median household income (MHI at 60%) is about 1.8%, an affordability metric
- For residential customers with incomes below MHI, DC Water offers robust assistance programs
- This budget expands our Customer Assistance Programs:
 - 1) New CAP+ for 20% AMI
 - 2) Household Leak program will help CAP customers with leaks identify issues
 - 3) Provides back-dated benefits up to three months for CAP to help ensure customers receive the help they qualify for
 - 4) Creates new principal forgiveness program for customers who adhere to their payment plans



Customer Programs Recognized by EPA

Bill Discount

- DC Water offers programs with incomes up to 100% AMI
- **NEW** – **CAP+** programs offers even more robust assistance to households up to 20% MHI
- **NEW** – Retro Enrollments – Enrollment will be retroactive for three months

Flexible Terms

- DC Water offers payment plans
- **NEW** – **Payment Plan Incentive Program** - Customers who meet the terms of their payment plans will have a credit to their arrears

Lifeline Rate

- **Lifeline Rate** provides a discount for the first four Ccfs of water
- Customer can save money a month if they can conserve water

Temporary Assistance

- **SPLASH** program, paid for with customer, employee, and Board member contributions
- The new **Payment Plan Incentive Program** will provide a credit toward past-due balances for customers who meet terms of Payment Plans, paid for with the Rate Stabilization Fund

Water Efficiency

- **NEW** – \$500,000 **Leak Assessment** program will provide water audits to help customers identify the source of leaks and high bills



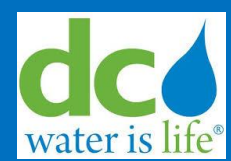
💧 Operating Budget of \$788.2 million

- Operations and Maintenance (O&M) budget of \$454.5 million for personnel and non-personnel
- Debt Service budget of \$249.5 million and Cash Financed Capital Improvements (CFCI) budget of \$60.4 million
- PILOT & ROW payments to the District of \$23.8 million

💧 Capital Budget of \$732.1 million and 10-year CIP of \$7.74 billion

- Capital Projects – \$7.04 billion for mandated projects, equipment upgrades and rehabilitation at Blue Plains, Lead Free DC program 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) – \$357.5 million for DC Water’s share of WAD’s capital program





Multi-Year Rate Proposal for FY 2025 and FY 2026

Proposed rate changes:

- Water and sewer rates increase by 8.0% for FY 2025 and 6.0% for FY 2026
- Proposed CRIAC of \$21.23 per ERU in FY 2025 and \$24.23 per ERU in FY 2026
- Right-of-Way Fee at \$0.19 per Ccf for FY 2025 and \$0.20 per Ccf for FY 2026
- PILOT Fee at \$0.61 per Ccf for FY 2025 and \$0.62 per Ccf for FY 2026

Rates and charges that remain the same:

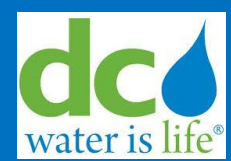
- Customer Metering Fee remains at \$7.75 for 5/8” meters
- Water System Replacement Fee (WSRF) at \$6.30 for 5/8” meters
- Proposed Groundwater Rate of **\$3.50** for FY 2025 and **\$3.76** for FY 2026
- Proposed High Flow Filter Backwash Sewer Rate of **\$3.32** for FY 2025 and **\$3.54** for FY 2026

Cost of Service Study aligned with rate proposal

Combined rate increases lower than last year’s forecast

Change in Average Household Charge	Fiscal Year	
	2025	2026
Recommendation	4.8%	6.5%
Previous Forecast	7.0%	6.8%

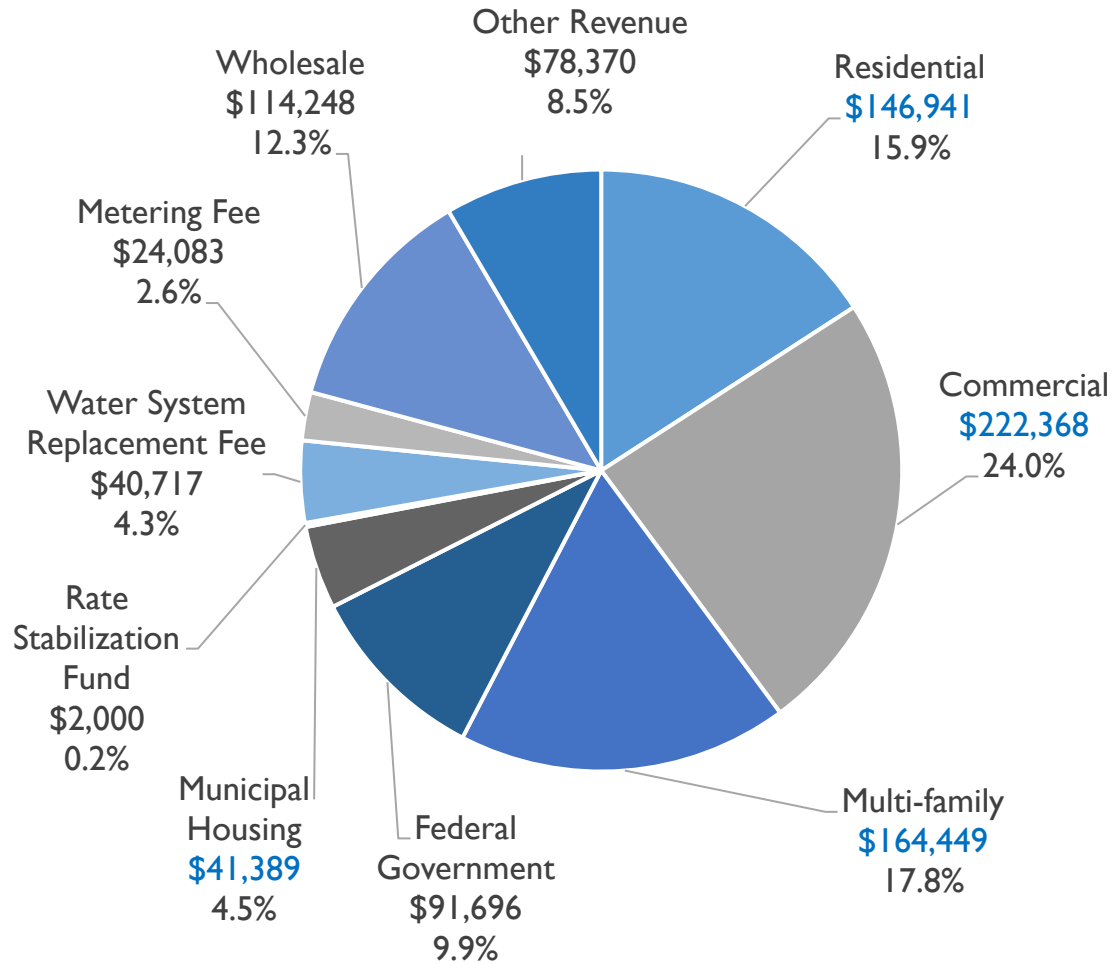
Reflects updated changes based on cost of service study completed



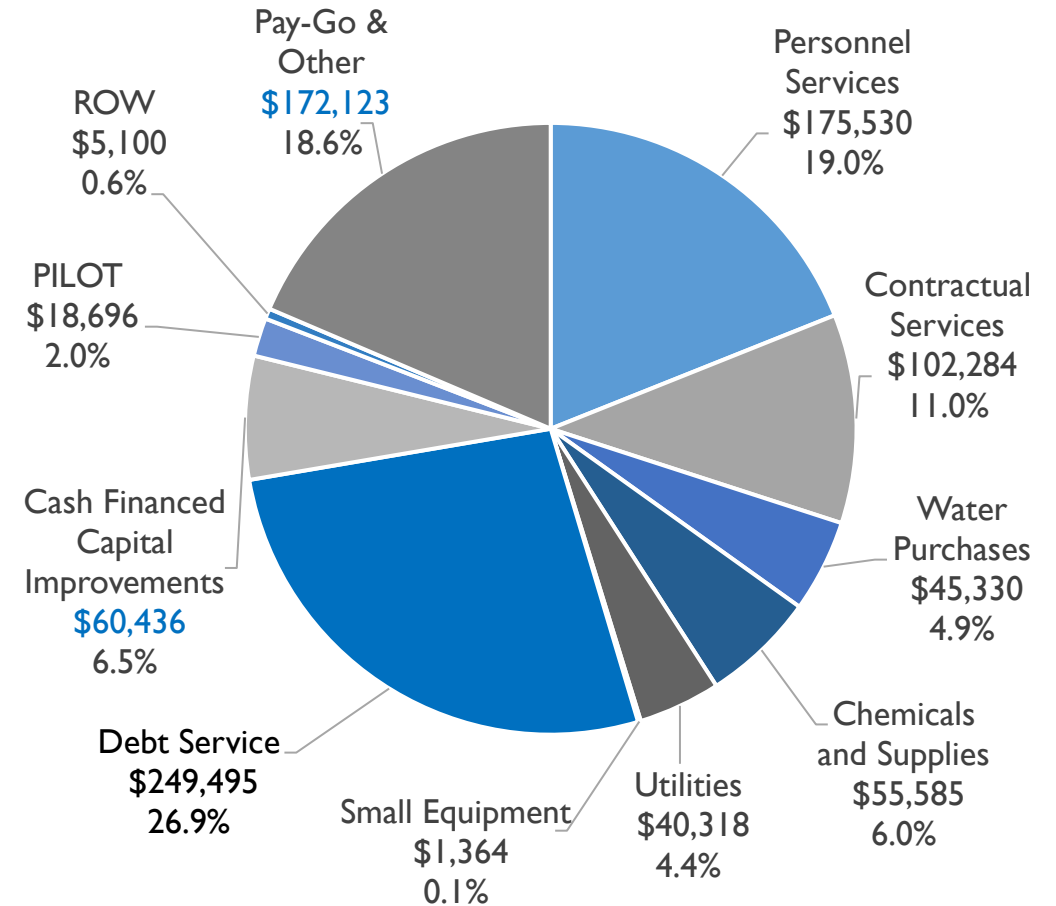
FY 2025 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$926.3 Million



Uses - \$926.3 Million

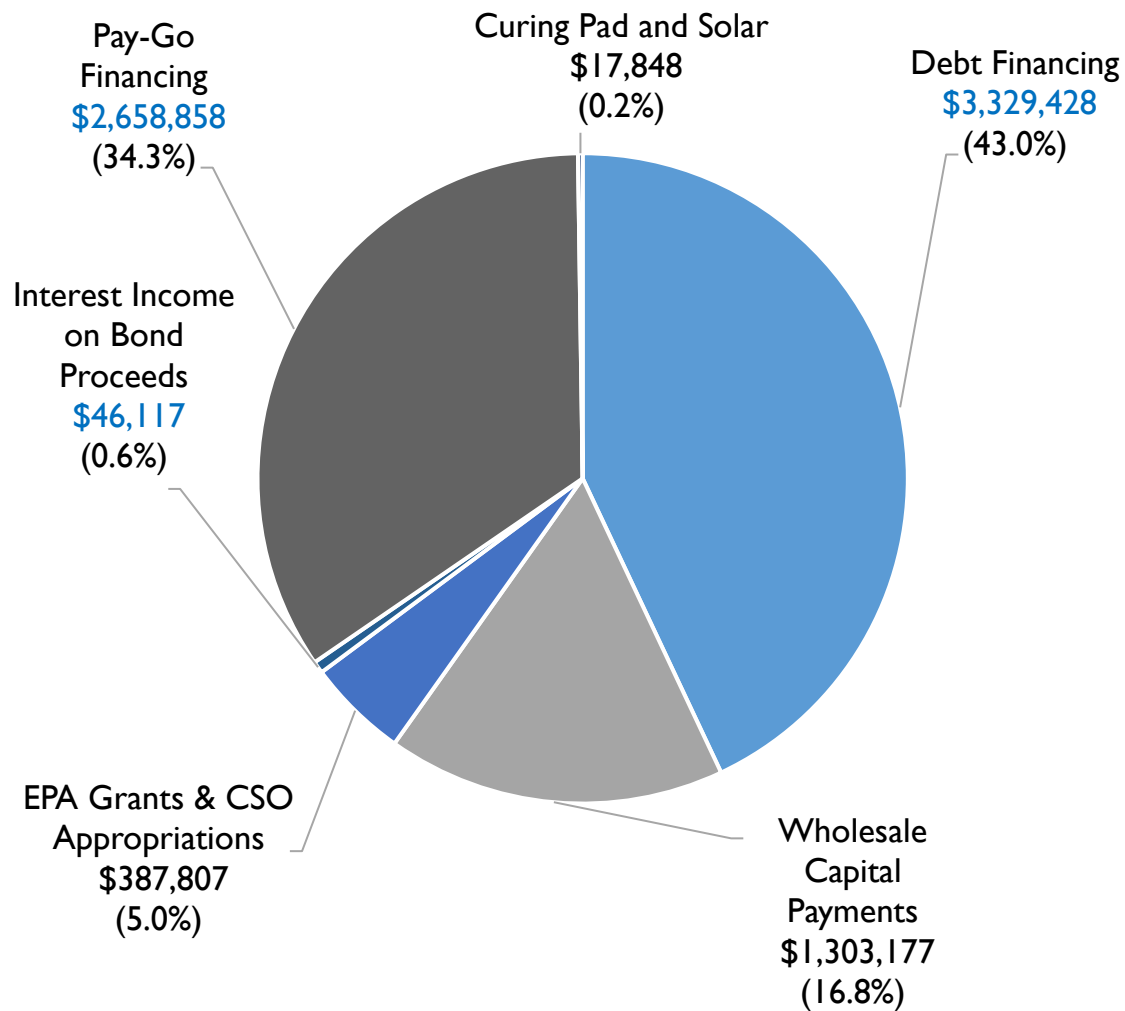


Reflects updated changes based on cost of service study completed

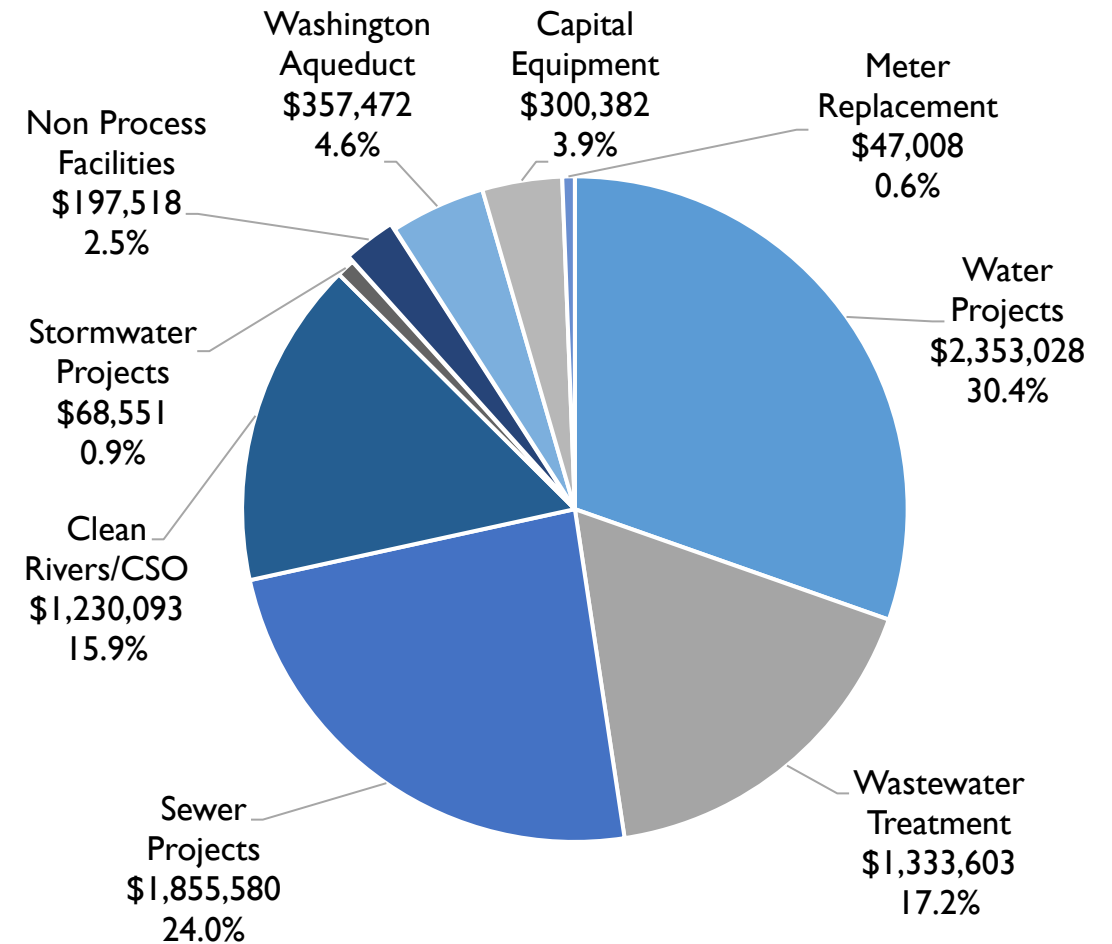
Ten Year CIP: Sources and Uses of Funds

\$ in thousands

Sources - \$7.74 Billion



Uses - \$7.74 Billion

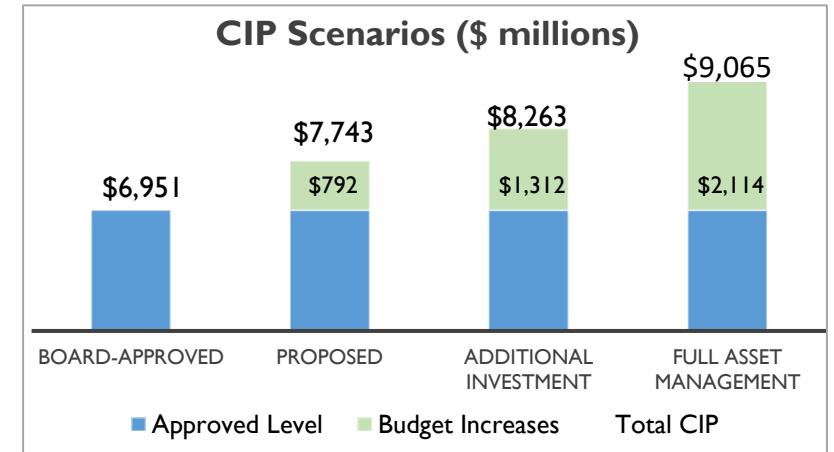


Reflects updated changes based on cost of service study completed

Proposed Capital Improvement Program

Multiple Capital Budget Scenarios Considered

- 💧 Budget Process includes consideration, evaluation, and prioritization of various CIP scenarios including related rate and revenue impacts
- 💧 Proposed CIP of \$7.7 billion
 - Funds two major ongoing “once in a generation” projects
 - Strikes a balance between necessary rate increases and critical capital investments



CIP Scenario	Description
Proposed	Funds increases for the Potomac River Tunnel; advances Lead Free DC program; ramps up to 1.5% annual replacement rates for small diameter water mains and 1.0% for sewer rehabilitation; includes upgrades at Blue Plains, Non-Process Facilities and Washington Aqueduct etc.
Additional Investment	Would add additional investments at Blue Plains and ramp up to 2.0% annual replacement rates for small diameter water mains and 1.3% for sewer rehabilitation
Full Asset Management	Would ramp up to 2.5% annual replacement rates for small diameter water mains and 1.5% for sewer rehabilitation; funds projects at Blue Plains including implementation of innovative treatment processes and renewable energy projects

- 💧 The primary source of funding is Retail Rates and Wholesale Customer participation
- 💧 Growing the capital plan would increase customer rates higher than the Proposed CIP

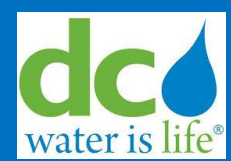
Projected FY 2024 – 2033	Proposed	Additional Investment	Full Asset Management
Size of Capital Plan	\$7.7 billion	\$8.3 billion	\$9.1 billion
Wholesale Contributions	\$1.3 billion	\$1.4 billion	\$1.4 billion
New debt anticipated to be issued	\$3.3 billion	\$3.6 billion	\$3.8 billion
FY 2033 Debt Service Costs	\$462.9 million	\$484.5 million	\$504.4 million
Average Rate Growth for Average Household	6.3%	6.8%	7.4%
FY 2033 Average Household Charge	\$229.50	\$241.52	\$253.26
Average Annual Bill Increase	\$10.43	\$11.64	\$12.81
10-year Cumulative Water Rate Increase	75.75%	82.75%	89.75%

Reflects updated changes based on cost of service study completed

💧 \$732 million allocated in FY 2025 and \$7.74 billion over the 10-year period for Infrastructure Improvements

- Fully funds the Clean Rivers Program including completion of the Potomac River tunnel to meet the consent decree requirement by 2030
- Allocates funding for the Lead-Free DC program
- Funds more than 150 miles of small diameter water main replacement
- Invests \$3.5 billion in the aging water and sewer system infrastructure
- Directs \$1.3 billion for major rehabilitation and upgrades at Blue Plains
- Allocates \$357.5 million for DC Water's share of the Aqueduct's infrastructure program
- Provides \$347.4 million for the purchase/replacement of vehicles, heavy-duty equipment, mechanical equipment, operational facilities, meters, office renovations, and IT projects



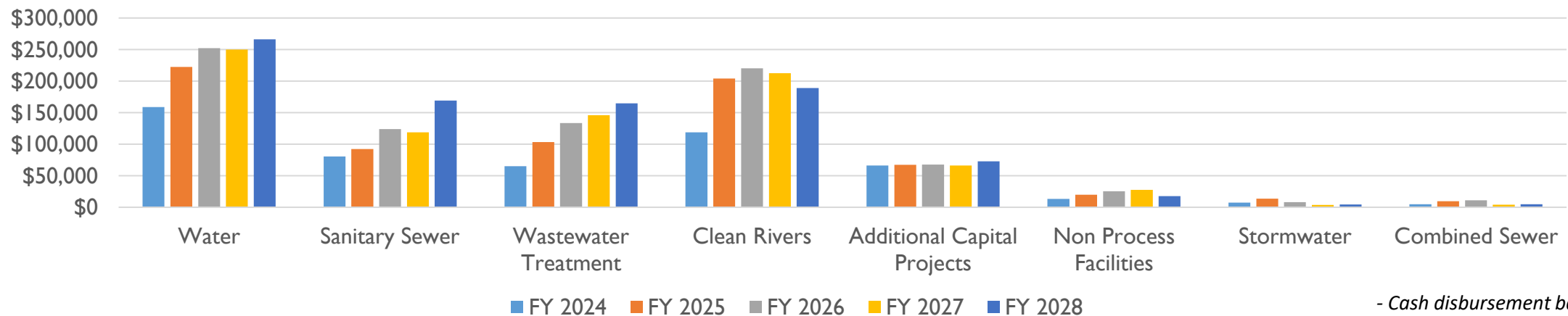


Near Term of the 10-Year CIP

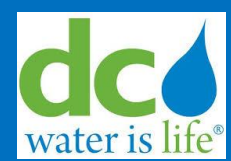
- DC Water is proceeding with the increased investment in water and sewer projects as we advance the Lead-Free DC Program and approach the completion of the Clean Rivers tunneling program
 - Significant growth in water projects from \$159 million in FY 2024 to \$279 million by FY 2030
 - Lead-Free DC Program accounts for 39% of overall spending on water projects in FY 2024 and increases to 40% in FY 2027
 - Spending on sewer projects will more than double from \$81 million in FY 2024 to \$169 million by FY 2028
 - Critical rehabilitation and equipment upgrades at Blue Plains with spending growth from \$65 million in FY 2024 to \$195 million in FY 2029
 - Clean Rivers program is anticipated at 23% of the overall CIP in FY 2024, but only 9% by FY 2030 when the Potomac River Tunnel is completed
 - Spending on additional capital projects covers capital equipment and infrastructure improvements at the Aqueduct

\$ in thousands

Projected Capital Disbursements – Near term of 10-Year CIP (FY 2024 - FY 2028)



- Cash disbursement basis



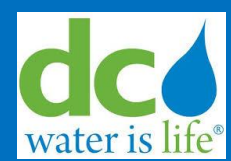
The Capital Improvement Program

• The **proposed ten-year CIP budget is \$7.74 billion** and includes **\$792 million increase** over the Board-approved CIP for

- Two “once in a generation” projects (Clean Rivers and Lead Free DC), increase of \$327 million
- Continued investments in the water and sewer system, combined sewer overflow and stormwater facilities, a net increase of \$237 million
- Rehabilitation and upgrades to wastewater treatment and non process facilities, increase of \$209 million
- DC Water’s share of the Washington Aqueduct’s capital projects, an increase of \$19 million

Cash Disbursements (\$ in thousands)	FY 2024 - FY 2033 Disbursement Plan											Last Years 10-yr	(Increase)/ Decrease	Lifetime Budget
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	10-yr Total			
NON PROCESS FACILITIES	\$ 13,074	\$ 19,900	\$ 25,190	\$ 27,461	\$ 17,775	\$ 35,413	\$ 23,100	\$ 13,283	\$ 14,977	\$ 7,345	\$ 197,518	\$ 141,246	\$ (56,272)	\$ 362,044
WASTEWATER TREATMENT	65,150	103,291	133,487	146,143	164,601	194,637	185,233	174,807	91,587	74,666	1,333,603	1,180,881	(152,722)	3,348,779
COMBINED SEWER OVERFLOW	123,793	213,408	231,323	216,615	193,750	154,800	92,363	4,041	-	-	1,230,093	1,062,875	(167,218)	3,430,748
STORMWATER	7,293	13,565	7,958	3,804	4,532	3,268	6,697	9,432	6,772	5,231	68,551	72,241	3,690	157,075
SANITARY SEWER	80,599	92,235	123,854	118,639	169,037	287,816	249,471	227,771	269,312	236,846	1,855,580	1,796,116	(59,464)	2,897,505
WATER	158,736	222,494	252,395	250,278	266,256	268,591	279,184	207,235	219,880	227,979	2,353,028	2,011,801	(341,227)	4,738,104
CAPITAL PROJECTS	\$ 448,646	\$ 664,893	\$ 774,206	\$ 762,940	\$ 815,951	\$ 944,526	\$ 836,048	\$ 636,568	\$ 602,528	\$ 552,067	\$ 7,038,373	\$ 6,265,159	\$ (773,214)	\$ 14,934,255
CAPITAL EQUIPMENT	30,535	31,477	31,839	30,523	37,169	37,169	37,169	37,169	37,169	37,169	347,390	347,390	-	347,390
WASHINGTON AQUEDUCT	35,546	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	357,472	338,518	(18,954)	357,472
ADDITIONAL CAPITAL PROJECTS	\$ 66,081	\$ 67,246	\$ 67,609	\$ 66,293	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 704,863	\$ 685,908	\$ (18,954)	\$ 704,863
LABOR														\$443,166
TOTAL CAPITAL BUDGETS	\$ 514,727	\$ 732,139	\$ 841,815	\$ 829,232	\$ 888,890	\$ 1,017,465	\$ 908,987	\$ 709,507	\$ 675,467	\$ 625,006	\$ 7,743,235	\$ 6,951,067	\$ (792,168)	\$ 16,082,284
Prior Year Board Approved CIP	\$ 604,671	\$ 784,064	\$ 838,249	\$ 859,188	\$ 892,646	\$ 841,454	\$ 677,036	\$ 507,647	\$ 444,676	\$ -	\$ 6,951,067			
Delta (inc)/dec	\$89,944	\$51,925	(\$3,566)	\$29,955	\$3,756	(\$176,011)	(\$231,951)	(\$201,860)	(\$230,791)	(\$625,006)	(\$792,168)			

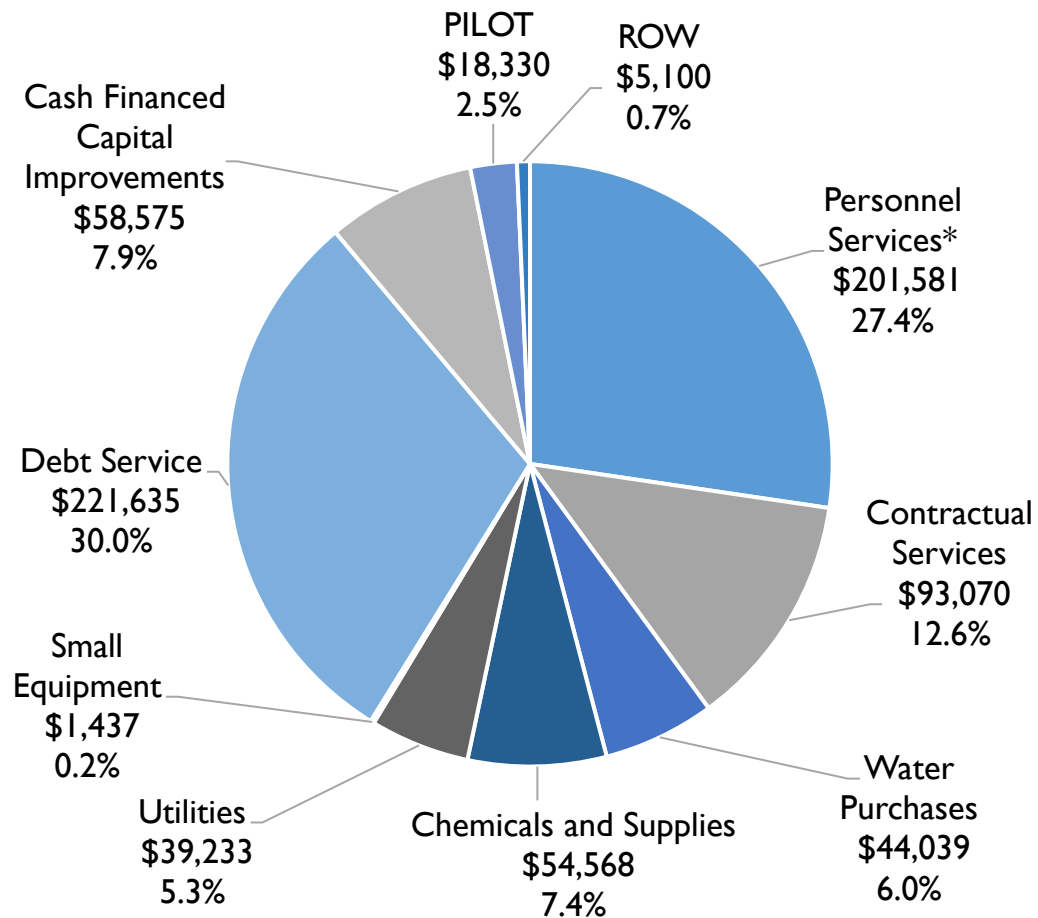
Operating Expenditure Budget



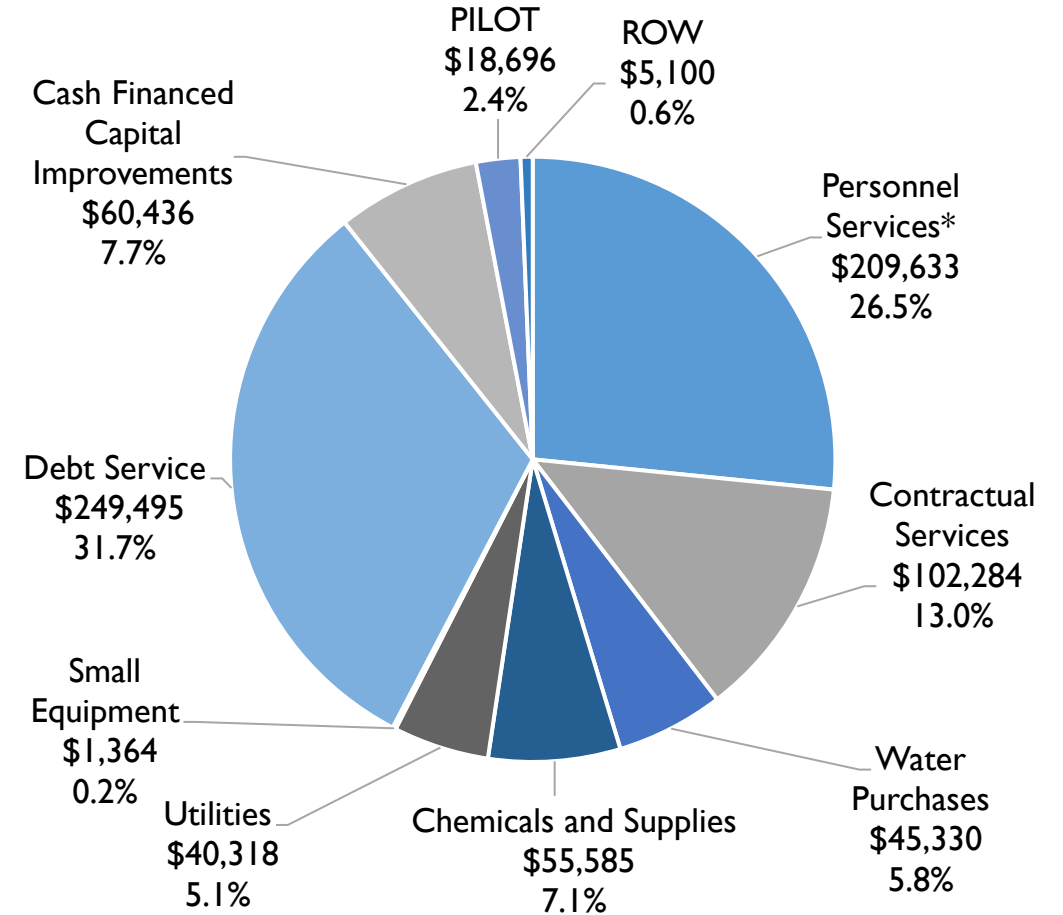
FY 2024 vs. FY 2025 Expenditure Budgets

\$ in thousands

Amended FY 2024 \$737,567

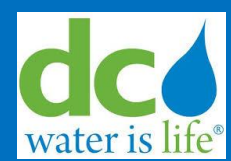


Proposed FY 2025 \$788,241



* Personnel Services include capital labor charges

Reflects updated changes based on cost of service study completed



Operating Budget Comparison by Cost Category

- 💧 **FY 2024** – Amended budget reflects reprogramming of \$10.3 million from debt service to CFCI. The estimated underspending from debt service is mainly because no new debt was issued in FY 2023 and the release of the 1998 debt service reserves. Overall budget remains the same and increase in PAYGO reduces future borrowing costs
- 💧 **FY 2025** – Proposed overall operating budget is \$788.2 million, an increase of \$50.7 million or 6.9%

(\$000's)	FY 2023			FY 2024		FY 2024	FY 2025	(Increase)/ Decrease	
	Revised	Actuals	Variance	Adopted Budget	Reprogramming	Amended Budget	Proposed Budget	\$	%
Regular Pay	\$ 137,044	\$ 132,720	\$ 4,324	\$ 147,203		\$ 147,203	\$ 154,120	\$ (6,918)	-4.7%
Benefits	40,960	40,756	204	45,869		45,869	46,409	(541)	-1.2%
Overtime	8,218	9,840	(1,622)	8,509		8,509	9,103	(594)	-7.0%
Total Personnel Services	186,222	183,316	2,906	201,581	-	201,581	209,633	(8,052)	-4.0%
Chemical and Supplies	54,628	53,082	1,546	54,568		54,568	55,585	(1,017)	-1.9%
Utilities	37,799	37,361	438	39,233		39,233	40,318	(1,085)	-2.8%
Contractual Services	88,504	88,309	195	93,070		93,070	102,284	(9,213)	-9.9%
Water Purchases	40,334	33,609	6,725	44,039		44,039	45,330	(1,291)	-2.9%
Small Equipment	1,108	1,244	(136)	1,437		1,437	1,364	73	5.1%
Total Non-Personnel Services	222,373	213,605	8,768	232,347	-	232,347	244,881	(12,533)	-5.4%
Total Operations & Maintenance	\$ 408,595	\$ 396,921	\$ 11,674	\$ 433,928	\$ -	\$ 433,928	\$ 454,513	\$ (20,586)	-4.7%
Debt Service	231,232	225,852	5,380	231,953	(10,318)	221,635	249,495	(27,860)	-12.6%
PILOT & ROW	23,070	23,070	-	23,430		23,430	23,796	(367)	-1.6%
Cash Financed Capital Improvements (CFCI)	23,505	35,730	(12,225)	48,256	10,318	58,575	60,436	(1,862)	-3.2%
Total Non-O&M	277,807	284,652	(6,845)	303,639	-	303,639	333,728	(30,088)	-9.9%
Total Operating Expenditure	\$ 686,402	\$ 681,573	\$ 4,829	\$ 737,567	\$ -	\$ 737,567	\$ 788,241	\$ (50,674)	-6.9%
Capital Labor Charges	(30,435)	(27,813)	(2,622)	(31,974)		(31,974)	(34,087)	2,113	-6.6%
Net Operating Expenditure	\$ 655,967	\$ 653,760	\$ 2,207	\$ 705,593	\$ -	\$ 705,593	\$ 754,154	\$ (48,561)	-6.9%

💧 **Personnel Services – \$209.6 million or increase of \$8.0 million**

- *Regular Pay* – The increase of \$6.9 million is mainly for salary adjustments, step increases, merit increases and bonus payments
- *Benefits* – The increase of \$0.5 million is based on current forecasts for health costs and retirement contributions with adjustments based on salaries
- *Overtime* – The slight increase of \$0.6 million is due to the increase in salaries with overtime mainly used for emergency response
- *Headcount* – 11 new positions were added by reallocating existing hard to fill vacancies for a net-zero increase to the authorized headcount of 1325
- *Vacancy Rate* – 7% assumed in FY 2024 and FY 2025

💧 **Chemicals & Supplies – \$55.6 million or increase of \$1 million**

- *Chemicals* – Relatively flat compared to the FY 2024 budget
- *Supplies* – \$1 million increase is for parts and supplies needed for the maintenance of equipment and facilities

💧 **Contractual Services – \$102.3 million or increase of \$9.2 million**

- Funds various professional services including hauling and disposal, biosolids hauling, high pressure high vacuum and industrial cleaning, tree root foaming, security guards, etc.
- Rising cost of insurance premiums
- Reflects cost increases for the maintenance of operational facilities, critical equipment and software systems
- Allocates funding for various strategic and new programs including leak assessment program

💧 **Utilities – \$40.3 million or increase of \$1 million**

- *Water Usage* – Increase of \$0.7 million is due to changes made in the treatment process at the Plant (industrial screen cleaning)
- *Electricity* – Slight increase of \$0.2 million for energy needed to operate the Plant, Pump Stations and Operational facilities. Onsite electric generation of 7MW from the Combined Heat & Power Facility continues to reduce the rate of growth of electricity costs and DC Water’s reliance on the power grid
- *Gas & Automotive Fuel* – relatively flat based on current forecasts for fuel prices driven by the energy market
- *Telecommunications* – Increase of \$0.2 million based on spending trends

💧 **Water Purchase – \$45.3 million or an increase of \$1.3 million**

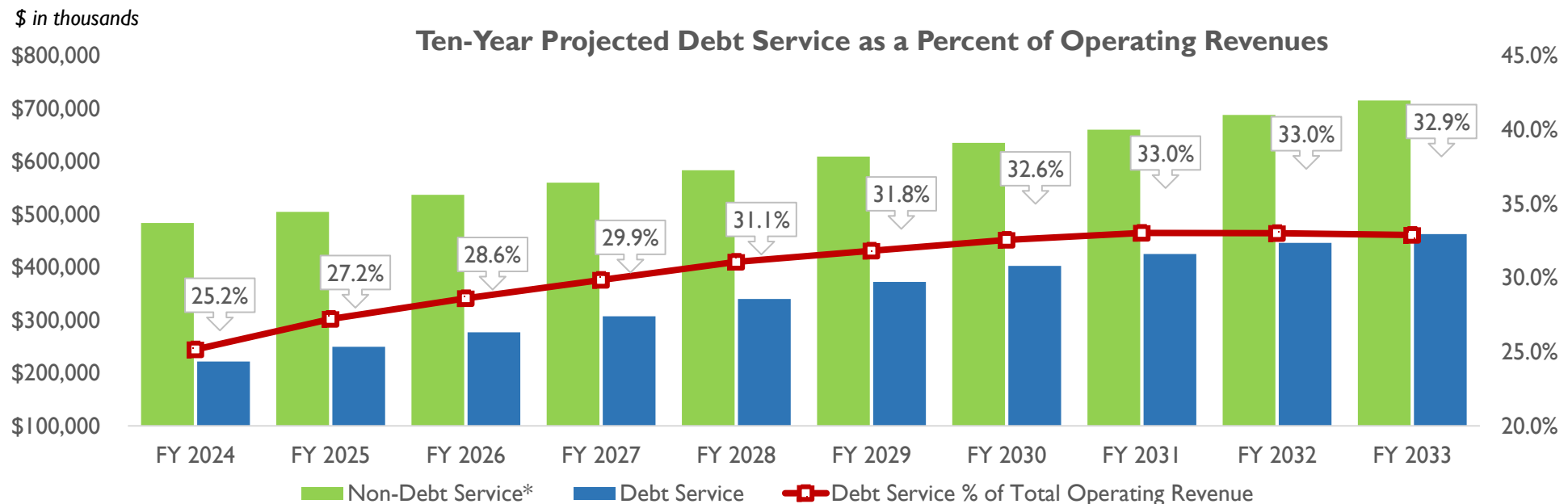
- DC Water purchases drinking water from the Washington Aqueduct and is responsible for approximately 75% of the Aqueduct’s projected operating costs
- This includes funding for DC Water’s share of the McMillan Sewer backwash (\$2.6 million) with offsetting revenue opportunity

💧 **Small Equipment – \$1.4 million relatively flat**

- This is mainly for the purchase of small items such as office equipment, cameras, small appliances and tools, rental

💧 Debt service is the largest driver in the operating budget

- Represents 31.7% of the total operating expenditure budget and 27.2% of total operating revenue in FY 2025
- Over the next ten years, about \$3.3 billion is anticipated to be borrowed to fund the capital program
- Debt service cost is projected to grow from \$221.6 million in FY 2024 to \$462.9 million by FY 2033 (approximately 109% increase)



* Non-Debt Service includes O&M, PILOT, ROW and CFCI estimates

Reflects updated changes based on cost of service study completed



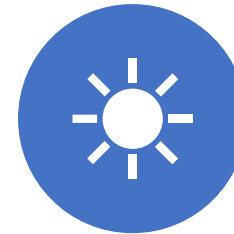
Personnel - Overtime during emergencies, increased healthcare cost, lower than anticipated vacancy rate, outcome of compensation assessments and other leave adjustments



Union Agreement – Impacts of any changes to the Labor Compensation Agreement with the five unions which expired September 30, 2023



Chemicals - Market volatilities, unit prices, rain events, process optimization



Utilities - Market volatilities, onsite energy optimization, solar project output & timeline

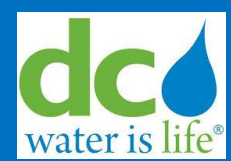


Equipment & Facilities - Parts, equipment and maintenance requirement for tunnels, treatment facilities, and the new Fleet Services and Sewer Services buildings



Litigation & Insurance - Impacts of unanticipated legal cases, insurance policy requirements and workers compensation claims

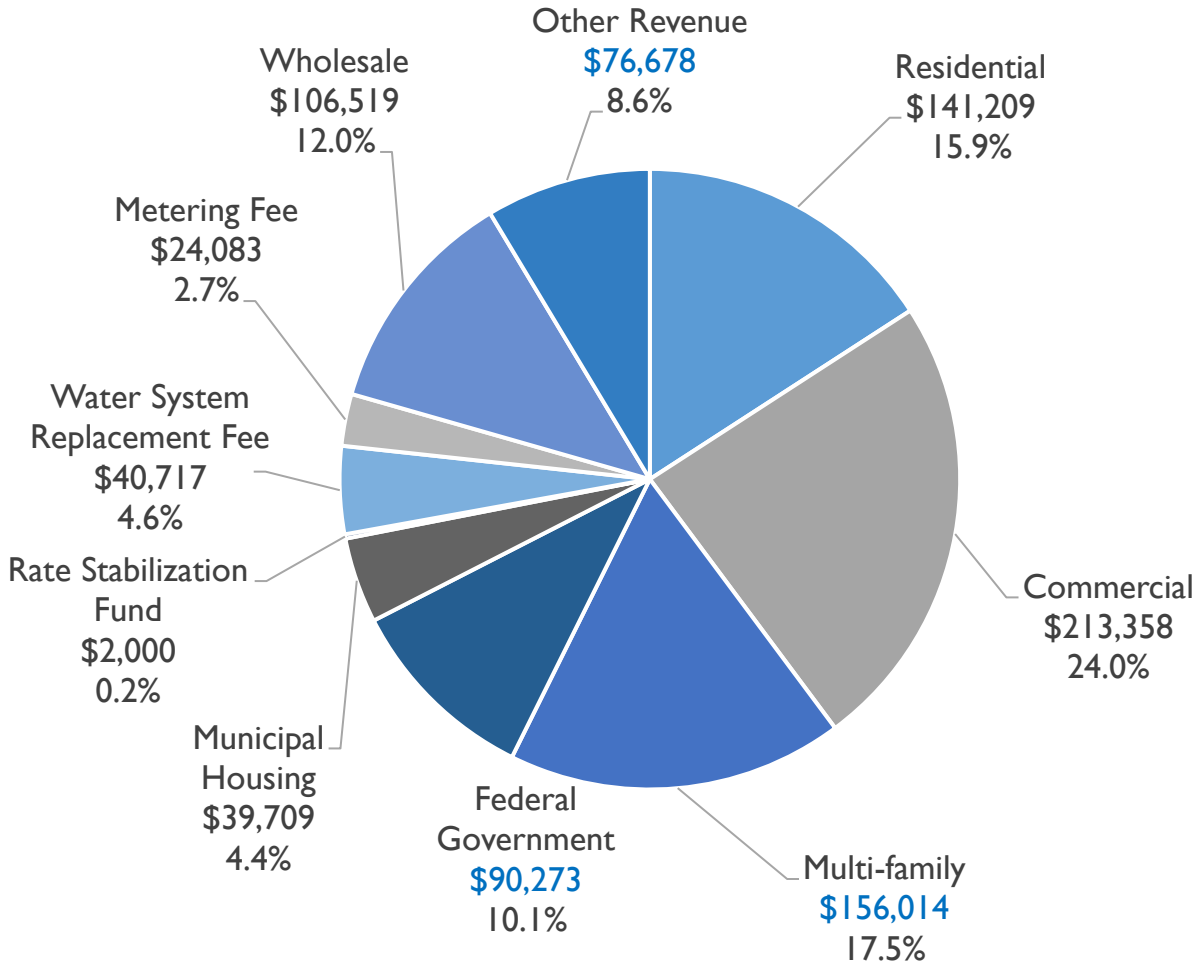
Operating Revenues, Rates and Fees



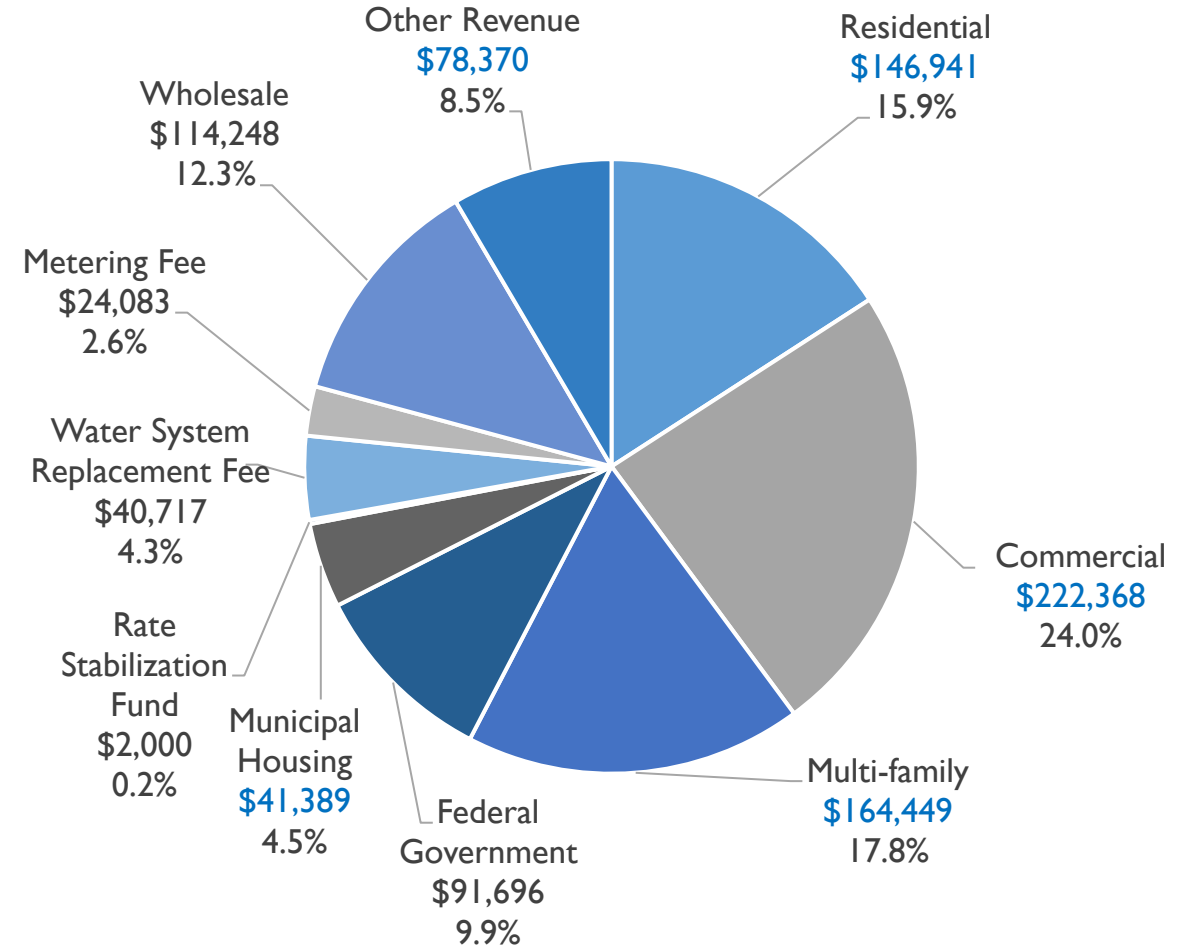
FY 2024 vs. FY 2025 Operating Revenues

\$ in thousands

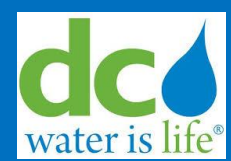
Revised FY 2024 \$890.6 million



Proposed FY 2025 \$926.3 million



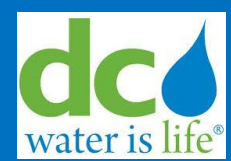
Reflects updated changes based on cost of service study completed



Proposed FY 2025 & FY 2026 Rates, Charges & Fees

	Units	Current FY 2024	Proposed FY 2025	Proposed FY 2026	Incr. /(Decr.) FY 2025		Incr. /(Decr.) FY 2026	
					\$	%	\$	%
DC Water Retail Rates – Water:								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$4.38	\$5.21	\$5.78	\$0.83	18.9%	\$0.57	10.9%
Residential – (> 4 Ccf)	Ccf	5.70	6.81	7.60	1.11	19.5	0.79	11.6
Multi-family	Ccf	5.00	5.82	6.47	0.82	16.4	0.65	11.2
Non-Residential	Ccf	5.89	7.03	7.84	1.14	19.4	0.81	11.5
DC Water Retail Rates – Sewer	Ccf	11.70	12.07	12.52	0.37	3.2	0.45	3.7
DC Water Clean Rivers IAC	ERU	21.86	21.23	24.23	-0.63	-2.9	3.00	14.1
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	0.61	0.61	0.62	-	-	0.01	1.6
District of Columbia Right of Way Fee	Ccf	0.19	0.19	0.20	-	-	0.01	5.3
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	-	-	-	-

*Rate impact in FY2025 is 8.0% and 6.0% in FY2026 and that has bill impact of 4.9% in FY2025 and 6.4% in FY2026. The shift in the balance between water and sewer rates has been determined by the recent cost of service study.

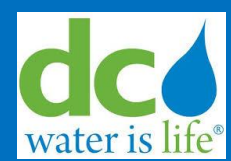


Revenue Comparison by Customer Class

- Total revenue is projected to increase by \$35.7 million or 4.0% for FY 2025 and \$51.2 million or 5.5% for FY 2026 mainly due to rate increase
 - Retail Revenue – Increase by \$26.3 million or 3.7% in FY 2025 and \$43.5 million or 5.9% in FY 2026
 - Wholesale Revenue – Increase by \$7.7 million or 7.3% in FY 2025 and \$6.7 million or 5.8% for FY 2026 due to operations and maintenance expense projection. Revenue estimates are based on most recent flow data

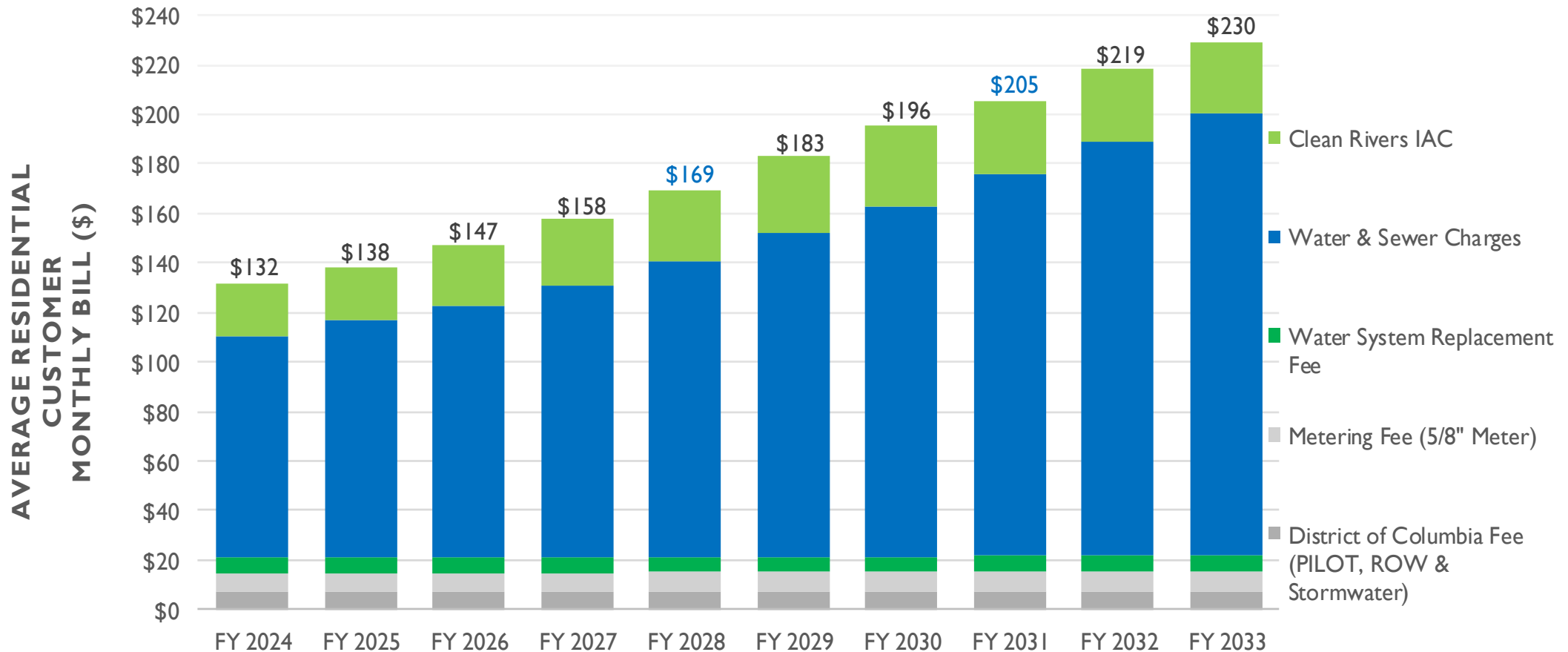
\$ in thousands	Revised FY 2024	Proposed FY 2025	Proposed FY 2026	FY 2025 vs FY 2024		FY 2026 vs FY 2025	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$705,362	\$731,643	\$775,094	\$26,281	3.7%	\$43,451	5.9%
Wholesale Revenue							
Potomac Interceptor (PI)	3,547	3,547	3,547	-	0.0%	-	0.0%
Loudoun County Sanitation Authority (LCSA)	9,539	10,450	11,045	911	9.6%	595	5.7%
Washington Suburban Sanitary Commission (WSSC)	74,959	79,591	84,441	4,632	6.2%	4,850	6.1%
Fairfax County	18,475	20,660	21,872	2,185	11.8%	1,212	5.9%
Total Wholesale Revenue	\$106,520	\$114,248	\$120,905	\$7,728	7.3%	6,657	5.8%
Other Revenue	76,678	78,370	81,456	1,692	2.2%	3,086	3.9%
Rate Stabilization Fund (RSF)	2,000	2,000	-	-	0.0%	(2,000)	-100.0%
Total Revenues	\$890,560	\$926,261	\$977,455	\$35,701	4.0%	\$51,194	5.5%

Reflects updated changes based on cost of service study completed



Projected Average Residential Customer Bill

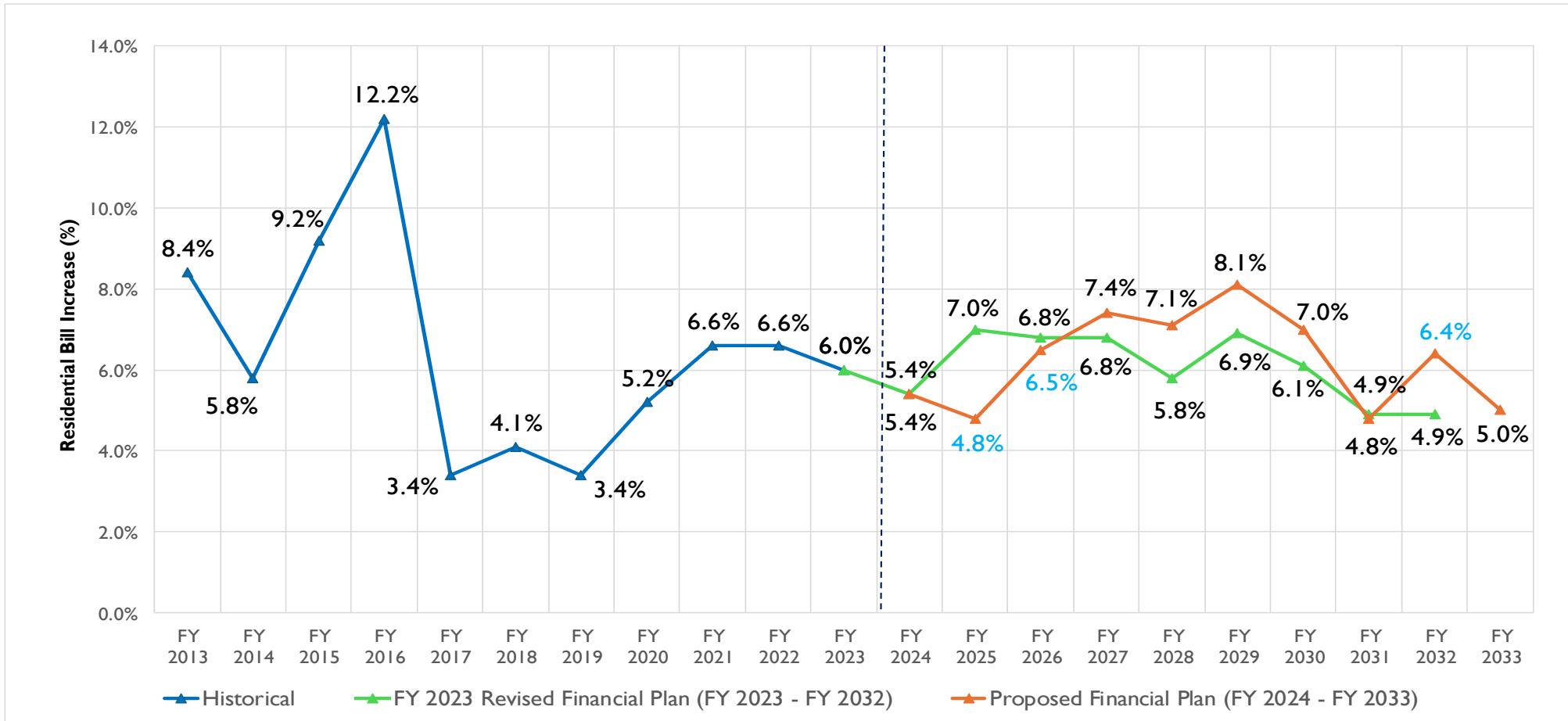
Projected average monthly residential customer bill ranges from \$132 in FY 2024 to \$230 in FY 2033



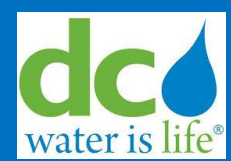
* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons

Historical and Projected Combined Rate Increases

- FY 2025 and FY 2026 are proposed rates, which are slightly lower than previously estimated because of increase in projected revenues mainly due to higher consumption forecast
- In FY 2027 and beyond, forecasted rates are slightly higher than previously estimated due to higher costs



Reflects updated changes based on cost of service study completed



Average Residential Customer Monthly Bill

	Units	Current FY 2024	Proposed FY 2025	Proposed FY 2026
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 89.03	\$ 95.93	\$ 101.77
DC Water Clean Rivers IAC ⁽²⁾	ERU	21.86	21.23	24.23
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 124.94	\$ 131.21	\$ 140.05
Increase / Decrease		\$ 6.68	\$ 6.27	\$ 8.84
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 3.31	\$ 3.31	\$ 3.36
District of Columbia Right-of-Way Fee ⁽¹⁾	Ccf	1.03	1.03	1.08
District of Columbia Stormwater Fee ⁽³⁾	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 7.01	\$ 7.01	\$ 7.11
Total Amount Appearing on DC Water Bill		\$ 131.95	\$ 138.22	\$ 147.16
Increase / Decrease Over Prior Year		\$ 6.79	\$ 6.27	\$ 8.94
Percent Increase in Total Bill		5.4%	4.8%	6.5%

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 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

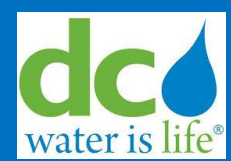
Financial Plan

- 💧 DC Water's 10-year financial plan serves as the fiscal roadmap to achieve the Board's strategic plan
- 💧 It is one of management's key tools to monitor progress in meeting financial goals and targets
- 💧 It also ensures meeting or exceeding all debt-related legal and policy requirements, as well as maintaining sufficient liquidity to meet all current financial obligations
- 💧 DC Water's financial plan objectives focus on:
 - Minimizing rate increases while meeting all financial obligations;
 - Satisfying all indenture requirements and Board policies; and
 - Maintaining DC Water's current credit ratings of AAA/Aa1/AA+

- 💧 Maintain Debt Service as a percentage of revenue equal to 33.0 percent or less
- 💧 Maintain combined coverage of 160 percent
- 💧 Maintain 250 days of cash excluding Rate Stabilization Fund. The Board established a goal of increasing the target days cash on hand to 350 days
- 💧 FY 2023 actual consumption declined by 1.4 percent. Assumed 7.0 percent decline in consumption in Commercial category in FY 2024 and 1.0 percent conservation each year for all other categories for FY 2025 and onwards
- 💧 FY 2023 Debt Service was lower as compared to budget due to deferring bond issuance and a credit released from the 1998 Debt Service Reserve Fund in excess of the requirement.

Metrics	Indenture Requirement	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 days	250 Days	—	267 - 267 Days
Combined Coverage Ratio	—	1.6X	—	1.81X – 2.13X
Senior Coverage	1.2X	—	—	5.79X – 8.18X
Subordinate Coverage	1.0X	—	—	2.15X – 2.52X
Debt Service as a % of Revenue	—	—	33% of Revenue or Less	25.2% - 33.0%
Rate Stabilization Fund (RSF)	—	—	—	—

* Board of Directors added to the cash balance at the end of FY2023 to reach 267 Days of Cash



Ten-Year Financial Plan

\$ in thousands

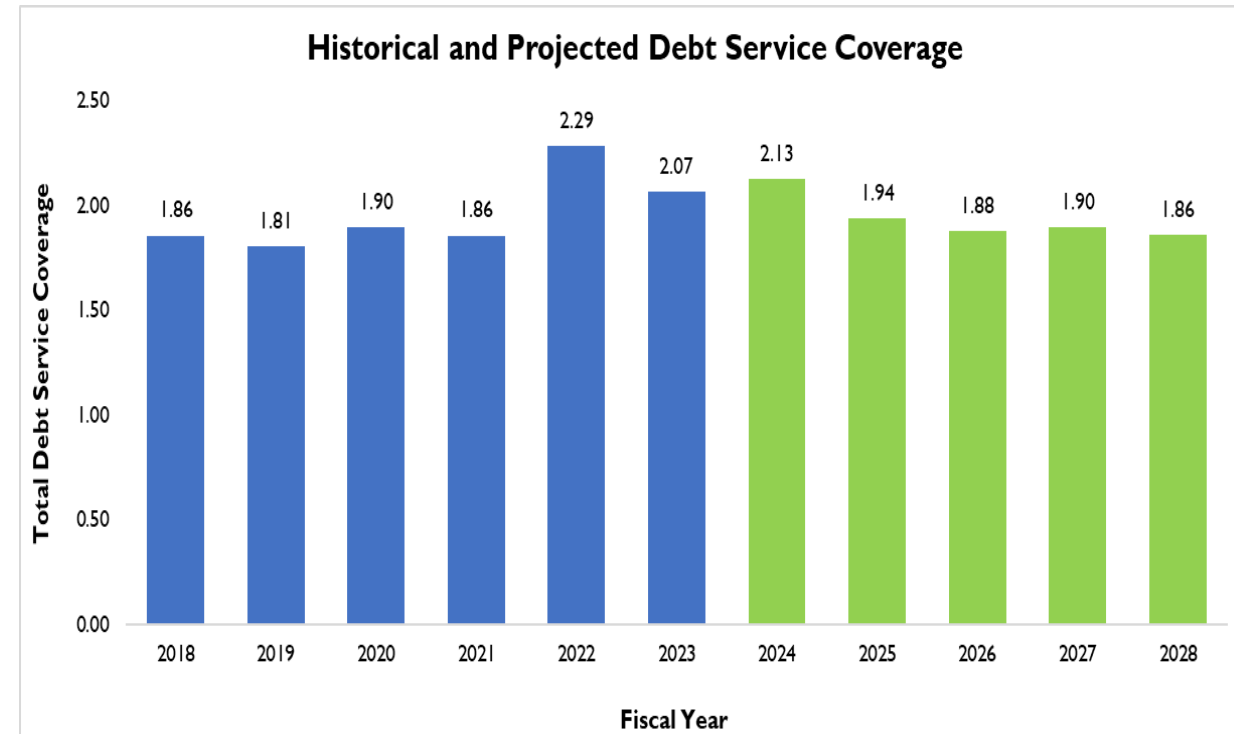
DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY FY 2024 - FY 2033 FINANCIAL PLAN

OPERATING	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Retail	728,792	755,456	799,250	854,603	911,660	980,556	1,043,786	1,090,013	1,154,059	1,204,514
Wholesale	106,519	114,248	120,905	125,741	130,771	136,001	141,441	147,099	152,983	159,102
Other	53,249	54,557	57,301	62,364	67,922	70,592	69,584	70,092	65,216	64,505
RSF	2,000	2,000	-	-	-	-	-	-	-	-
Operating Receipts ⁽¹⁾	\$ 890,560	\$ 926,261	\$ 977,455	\$ 1,042,708	\$ 1,110,352	\$ 1,187,149	\$ 1,254,812	\$ 1,307,204	\$ 1,372,258	\$ 1,428,121
Operating Expenses	425,383	444,207	464,947	482,959	501,685	521,151	541,388	562,427	584,299	607,038
Debt Service	221,635	249,495	277,000	307,289	340,180	372,492	402,816	425,524	446,587	462,941
Cash Financed Capital Improvement	\$ 58,575	\$ 60,436	\$ 71,932	\$ 76,914	\$ 82,049	\$ 88,250	\$ 93,941	\$ 98,101	\$ 103,865	\$ 108,406
Net Revenues After Debt Service	\$ 184,967	\$ 172,123	\$ 163,576	\$ 175,546	\$ 186,439	\$ 205,256	\$ 216,667	\$ 221,152	\$ 237,507	\$ 249,736
Operating Reserve-Beg Balance	286,889	296,600	309,600	324,600	337,600	351,600	365,600	380,600	395,600	411,600
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(15,256)	(21,513)	(15,100)	-	-	-	-	-	-	-
Project Billing Refunds	(2,000)	(2,000)	-	-	-	-	-	-	-	-
Transfers to RSF										
Pay-Go Financing	(158,000)	(135,609)	(133,476)	(162,546)	(172,439)	(191,256)	(201,667)	(206,152)	(221,507)	(233,736)
Operating Reserve - Ending Balance	\$ 296,600	\$ 309,600	\$ 324,600	\$ 337,600	\$ 351,600	\$ 365,600	\$ 380,600	\$ 395,600	\$ 411,600	\$ 427,600
Rate Stabilization Fund Balance RSF ⁽²⁾	\$ 33,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644
Senior Debt Service Coverage	818%	753%	651%	607%	635%	628%	589%	616%	591%	579%
Combined Debt Service Coverage	213%	193%	188%	190%	186%	186%	183%	181%	182%	183%
Actual/Projected Water/Sewer Rate Increases	3.25%	8.00%	6.00%	8.00%	9.00%	9.00%	8.50%	9.00%	8.50%	6.50%
Operating Receipts \$ Increase/Decrease										
Retail	26,565	26,664	43,794	55,353	57,057	68,896	63,230	46,227	64,047	50,455
Wholesale	1,269	7,729	6,657	4,836	5,030	5,231	5,440	5,658	5,884	6,119
Operating Receipts % Increase/Decrease										
Retail	3.8%	3.7%	5.8%	6.9%	6.7%	7.6%	6.4%	4.4%	5.9%	4.4%
Wholesale	1.2%	7.3%	5.8%	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 2025 planned transfer of \$0.0 million to Rate Stabilization Fund and \$2.0 million utilization will keep the total fund balance at \$31.644 million.

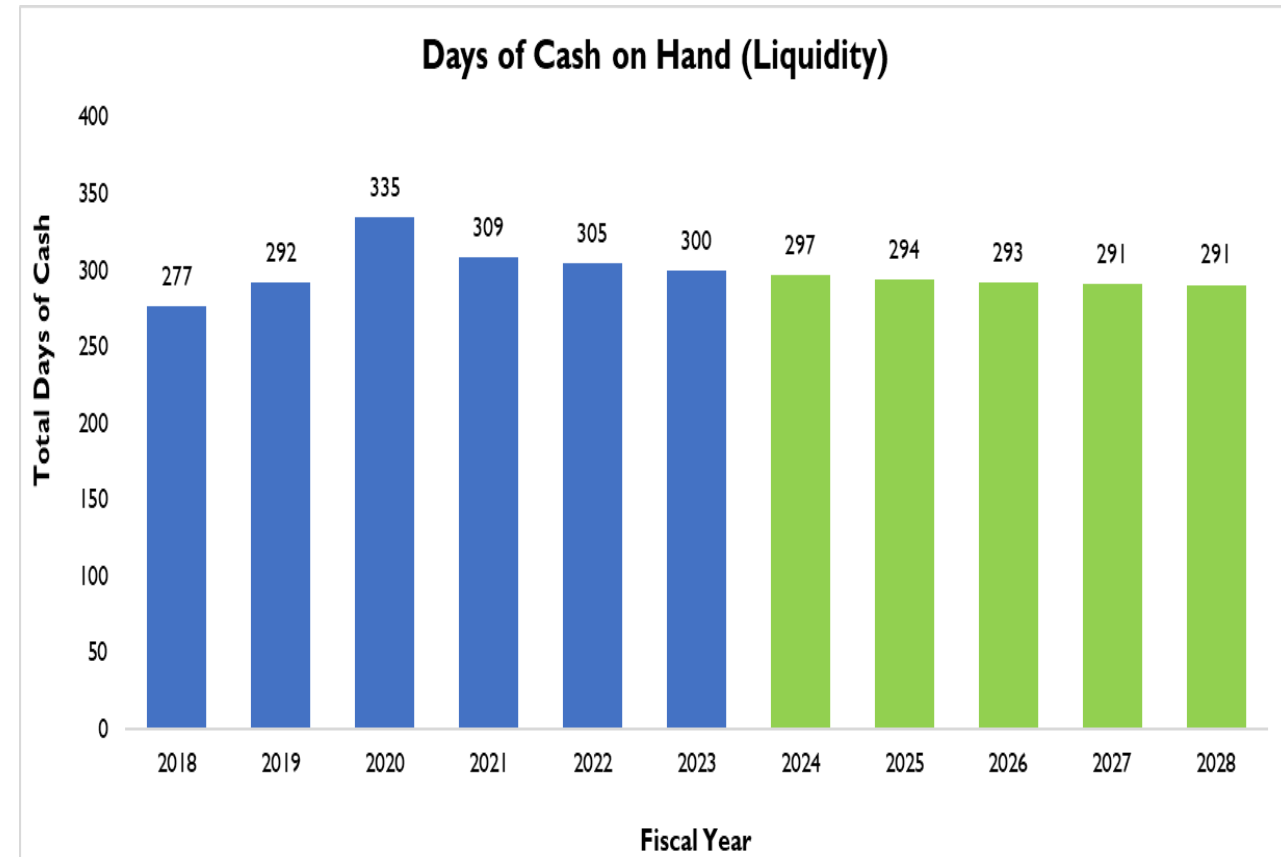
- ◆ Coverage is a core financial metric that reflects the financial health of a utility and measures the funds that are available to pay debt service after operating costs are met
 - *Funds representing excess coverage are used as PAYGO or cash to fund the capital program*
 - *A reduction in PAYGO would require additional borrowing to cover capital budget expenditures for infrastructure improvements*
- ◆ Coverage in the budget and the financial plan is consistent with recent results that have led to high bond ratings and lower borrowing costs
- ◆ Higher coverage indicates greater flexibility to tolerate financial stress from unexpected expenditures or a shortfall in revenues while still assuring repayment of debt
- ◆ 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



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*

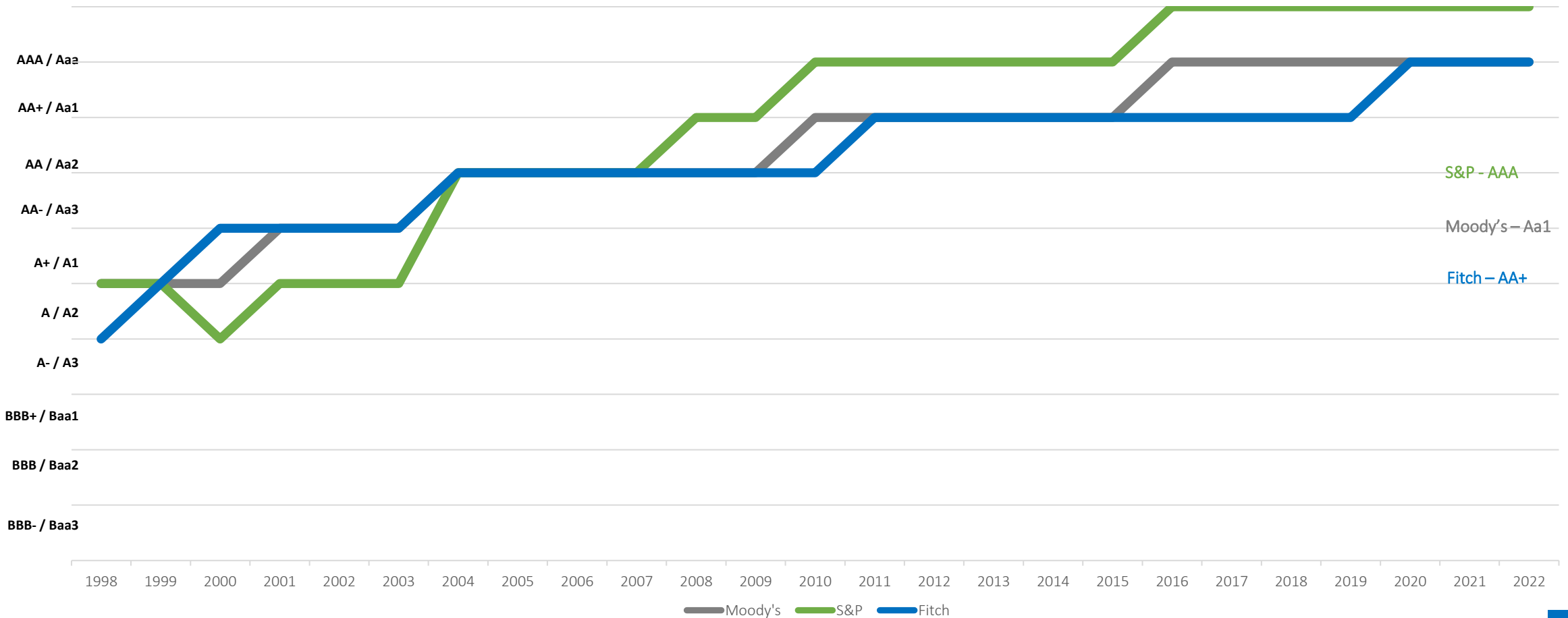
- Liquidity is measured in the number days of unrestricted operating cash
 - *Liquidity is the number of days that DC Water could cover operating costs without additional revenue*
- Higher liquidity indicates greater flexibility to deal with unexpected expenditures or a shortfall in revenues
- DC Water 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
- 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.

As of December 2023, bond ratings were re-affirmed by S&P, Moody's, and Fitch rating agencies

Senior Lien Credit Ratings History (1998 – Present)



Customer Assistance Programs

- DC Water offers some of the nation's most financially supportive customer assistance programs:

Lifeline Rate

- Provides a discount to residential customers on the first 2,992 gallons used each month

CAP

- Provides monthly discounts to residential customers with household incomes less than \$152,100 (family of four)

One-Time Assistance

- SPLASH provides one-time emergency assistance to customers
- New programs for residential and multi-family customers

Payment Terms

- DC Water provides flexible payment terms for customers to get back on track



Seniors with incomes up to \$106,450 can qualify for discounts
(single family household)

CAP+
20% SMI

\$30,430 (family of 4)

Discount on the first 600 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver + 3 months retro

\$134/month discount

CAP
60% SMI

\$91,250 (family of 4)

Discount on the first 400 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver + 3 months retro

\$95/month discount

CAP2
80% AMI

\$121,700 (family of 4)

Discount on the first 300 cubic ft. of water and sewer services + 50% reduction in the monthly CRIAC fee + 3 months retro

\$62/month discount

CAP3
100% AMI

\$152,100 (family of 4)

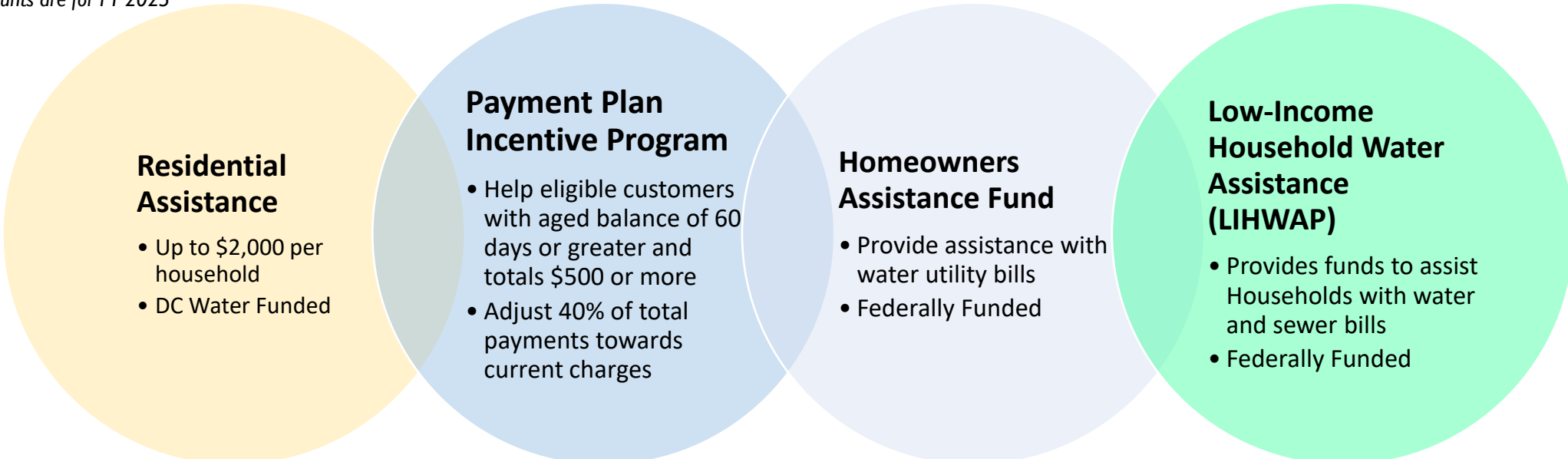
Discount of 75% off the monthly CRIAC fee

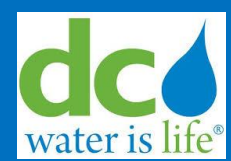
\$16/month discount

CRIAC Non-Profit Relief

District-funded program to assist Non-profit organizations with Clean Rivers Impervious Area Charge (CRIAC)

* These CAP amounts are for FY 2025





CAP+, CAP, CAP2, and CAP3 Discounts and Income Thresholds

💧 CAP+, CAP, CAP2 and CAP3 discounts and income thresholds

Program	Income Threshold ⁶	Charges (Discounts)	Current FY2024	Proposed FY2025	Proposed FY2026
CAP+ ²	\$30,430 (20% SMI)	Total Amount before Discounts ¹	\$ -	\$ 146.96	\$ 156.64
		Discounts	-	(133.90)	(142.83)
		Total Amount Appearing on DC Water Bill	\$ -	\$ 13.06	\$ 13.81
CAP ³	\$91,250 (60% SMI)	Total Amount before Discounts ¹	\$ 131.95	\$ 138.22	\$ 147.16
		Discounts	(90.22)	(94.54)	(100.95)
		Total Amount Appearing on DC Water Bill	\$ 41.73	\$ 43.68	\$ 46.21
CAP2 ⁴	\$121,700 (80% AMI)	Total Amount before Discounts ¹	\$ 131.95	\$ 138.22	\$ 147.16
		Discounts	(59.17)	(62.46)	(67.02)
		Total Amount Appearing on DC Water Bill	\$ 72.78	\$ 75.76	\$ 80.14
CAP3 ⁵	\$152,100 (100% AMI)	Total Amount before Discounts ¹	\$ 131.95	\$ 138.22	\$ 147.16
		Discounts	(16.40)	(15.92)	(18.17)
		Total Amount Appearing on DC Water Bill	\$ 115.55	\$ 122.30	\$ 128.99

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons) for CAP, CAP2, and CAP3

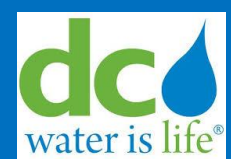
(2) CAP+ provides a discount on the first 600 cubic feet (4,488 gallons) of water, sewer, PILOT and ROW fee, 75 percent reduction in the monthly CRIAC fee and WSRF waiver

(3) CAP provides a discount on the first 400 cubic feet (2,992 gallons) of water, sewer, PILOT and ROW fee, 75 percent reduction in the monthly CRIAC fee and WSRF waiver

(4) CAP2 provides a discount on the first 300 cubic feet (2,244 gallons) of water and sewer services (with the exception of PILOT and ROW fees) and a 50 percent reduction in the monthly CRIAC fee

(5) CAP3 provides discount of 75 percent off of the monthly CRIAC

(6) Income Thresholds are based on a family of four



Average CAP Customer Monthly Bill

	Units	Current FY 2024	Proposed FY 2025	Proposed FY 2026
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 89.03	\$ 95.93	\$ 101.77
DC Water Clean Rivers IAC ⁽⁵⁾	ERU	21.86	21.23	24.23
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee ⁽³⁾	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 124.94	\$ 131.21	\$ 140.05
Increase / Decrease		\$ 6.68	\$ 6.27	\$ 8.84
District of Columbia PILOT Fee ⁽²⁾	Ccf	\$ 3.31	\$ 3.31	\$ 3.36
District of Columbia Right-of-Way Fee ⁽²⁾	Ccf	1.03	1.03	1.08
District of Columbia Stormwater Fee ⁽⁴⁾	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 7.01	\$ 7.01	\$ 7.11
Total Amount		\$ 131.95	\$ 138.22	\$ 147.16
Less: CAP Discount (4Ccf per month)		(67.52)	(72.32)	(76.48)
CAP Discount (100% WSRF per month)		(6.30)	(6.30)	(6.30)
CAP Discount (50% CRIAC per month)		(16.40)	(15.92)	(18.17)
Total CAP Discount		(90.22)	(94.54)	(100.95)
Total Amount Appearing on DC Water Bill		\$ 41.73	\$ 43.68	\$ 46.21
Increase / Decrease Over Prior Year		\$ 1.76	\$ 1.95	\$ 2.53
CAP Customer Discount as a Percent of Total Bill		-68.37%	-68.40%	-68.60%

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(2) Expansion of CAP program in FY2009 assumes discount to first 4 Ccf of water, sewer, PILOT and ROW fee to first 4 Ccf of PILOT and ROW in FY2020

(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

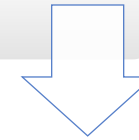
(4) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

(5) Assumes 75% discount for the Clean Rivers IAC effective October 1, 2020

Next Steps

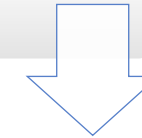
Board Committee Review (January & February 2024)

Operating and Capital Costs to Environmental Quality and Operations, Finance and Budget, and DC Retail Water and Sewer Rates Committees



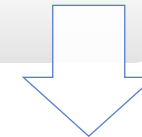
Cost of Service Study and Independent Review of Rates (January 2024)

Review with the Rates Committee and published on the website; Also submitted to the Mayor and DC Council



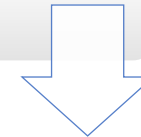
Budget Adoption – March 7, 2024

Final adoption of the operating expenditure budget, ten-year capital and financial plan by the full Board of Directors



Public Feedback (Public Hearing on May 9, 2024)

Town Hall Meetings; Publication of the rate proposal in the *D.C. Register* for public comment; Public Hearing to receive comments on the rate proposal; Review of comments received and DC Water's response to comments



Board Adoption of Rates on July 3

Recommendation from the DC Retail Water and Sewer Rates Committee and General Manager in June