

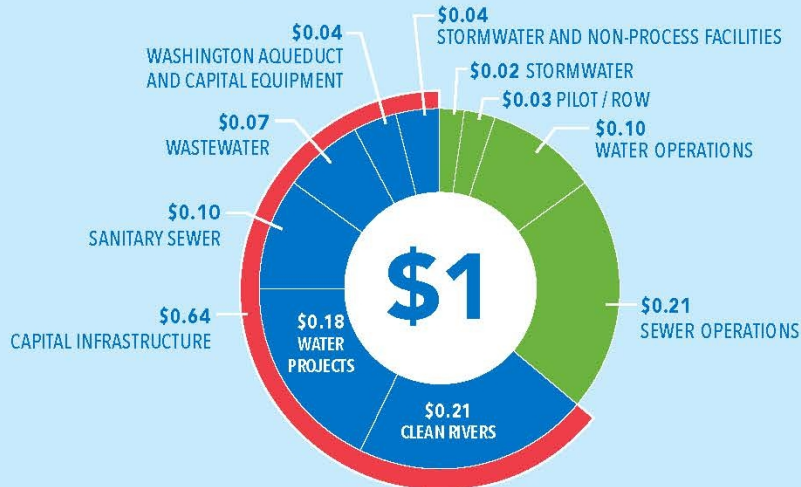


## Approved FY 2026 Budgets

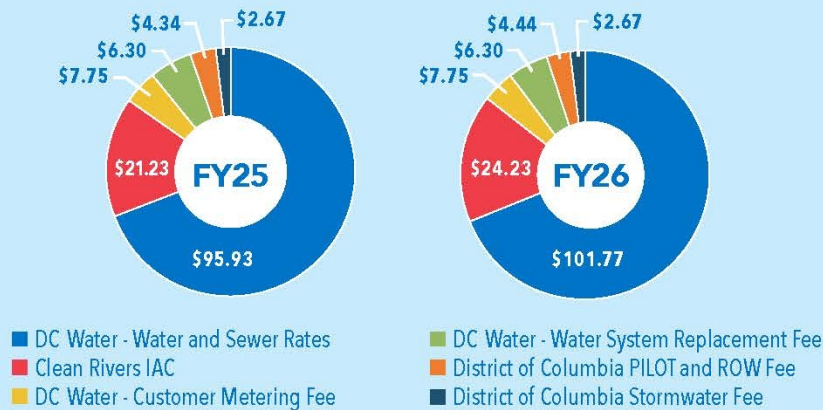
### Section IV: Rates and Revenue

#### WHERE DOES YOUR MONEY GO?

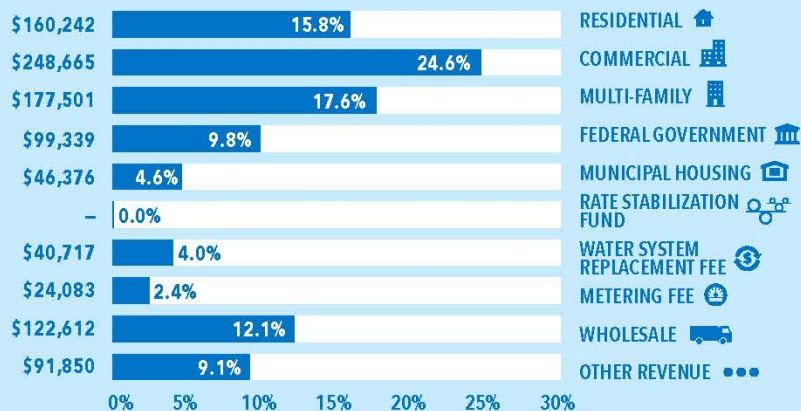
How does DC Water spend each dollar received from the average residential customers?



#### AVERAGE RESIDENTIAL BILL WITH 5.42 CCF OR 4,054 GALLONS OF CONSUMPTION



#### FY 2026 OPERATING SOURCES OF FUNDS



#### SINGLE FAMILY RESIDENTIAL MONTHLY BILL AS PERCENTAGE OF MEDIAN HOUSEHOLD INCOME

Large National and Regional Utilities



\* WITHOUT DISTRICT FEES  
\*\* WITH DISTRICT FEES

## DC Water Revenue Receipts



Reliable And Predictable



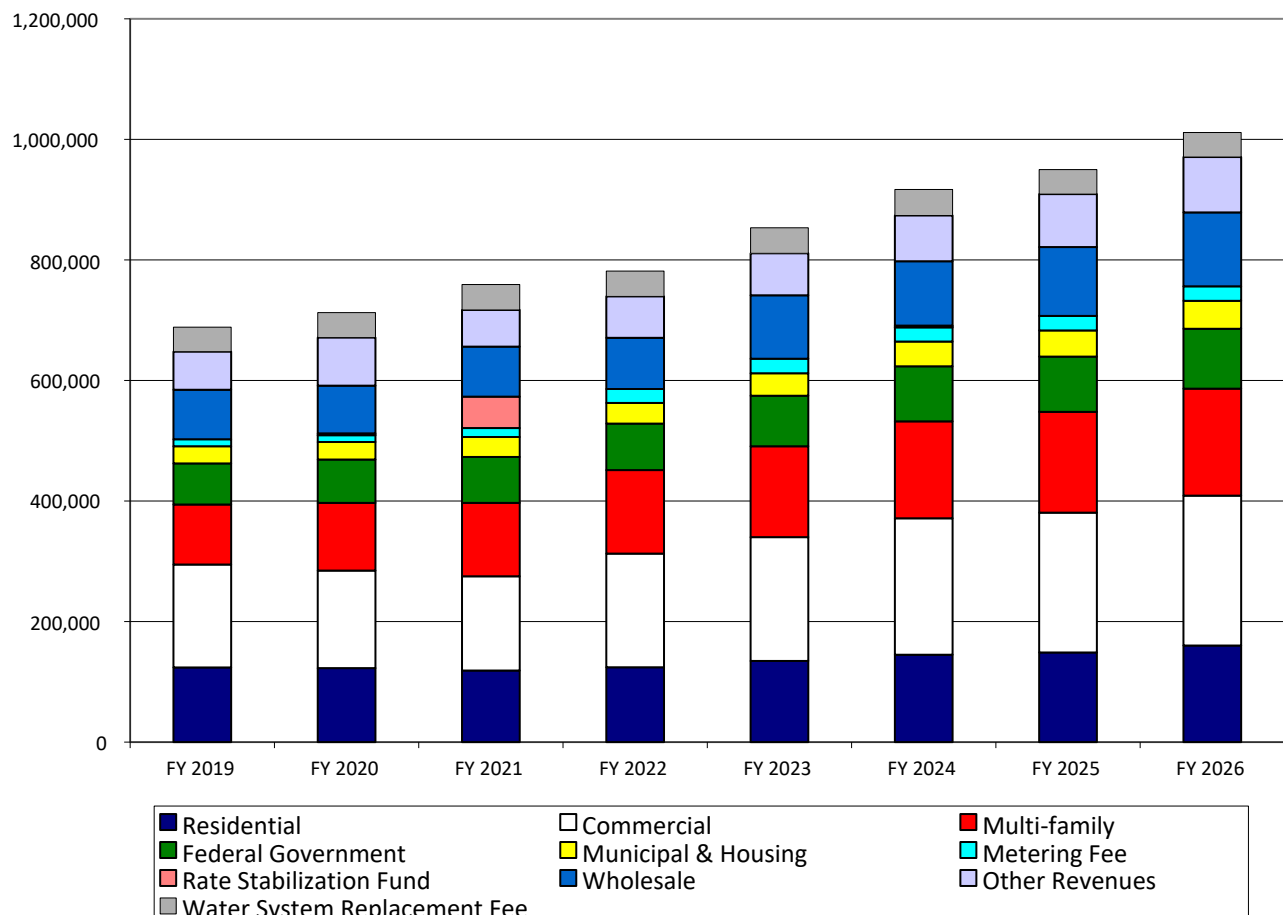
Healthy, Safe and Well



Reliable

In order to provide continuous delivery of water and wastewater services, DC Water must ensure a reliable and predictable revenue stream that cover operating and maintenance (O&M) costs and meet or exceed all Board and other financial requirements. DC Water has a diverse customer base and thus receives cash receipts from a variety of sources. The diversification of revenues mitigates reliance on any single customer and provides a level of revenue stability.

### Historical and Projected Cash Receipts (\$'000's)



## DC Water Revenue Receipts

### Funds Summary

The COVID-19 has an impact on consumption and revenue. The revised budget for FY 2025 assumed revenue of \$951.9 million from consumption of 34,177,000 Ccf. The revenue projections assume a 1.0 percent overall retail water consumption decline in FY 2025 over FY 2024 actual. However, for Commercial category, consumption for FY 2025 is assumed to decline by 0.4 percent as compared to projected FY 2021 consumption. For all categories of customers, one percent conservation is assumed for FY 2026 and onwards.



#### MAJOR ASSUMPTIONS



Healthy, Safe and Well



Reliable



Resilient

- Assumed delinquencies will decrease slightly in 2025 and onwards.
- Assumed normal collection of receipts for Late Fees. DC Water resumed charging late fees of 1% and 10% from September 1, 2021.
- Resumed placing liens effective from June 13, 2022.
- DC Water resumed disconnections/cut-offs for residential and commercial categories effective from July 12, 2022. For only Residential customers, suspended disconnections for winter moratorium from December 19, 2024, to January 3, 2025.
- Partnered with the District for the Emergency Relief to District customers
- Assumed slightly higher miscellaneous fee revenue and interest earnings
- For FY 2025 and beyond, projected that the Commercial consumption decline would continue due to 1 percent conservation

## DC Water Revenue Receipts

### Historical and Projected Operating Cash Receipts (\$000's)

|  | FY2021         | FY2022         | FY2023         | FY2024         | FY2025         | FY2026           |
|--|----------------|----------------|----------------|----------------|----------------|------------------|
|  | Actual         | Actual         | Actual         | Actual         | Revised        | Approved         |
| Residential  | 118,770        | 124,159        | 134,665        | 144,967        | 148,715        | 160,242          |
| Commercial   | 156,345        | 188,598        | 205,401        | 226,365        | 231,975        | 248,665          |
| Multi-family   | 121,777        | 138,579        | 150,756        | 160,824        | 167,213        | 177,501          |
| <b>Sub-Total Residential, Commercial and Multi-family</b>              | <b>396,892</b> | <b>451,336</b> | <b>490,822</b> | <b>532,156</b> | <b>547,903</b> | <b>586,408</b>   |
| Federal Government (1)   | 76,206         | 77,112         | 83,839         | 91,338         | 91,696         | 99,339           |
| District Government  | 20,933         | 21,055         | 21,495         | 24,739         | 26,388         | 28,256           |
| D.C. Housing Authority   | 12,173         | 13,210         | 15,801         | 16,358         | 17,027         | 18,120           |
| Transfer from Rate Stabilization Fund                                  | 2,500          | 52,100         | -              | -              | 2,000          | -                |
| Water System Replacement Fee (WSRF)                                    | 42,212         | 42,079         | 42,407         | 43,192         | 40,717         | 40,717           |
| Metering Fee   | 14,862         | 23,134         | 24,104         | 24,439         | 24,083         | 24,083           |
| <b>Total Retail</b>  | <b>565,777</b> | <b>680,026</b> | <b>678,468</b> | <b>732,222</b> | <b>749,814</b> | <b>796,923</b>   |
| IMA Wastewater Charges   | 71,797         | 73,798         | 91,713         | 93,434         | 100,251        | 108,014          |
| Potomac Interceptor Wastewater Charges                                 | 11,189         | 11,101         | 13,537         | 13,323         | 13,997         | 14,598           |
| <b>Total Wholesale</b>   | <b>82,987</b>  | <b>84,899</b>  | <b>105,250</b> | <b>106,757</b> | <b>114,248</b> | <b>122,612</b>   |
| District Stormwater Revenue (2)  | 1,148          | 1,107          | 1,038          | 1,008          | 1,008          | 1,008            |
| Misc. Rev. (e.g. watertap installation, fire hydrant usage, etc.)      | 28,822         | 34,463         | 32,981         | 31,430         | 42,996         | 46,979           |
| Washington Aqueduct Backwash - DC Water's prorata share                | -              | -              | 177            | 2,755          | 2,598          | 2,598            |
| Washington Aqueduct Debt Service Revenue for Falls Church & Arlington  | 193            | 193            | 193            | 193            | 193            | 193              |
| Interest Income (including interest on Bond Debt Service Reserve Fund) | 3,627          | 1,084          | 6,381          | 12,303         | 9,493          | 9,217            |
| System Availability Fee (SAF)  | 5,403          | 9,194          | 5,087          | 2,603          | 7,700          | 7,700            |
| Right-of-Way Fee   | 5,100          | 5,345          | 5,253          | 5,573          | 5,100          | 5,100            |
| PILOT Fee  | 16,512         | 17,284         | 18,506         | 20,027         | 18,713         | 19,056           |
| <b>Total Other</b>   | <b>60,805</b>  | <b>68,670</b>  | <b>69,616</b>  | <b>75,891</b>  | <b>87,801</b>  | <b>91,850</b>    |
| <b>Total Operating Cash Receipts</b>                                   | <b>709,569</b> | <b>833,595</b> | <b>853,333</b> | <b>914,871</b> | <b>951,863</b> | <b>1,011,385</b> |

- (1) Historical actuals are presented on revenue basis. Projected amounts shown are billed revenues. Actual Federal receipts are a combination of current year projected revenues and prior year adjustments, which are presented as reserve items. See Section III for further explanation.
- (2) Reflects District stormwater fee revenue that will fund DC Water's share of District stormwater permit compliance activities and will not be funded through DC Water's retail rates or other DC Water revenue sources. See Section III for further explanation.

## DC Water Revenue Receipts

### Customer Categories and Accounts



Reliable And Predictable



Healthy, Safe and Well



Reliable

As of September 30, 2024, DC Water had 127,334 active, metered water and wastewater accounts. In addition, there are 5,470 separate accounts that are billed only for impervious surface. DC Water's customers are classified as retail (residential, multi-family and non-residential) and wholesale customers only. However, within the retail customer class, DC Water tracks receipts and associated consumption at a more detailed level in order to analyze trends and service characteristics. Retail customers' characteristics can be viewed in six groups: residential, multi-family, commercial, federal, DC Municipal and Housing Authority.

FY 2024 revenue receipts are actual as of September 30, 2024.

In FY 2011, a study of the demand characteristics of DC Water customers was undertaken to determine if additional customer classes should be defined for the purpose of cost allocation. Review of 12 months of data (May 2010 to April 2011) revealed, (among other things) that there is a difference in peaking characteristics between many of the customer groups. Generally, the federal customers have the highest peaking factor, with commercial customers having the next highest peaking factor and municipal, residential, multi-family and Housing Authority customers having the lowest peaking factor. Segmentation of water customers is typically done by class-based peak use characteristics with the higher peaking customers allocated more of the system costs (primarily driven by electricity and system capacity costs).

This information helped to inform an analysis of alternative rate structures within the FY 2012 Cost of Service Study (COS). Among the alternatives reviewed, the study reviewed different volumetric rates by customer class/category based on the different demands they place on the system. Differentiation could be based on water peaking characteristics or discharge strength contributions (wastewater). While it was recommended that additional analysis be undertaken in for any further consideration of discharge strength differentiation, management recommended that a new customer class, "Multi-Family", be created to acknowledge the similarity of peaking characteristics with other residential customers, yet provide transparency between single family and multi-family residential units. (Multi-Family residential facilities will continue to be defined as those facilities with 4 or more residential units.) The new Multi-family class has been effective from October 1, 2013. The three customer classes are defined as follows:

**Residential** – a customer whose premises is a single-family dwelling unit used for domestic purposes, whether as a row, detached or semi-detached structure, or as a single dwelling unit within an apartment building, or as a single dwelling unit within a condominium, or as a single dwelling unit within a cooperative housing association, where each unit is served by a separate service line and is individually metered and used for domestic purposes; or a multi-family structure or development of less than four (4) single-family, apartment, condominium, or cooperative housing association dwelling units where all the units are used for domestic purposes and served by a single service line that is master metered; excluding a premises operated as a nursing home, dormitory or transient housing business, including, but not limited to a bed and breakfast, hotel, motel, inn, boarding house or rooming house.



## DC Water Revenue Receipts



Reliable And Predictable



Healthy, Safe and Well



Reliable

**Multi-Family** – a customer whose premises is a multi-family structure or development (such as an apartment, condominium, or cooperative housing association) used for domestic purposes, with four or more single-family, apartment, condominium, or cooperative housing association residential dwelling units served by the same service line that is master metered; excluding a premises operated as a nursing home, dormitory or transient housing business, including, but not limited to a bed and breakfast, hotel, motel, inn, boarding house or rooming house.

**Non-residential** – all customers not within either the residential or multifamily class including customers whose premises is comprised of one or more units that is not used for domestic purposes and all units are served by the same service line that is master metered.



Equitable

**Residential, commercial and multi-family receipts are projected to increase in FY 2025 by approximately \$15.7 million, or 3.0 percent, over the FY 2024 level due to:**

- Board-approved volumetric retail rate (water and sewer) increase of 8.0 percent, effective October 1, 2024
- Board-approved Clean Rivers Project CRIAC rate decreased from \$21.86 in FY 2024 to \$21.23 per ERU in FY 2025
- Due to the impact of COVID-19, assumed a 0.4 percent decline in consumption for Commercial category in FY2025 and beyond.
- In FY 2024, DC Water's collections on its retail receivables was impacted due to COVID-19, with accounts receivable over 90 days at \$33.9 million as of September 30, 2024, which is \$7.6 million higher than FY 2021. DC Water will continue its collection efforts
- The customer assistance program reduces projected revenues by approximately \$5.0 million

**Residential, commercial and multi-family customers:**

- In FY 2025, residential customers include 107,491 accounts that comprise of 15.6 percent of the total operating revenues. Given the large number of individual account holders who are in residential, it is unlikely that any one customer will have a major impact on the DC Water cash receipts.
- Multi-family customers house 4 or more units within one building with a master meter. In FY 2025, there are 8,785 accounts that comprise of 17.6 percent of the total operating revenues.
- The commercial group of customers includes a number of nationally recognized universities and regional hospitals, national associations, lobbying firms, major law firms and hotels. This group has 9,011 accounts and will comprise of 24.4 percent of the projected FY 2025 operating revenues. In FY 2026, they will comprise of 24.6 percent of the fiscal year operating revenue.

## DC Water Revenue Receipts

FY 2025 projections for Residential, Multi-Family and Commercial customers reflect an increase of \$15.7 million, or 3.0 percent from FY 2024 due primarily to proposed retail rate increase of 8.0 percent (combined water and sewer volumetric rates) and a decrease of \$0.63 monthly ERU fee for the Clean Rivers IAC. For FY 2026, the revenue increase is projected at \$38.5 million or 7.0 percent over FY 2025 due to the projected rate increase of 6.0 percent and an increase of \$3.00 monthly ERU for CRIAC. The revenue projections assume a 1.0 percent retail water consumption decline in FY 2025 over FY 2024 actual. However, for Commercial category, consumption in FY 2025 is assumed to decline by 0.4 percent as compared to FY 2021 projected consumption. In FY 2026 and onwards, one percent decrease in consumption has been assumed due to conservation.

**The Federal customers FY 2025 receipts are projected to total \$91.7 million; an increase of \$0.4 million, or 0.4 percent over FY 2024.** In FY 2026, Federal revenues are projected to be \$99.3 million or 9.8 percent of the total operating revenues. The projected federal revenues will be higher by \$8.3 million or 7.6 percent in FY 2026 due to estimated rate and consumption assumptions provided under the federal billing policies. It may be noted that in order to reduce costs, the federal government issued an executive order to federal agencies to reduce water and electricity consumption, coupled with the federal telework and commuting act to reduce footprint in the District, transfer of federal properties and large metering issues at restricted federal properties.

Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2025 billing was prepared in April 2023), and are based on the current consumption estimates and projected rate increases as included in the current ten-year plan. These estimates are then reconciled with actual consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2025 estimated vs. actual consumption and rate increases will be included in the FY 2028 billing, to be prepared in April 2026). Federal revenues in the ten-year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, revised FY 2025 federal revenues reflect the final billing sent to the federal government in April 2023 net of the adjustment for the prior year (FY 2022) reconciliation. The Authority serves many facilities of the federal government as well as the District of Columbia. The largest federal accounts include General Services Administration, U.S. Congress, the Smithsonian Institution, Department of the Navy, National Park Service and the Department of Defense in both DC and VA.

## DC Water Revenue Receipts



**Reliable And Predictable**

 **Healthv. Safe and Well**

 **Reliable**

 **Resilient**

**Municipal & D.C. Housing Authority – FY 2025 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at \$43.4 million, an increase of \$2.3 million or 5.6 percent over FY 2024.** In 2026, receipts from these organizations are projected to total \$46.4 million, an increase of \$3.0 million, or 6.8 percent, mainly due to increases in retail volumetric rates.

- The Municipal customer group includes 518 accounts under the authority of the District of Columbia government. This includes offices and facilities for various government agencies and activities such as education, regulatory affairs and general government operations. This group will comprise of 2.8 percent of the FY 2025 revised budget, and 2.8 percent of the proposed FY 2026 budget.
- The D.C. Housing Authority has 1,050 accounts that include public housing at various facilities throughout the District of Columbia. Their annual billings make up only 1.8 percent of the FY 2025 cash receipts and 1.8 percent of the proposed FY 2026 cash receipts.

**Wholesale customer revenue - FY 2025 revenues are projected at \$114.2 million, an increase of \$7.5 million or 7.0 percent over FY 2024.** In FY 2026, the Wholesale revenues are projected to increase by \$8.4 million or 7.3 percent to \$122.6 million. In FY 2027, the wholesale revenues are projected to increase by \$4.9 million or 4.0 percent to \$127.5 million. DC Water provides wholesale wastewater treatment services to User Jurisdictions at the Blue Plains Plant. The Wholesale customers' share of operating costs at Blue Plains and other multi-jurisdictional use facilities (MJUFs) are recovered in accordance with the Blue Plains Intermunicipal Agreement of 2012, effective April 3, 2013, (which replaces Blue Plains Intermunicipal Agreement of 1985), the Potomac Interceptor Agreements and the Loudoun County Sanitation Authority Agreement (as discussed in more detail in "THE SYSTEM – The Wastewater System"), and are based on actual costs of operating and maintaining the plant and the collection facilities, prorated to each User Jurisdiction based on its respective actual share of wastewater flows. The User Jurisdiction's share of capital costs is based on each User Jurisdiction's share of capacity allocations in the Plant. Both operating and capital payments are made on a quarterly basis. Capital-related charges are billed quarterly with payments due on the 15th day of the second month following the end of the quarter. The operating and maintenance related charges are billed annually by mid-October and payments are due on November, February, May and August. Receipts are projected to be 12.0 percent and 12.1 percent of total receipts in FY 2025 and FY 2026 respectively.

In FY 2017, DC Water began billing our wholesale customers for the operating and maintenance costs of MJUFs, which include twelve interceptors and four pumping stations that carry suburban wastewater to the Blue Plains Plant. Following each fiscal year, the Authority prepares a reconciliation that determines the actual costs and each wholesale customer's appropriate share of such costs. Adjustments are then billed or credited to the wholesale customers in the first quarter of the subsequent fiscal year. The wholesale customers include: Washington Suburban Sanitary Commission (WSSC), Loudoun County, VA, Fairfax County, VA and a group of small customers of the Potomac Interceptor (PI). The PI customers are comprised of Dulles International Airport (MWAA), National Park Service, Department of Navy and the Town of Vienna.



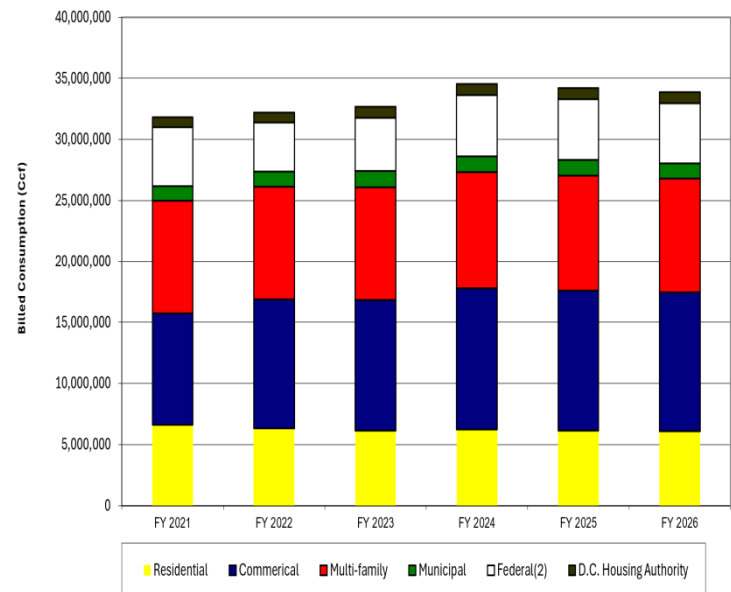
## DC Water Consumption

### Consumption



While wholesale customers pay for their proportional share of wastewater services, retail customers are billed based upon metered consumption. Therefore, variations in consumption have a direct impact upon DC Water retail rates. The consumption for DC retail customers increased by 5.7 percent in FY 2024. Given the uncertainty of the current economy as well as the federal government's goal to close some neighboring federal facilities and implement several conservation best practices over the next few years, the revenue projections assumed a 1.0 percent decline in FY 2025 over FY 2024 Actual. However, due to the impact of Covid-19, FY 2025 consumption for commercial is assumed to decline by 0.4 as compared to FY 2021 projected consumption. Assumed 1.0 percent decline in FY 2026 and beyond for all categories of customers.

Historical and Projected Billed Consumption (Ccf)



Historical and Projected Billed Consumption (Ccf)

|                                | FY 2021<br>Actual | FY 2022<br>Actual | FY 2023<br>Actual | FY 2024<br>Actual | FY 2025<br>Projected | FY 2026<br>Projected |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>Residential</b>             | 6,620,451         | 6,319,378         | 6,148,086         | 6,202,811         | 6,141,000            | 6,080,000            |
| <b>Commercial</b>              | 9,098,077         | 10,561,267        | 10,665,543        | 11,577,290        | 11,462,000           | 11,347,000           |
| <b>Multi-family</b>            | 9,260,560         | 9,243,028         | 9,274,129         | 9,544,963         | 9,450,000            | 9,356,000            |
| <b>Municipal<sup>(1)</sup></b> | 1,195,762         | 1,243,211         | 1,326,087         | 1,265,556         | 1,253,000            | 1,241,000            |
| <b>Federal<sup>(2)</sup></b>   | 4,813,337         | 4,006,115         | 4,350,621         | 5,035,575         | 4,985,000            | 4,935,000            |
| <b>D.C. Housing Authority</b>  | 808,267           | 824,862           | 889,780           | 894,653           | 886,000              | 877,000              |
| <b>Total Retail</b>            | <b>31,796,454</b> | <b>32,197,861</b> | <b>32,654,246</b> | <b>34,520,848</b> | <b>34,177,000</b>    | <b>33,836,000</b>    |

(1) Reflects consumption at District of Columbia Government facilities and DC Water facilities

(2) Reflects consumption at Federal facilities and selected facilities at Soldiers' Home for FY 2020 and onwards

(3) Ccf = hundred cubic feet or 748 gallons

## Recent and Approved Rate and Fee Changes

### COST OF SERVICE STUDIES:

In FY 2010, DC Water's Independent Financial Consultants performed a Cost of Service (COS) Study to include objectives from senior staff on prioritizing DC Water's pricing objectives. One of the objectives noted was the Class-Based Volumetric Differentiation.

In FY 2011, a Customer Segmentation Study was performed to identify classes of customers for the purpose of rate-setting, planning, supply management and cost analysis among others. Typically, this classification is based on: A) general service characteristics, and B) demand patterns. Each class is assumed to have somewhat different needs and progressively higher demands than the previous class. Most water utilities typically have three principal classes of customers: A) Residential, B) Commercial, and C) Industrial. DC Water has two customer classes: A) Residential and B) Non-Residential.

Furthermore, the FY 2012 Cost of Service Study identified several customer categories that demonstrated a reasonable level of differentiation in terms of peak usage. The customer classes identified included A. Residential, B. Multi-family and C. Non-residential. DC Water added a new class of customer, Multi-family effective October 1, 2014.

In FY 2015, DC Water successfully completed its Cost of Service Study (COS). This study is undertaken every three years to review and certify DC Water's water and wastewater volumetric rates, Clean Rivers Impervious Surface Area Charge (CRIAC) and other DC Water fees and charges to ensure that revenues are sufficient to recover projected revenue requirements, that Board rate setting policies are followed, and that rates are allocated equitably.

DC Water expanded the FY 2015 COS to include alternative rate structure analysis that would more effectively meet DC Water's highest priority pricing objectives. These recommendations were incorporated in the FY2016 rate proposal and were approved by the Board. These recommendations are summarized below:

- Lifeline Rates
- Classed-based Volumetric Rates
- Water System Replacement Fee (WSRF)
- System Availability Fee (SAF)
- Based on similar peaking ratios, District of Columbia Housing Authority (DCHA) category moved to multi-family class.

In FY 2018, a Cost of Service Study (COS) was conducted by Independent Financial Consultants, which provided several recommendations that were incorporated in the FY 2019 rate proposal, and were approved by the Board.

- A reallocation of the costs associated with the Clean Rivers Impervious Area Charge (CRIAC) to the sewer utility results in a reduction in the CRIAC and an increase in the sewer volumetric charge.
- The revenue collected from the Water System Replacement Fee (WSRF), originally designed to fund the annual costs of 1 percent of DC Water's water service line renewal and replacement program, has been used in its entirety to offset the water utility's revenue requirements, resulting in a decrease to all water volumetric charges.
- Although these two reallocations cause shifts in the cost structure, and subsequent rates, DC Water customers will see only minimal changes to their bills.

## Recent and Approved Rate and Fee Changes

In FY 2020, DC Water conducted a Cost of Service Study (COS) to align the COS with the multi-year rate proposals, therefore both will be done every two years going forward. Previously, Cost of Service study was conducted every three years. The COS consist of three components: i) revenue sufficiency analysis – to ensure that the revenues cover the costs that DC Water incurs; ii) cost of service analysis/rate equity – to ensure that the rates are equitably recovering the costs of service provided to customers; and iii) alternative rate structure analysis – to ensure that DC Water meets its priority pricing objectives. The results of the COS support the multi-year rate, charges and fee proposals for FY 2021 and FY 2022.

In FY 2020, an Independent Review of Rate Structure and Customer Assistance Programs was conducted to review and benchmark DC Water's rates, rate structure and Customer Assistance Programs (CAP) to peer utilities. The findings of the study concurred that DC Water's current customer class structure, monthly water lifeline threshold of 4 Ccf, ERU basis for recovering the CRIAC charge, CAP bill discount and temporary assistance programs are consistent with industry standards for ratemaking.

According to the COS, the proposed CRIAC shift to sewer volumetric with 18 percent in FY 2020, 28 percent in FY 2021 and 37 percent in FY 2022 and beyond was recommended because it balances infrastructure investment with growth in rates. The shift was based on an assessment that on average 37 percent of volume in the tunnels is from wastewater. The gradual shift helps to avoid rate shock to customers.

In FY 2022, a COS Study was conducted by Independent Financial Consultants to establish the multi-year rates for FY 2023 and FY 2024. The 2022 COS Study includes the Groundwater and High Flow Filter Backwash Sewer rates. The results of the COS study support the multi-year rate, charges and fee proposal for FY 2023 and FY 2024.

In FY 2024, a COS study was conducted to establish multi-year rate for FY 2025 and FY 2026 and the study supported the rates, charges, and fee proposal. It also included the Groundwater and high flow filter backwash sewer rates. The results of COS study support the multi-year rate, charges, and fee proposed for FY2025 and FY 2026.

Independent Review of the proposed FY 2025 and FY 2026 Rates was conducted by the consultants.

- The review concluded that the rates have been reasonably developed, reflect the anticipated revenue requirements of the system, adhere to Board Policy and are comparable to other utilities
- The affordability assistance provided by DC Water is robust compared to other utilities, providing a meaningful impact on a customer bill.

## Recent and Approved Rate and Fee Changes

### Lifeline Rate

The lifeline rate allows for the first 4 Ccf of Single Family Residential (SFR) water use to reflect baseline usage by residential customers without peaking costs. The lifeline water rate provides an economic benefit to low-volume Residential customers, while spreading the cost of peaking to high-volume Residential customers.

### Class-based Rate Structure

The Independent Financial Consultants analyzed rate differentiation based on the peaking demands of each customer class. They also analyzed consumption patterns to better understand how customers use water and how their use of water may inform selection of an optimized rate structure. Based upon the analysis of the peak demand of different customer classes as well as affordability considerations, the Board approved establishing class-based water volumetric rates for Residential, Multi-family and Non-residential customers effective from October 1, 2015 (FY 2016). The class-based water volumetric rates for FY 2024 to FY 2026 are listed below:

| Water Volumetric          | Class-Based (w/lifeline) |         |         |
|---------------------------|--------------------------|---------|---------|
|                           | FY 2024                  | FY 2025 | FY 2026 |
| Residential - 0-4 Ccf     | \$4.38                   | \$5.21  | \$5.78  |
| Residential - >4 Ccf      | \$5.70                   | \$6.81  | \$7.60  |
| Multi-Family / DC Housing | \$5.00                   | \$5.82  | \$6.47  |
| Non-Residential           | \$5.89                   | \$7.03  | \$7.84  |

## Recent and Approved Rate and Fee Changes

### Water System Replacement Fee (WSRF)

Effective October 1, 2015 (FY 2016), DC Water modified its existing rate structure and implemented a new meter-based Water System Replacement Fee (WSRF) in order to recover the cost of the 1 percent renewal and replacement program for water service lines. It is anticipated that the Water System Replacement Fee (WSRF) will generate approximately \$40.7 million per year from fiscal years 2024 through 2033. The fee is based upon meter size and average flow. DC Water's low income CAP customers receive a 100 percent credit for this fee.

Effective October 1, 2017 (FY 2018), DC Water amended the Water System Replacement Fee (WSRF) regulations to add rules and procedures for a Multi-family WSRF adjustment; amend the Customer Classifications to clarify the definitions for Residential, Multi-family and Non-Residential customers to include cooperative housing associations and other clarifications; and amend the definitions set forth in Chapter 41 to define the terms Condominium, Cooperative Housing Association, and Dwelling Unit used in the Customer Classification regulations.

| Meter Size (inches) | Meter Register Type          | Monthly Water System Replacement Fee |
|---------------------|------------------------------|--------------------------------------|
| 5/8"                | Single Register              | \$ 6.30                              |
| 3/4"                | Single Register              | \$ 7.39                              |
| 1"                  | Single Register              | \$ 9.67                              |
| 1"x1.25"            | Single and Multiple Register | \$ 15.40                             |
| 1.5"                | Single Register              | \$ 41.35                             |
| 2"                  | Single and Multiple Register | \$ 83.75                             |
| 3"                  | Single and Multiple Register | \$ 232.13                            |
| 4"                  | Single and Multiple Register | \$ 561.02                            |
| 6"                  | Single and Multiple Register | \$ 1,292.14                          |
| 8"                  | Single Register              | \$ 5,785.51                          |
| 8"x2"               | Multiple Register            | \$ 1,899.60                          |
| 8"x4"x1"            | Multiple Register            | \$ 2,438.35                          |
| 10"                 | Single and Multiple Register | \$ 6,679.65                          |
| 12"                 | Single and Multiple Register | \$ 6,679.65                          |
| 16"                 | Single Register              | \$ 6,679.65                          |

## Recent and Approved Rate and Fee Changes

The following terms are defined:

**Condominium** – means real estate, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of the portions designated for separate ownership, provided the undivided interests in the common elements are vested in the unit owners.

**Cooperative Housing Association** – means an association, whether incorporated or unincorporated, organized for the purpose of owning and operating residential real property, the shareholders or members of which, by reason of their ownership of a stock or membership certificate, a proprietary lease or other evidence of membership, are entitled to occupy a dwelling unit pursuant to the terms of a proprietary lease or occupancy agreement.

**Dwelling Unit** – any habitable room or group of rooms with kitchen and bathroom facilities forming a single unit located within a building or structure, which is wholly or partially used or intended to be used for living, sleeping and the preparation and consumption of meals by human occupants, and is under the control of and for the use of the occupant.

### Multi-Year Rates

DC Water moved to a multi-year rate proposal in FY 2016 covering the period FY 2017 and FY 2018. The third time that DC Water had adopted a multi-year rate proposal was in FY 2020 covering the period FY 2021 and FY 2022. The FY 2022 rates became effective from October 1, 2021. On March 3, 2022, DC Water's Board adopted a multi-year rate proposal for a fourth time covering the period FY 2023 and FY 2024.

The benefits of multi-year rates include:

- Greater revenue certainty
- Increased budget discipline
- Better alignment between revenues and expenditures
- Favorable credit rating agency treatment
- Better predictability for our ratepayers

Potential risks / considerations:

- Reduced financial flexibility
- Limited ability to modify approved rate increases, if necessary
- Conservatism in financial projections



## Recent and Approved Rate and Fee Changes

### System Availability Fee (SAF)

Many utilities have implemented a fee, assessed to new development (or redevelopment) to recover the investment in available system capacity. On June 17, 2016, DC Water's Board approved a new System Availability Fee (SAF) to be effective from January 1, 2018. All Residential Customers with meters 1 inch or smaller will use the same set of fees. All Residential Customers with meters larger than 1", and all Multi-Family and Non-Residential Customers will have SAF based on their meter size.

The System Availability Fee is assessed for all new buildings, structures or properties under development and properties under redevelopment. For properties under redevelopment, DC Water will determine the net System Availability Fee by determining the property's proposed capacity requirements and applying a credit for the capacity of accounts being removed from the system. However, if the associated credit for capacity removed is equal to or greater than the future System Availability Fee, the net System Availability Fee shall be zero. Properties under redevelopment shall not receive a credit for accounts that are inactive for more than 12 months.

DC Water has determined that implementing the System Availability Fee (SAF) regulations on the effective date of January 1, 2018 could present significant fiscal impacts to the District's New Communities Initiative, which includes redevelopment, one for one replacement and/or augmentation, of affordable housing units. On March 1, 2018, the DC Water Board considered comments received during the SAF public comment period and agreed to; 1) Extend the System Availability Fee (SAF) effective date from January 1, 2018 to June 1, 2018 for DCRA Construction Permit Applicants and federal facilities new water and sewer connections and renovation or redevelopment projects for existing connections to the District's potable water and sanitary sewer systems based on the SAF meter size in accordance with the following fee schedule and requirements; 2) Revised the DC Water guidance document used to determine the SAF meter size from DC Water Standard Details and Guideline Masters to DC Water's Sizing Instructions and Worksheets; 3) Added procedures and requirements to receive credits for Affordable Housing Units (AHU) development and redevelopment; 4) Clarified the requirements for projects submitted prior to the effective date of June 1, 2018 and approved by June 1, 2019; 5) Added formulas to clarify how the SAF is calculated with the SAF credit, AHU credit and Net AHU credit; 6) Clarified requirements for Payment Plan Agreement; 7) Properties under redevelopment shall not receive a credit for accounts that are inactive for more than 24 months.

Effective June 1, 2018, DCRA Construction Permit Applicants and federal facilities shall be assessed a System Availability Fee (SAF) for new water and sewer connections and renovation or redevelopment projects for existing connections to the District's potable water and sanitary sewer systems based on the SAF meter size in accordance with the following fee schedule and requirements.

## Recent and Approved Rate and Fee Changes

A. Residential customers shall be charged a System Availability Fee based on the SAF meter size as listed below:

| SAF Meter Size (inches) | Water System Availability Fee | Sewer System Availability Fee | Total System Availability Fee |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|
| 5/8"                    | \$ 1,135                      | \$ 2,809                      | \$ 3,944                      |
| 3/4"                    | \$ 1,135                      | \$ 2,809                      | \$ 3,944                      |
| 1"                      | \$ 1,135                      | \$ 2,809                      | \$ 3,944                      |
| 1"x1.25"                | \$ 2,047                      | \$ 5,066                      | \$ 7,113                      |
| 1.5"                    | \$ 5,491                      | \$ 13,591                     | \$ 19,082                     |
| 2"                      | \$ 11,125                     | \$ 27,536                     | \$ 38,661                     |

B. Multi-Family and all Non-Residential customers shall be charged a System Availability Fee based on the SAF meter size as listed below:

| SAF Meter Size (inches) | Water System Availability Fee | Sewer System Availability Fee | Total System Availability Fee |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|
| 1" or smaller           | \$ 1,282                      | \$ 3,173                      | \$ 4,455                      |
| 1"x1.25"                | \$ 2,047                      | \$ 5,066                      | \$ 7,113                      |
| 1.5"                    | \$ 5,491                      | \$ 13,591                     | \$ 19,082                     |
| 2"                      | \$ 11,125                     | \$ 27,536                     | \$ 38,661                     |
| 3"                      | \$ 32,500                     | \$ 80,442                     | \$ 112,942                    |
| 4"                      | \$ 83,388                     | \$ 206,394                    | \$ 289,782                    |
| 6"                      | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 8"                      | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 8"x2"                   | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 8"x4"x1"                | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 10"                     | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 12"                     | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |
| 16"                     | \$ 229,246                    | \$ 567,408                    | \$ 796,654                    |

## Recent and Approved Rate and Fee Changes

The following terms are defined:

**Development** – the construction of a premises, building or structure that establishes a new water and/or sewer connection.

**Redevelopment** – the renovation or alteration of a premises, building or structure or reconstruction of a property that increases or decreases the water supply demand or drainage, waste, and vent (DWV) system load. Redevelopment shall not include the up-sizing of a water service or sewer lateral to comply with the

D.C. Construction Codes Supplement, provided the water supply demand and DMV system load remain the same.

**System Availability Fee** – A one-time fee assessed to a property owner of any premises, building or structure to recover the cost of system capacity servicing all metered water service and sanitary sewer connections and renovation or redevelopment projects that require an upsized meter service connection to the District's potable water system. The fee is assessed based on the peak water demand, excluding fire demand, for new meter water service connection and renovation or redevelopment projects that increase the peak water demand and associated SAF meter size for the property.

**Affordable Housing Unit (AHU)** – A housing unit that is offered for rent or sale for residential occupancy and as a result of a federal or District subsidy, incentive or benefit, and is made available and affordable to households whose income limit requirements are established by the federal or District program or agency or the Council for the District of Columbia.

**Force Majeure Event** – an event arising from causes beyond the control of DC Water or the control of any entity controlled by DC Water, which results in the closure of DC Water facilities.

## Recent and Approved Rate and Fee Changes

### Customer Metering Fee

The Metering Fee was established in 2003 to recover automated metering infrastructure capital costs. In 2012 the Metering Fee was reviewed and adjusted as part of the Cost of Service Study to include capital costs and a small increment of direct Customer Service cost associated with meter maintenance. Many utilities recover operating costs associated with both metering and billing in a fixed meter-based charge. The 2020 cost of service study adopted this more common industry approach by allocating some additional water costs to a Customer Service/Meters classification. The new cost recovery pool is divided by equivalent system meters to determine the cost for residential meter (5/8" or 3/4") then scale that up to reflect charges as meter size increases. As a result, cost recovery is shifted to the Metering Fee and away from the volumetric rate. DC Water chose to mitigate impacts by phasing in this methodology change over 2 years ending with FY2022 rates.

- In FY 2019, the Metering Fee recovered \$11.6 million
  - In FY 2003, established Metering Fee at \$2.01 for 5/8" meter
  - In FY 2011, increased Metering Fee to \$3.86 for 5/8" meter
  - Originally fee amount set to cover the capital costs of the original Automated Meter Infrastructure (AMI) system and meter purchase and installation (debt service) plus about \$4 million of Customer Service costs

The 2020 Cost of Service Study recommended recovering \$24.1 million in FY 2022, consistent with independent rate review recommendation

- Includes costs associated with metering and billing
- Customer assistance, shutoff/restore, and leak adjustment, etc. remain in the volumetric charges
- Proposes FY2021 recovers \$15.4 million, all the debt service and coverage plus about half of the full Customer Service O&M allocation (\$4.96 for a 5/8" meter)
- Proposed FY2022 fee adds the additional half of Customer Service allocation for a total of about \$24.1 million (\$7.75 for a 5/8" meter)

## Recent and Approved Rate and Fee Changes

### Customer Metering Fees

| Meter Size | FY 2020   | FY 2021   | FY 2022   |
|------------|-----------|-----------|-----------|
| 5/8"       | \$ 3.86   | \$ 4.96   | \$ 7.75   |
| 3/4"       | \$ 4.06   | \$ 5.22   | \$ 8.16   |
| 1"         | \$ 4.56   | \$ 5.86   | \$ 9.16   |
| 1x1.25"    | \$ 4.83   | \$ 6.21   | \$ 9.70   |
| 1.5"       | \$ 6.88   | \$ 8.85   | \$ 13.82  |
| 2"         | \$ 7.54   | \$ 9.69   | \$ 15.14  |
| 2x1/2"     | \$ 8.00   | \$ 10.28  | \$ 16.07  |
| 2x5/8"     | \$ 8.00   | \$ 10.28  | \$ 16.07  |
| 3"         | \$ 76.98  | \$ 98.92  | \$ 154.56 |
| 3x5/8"     | \$ 77.94  | \$ 100.16 | \$ 156.49 |
| 3x3/4"     | \$ 77.94  | \$ 100.16 | \$ 156.49 |
| 4"         | \$ 137.37 | \$ 176.52 | \$ 275.81 |
| 4x3/4"     | \$ 138.15 | \$ 177.52 | \$ 277.38 |
| 4x1"       | \$ 138.15 | \$ 177.52 | \$ 277.38 |
| 4x2"       | \$ 138.15 | \$ 177.52 | \$ 277.38 |
| 4x2x5/8"   | \$ 181.04 | \$ 232.64 | \$ 363.49 |
| 6"         | \$ 268.14 | \$ 344.56 | \$ 538.37 |
| 6x1"       | \$ 272.70 | \$ 350.42 | \$ 547.52 |
| 6x1x1/2"   | \$ 272.70 | \$ 350.42 | \$ 547.52 |
| 6x1/2"     | \$ 323.09 | \$ 415.17 | \$ 648.70 |
| 6x3x3/4"   | \$ 323.09 | \$ 415.17 | \$ 648.70 |
| 6x3"       | \$ 323.09 | \$ 415.17 | \$ 648.70 |
| 8"         | \$ 323.29 | \$ 415.42 | \$ 649.10 |
| 8x2"       | \$ 323.29 | \$ 415.42 | \$ 649.10 |
| 8x4x1"     | \$ 358.26 | \$ 460.36 | \$ 719.31 |
| 10"        | \$ 317.91 | \$ 408.51 | \$ 638.30 |
| 10x2"      | \$ 403.62 | \$ 518.65 | \$ 810.38 |
| 10x6x1"    | \$ 403.62 | \$ 518.65 | \$ 810.38 |
| 10x6"      | \$ 403.62 | \$ 518.65 | \$ 810.38 |
| 12"        | \$ 329.66 | \$ 423.61 | \$ 661.89 |
| 12x6"      | \$ 329.66 | \$ 423.61 | \$ 661.89 |
| 16"        | \$ 349.45 | \$ 449.04 | \$ 701.62 |

## Recent and Approved Rate and Fee Changes

### Clean Rivers IAC Credit:

In FY 2016, DC Water's Board asked management to evaluate and propose recommendations for expansion of the Customer Assistance Program (CAP) to include fees assessed for the Clean Rivers Impervious Surface Area Charge (CRIAC). The staff evaluated the three options for CRIAC credit: (i) Dollar credit, (ii) ERU credit, and (iii) percent of CRIAC credit (25%, 50%, 75%). Based on the detailed analysis, the management made recommendation to the Board to expand Customer Assistance Program (CAP) to low-income customers to include CRIAC credit in their monthly bills. On March 2, 2017, the Board approved the expansion of the Customer Assistance Program for eligible single-family residential accounts and individually metered accounts to include a fifty percent (50%) credit off of the monthly billed Clean Rivers Impervious Area Charge. The CRIAC became effective May 1, 2017. On March 5, 2020, DC Water's Board adopted a proposal to increase the maximum CRIAC from 50% to 75%, effective October 1, 2020.

### Clean Rivers Impervious Area Charge (CRIAC)

In September 2018, DC Water formed the 19-member Stakeholder Alliance (DCWSA) to provide independent advice and a variety of viewpoints to DC Water Management on a variety of programs and policies; increase customer education by providing DC Water with new opportunities for outreach; and propose to DC Water ways to continue effective and efficient long-term public involvement with improved communication tools.

DC Water conducted several meetings to discuss the Clean Rivers Impervious Area Charge (CRIAC) and options to mitigate the rapidly increasing CRIAC. Some of the possible criteria included: 1) equitableness; 2) administrative feasibility; 3) revenue neutrality; 4) legal challenges and defensibility, 5) executable; and 6) adheres to industry practice.

The DC Water's Department of Engineering and Technical Services (DETS) proposed two methodologies for shifting cost from the CRIAC to sewer volumetric rate. The two methodologies that were calculated: 1) 18 percent Shift – calculated based on an average of pollutants concentrations in sanitary wastewater, stormwater runoff and Combined Sewer Overflow (CSO); and 2) 37 percent Shift – calculated based on volume of sanitary wastewater, stormwater runoff and CSO. The 18 percent shift calculation and methodology have a lot more variation in the pollutant concentrations depending on the data used and the time of year. Management determined that the 37 percent Shift volumetric methodology has a greater justification, more easily defended and could be phased in.

However, based on meetings with the DC Water and discussions with the customer groups, an 18 percent CRIAC shift to sewer volumetric rate was proposed for FY 2020 in order for the rates and charges to be fair and equitable for all customers.

After considering all possible criteria and customer impacts, the Board agreed to a proposal shifting 37 percent cost from the CRIAC to sewer volumetric rate to be phased-in; 18 percent in FY 2020, 28 percent in FY 2021 and 37 percent in FY 2022, effective October 1, 2019.



## Recent and Approved Rate and Fee Changes

### Clean Rivers Impervious Area Charge Incentive Program Discount

On October 1, 2013, DC Water's Board established the Clean Rivers Area Incentive Program Discount for stormwater best management practices, which provided a 4 percent maximum incentive discount off the chargeable CRIAC for customers that installed certain eligible stormwater best management practices that reduce the amount of stormwater runoff generated from a property.

The general public and DC Water voiced concerns that the Clean Rivers Area Program Discount 4 percent maximum incentive for stormwater was too low and did not incentivize customers to install best management practices.

DC Water's management analyzed and evaluated the Clean Rivers Area Program Discount historical data and determined that it was feasible to increase the CRIAC incentive discount for customers that installed certain eligible stormwater best management practices.

On April 4, 2019, DC Water's Board adopted a proposal to increase the maximum CRIAC incentive discount from 4 percent to 20 percent, effective October 1, 2019.

## APPROVED FY 2025 RATE AND FEE CHANGES



Reliable And Predictable



Healthy, Safe and Well



Reliable

The Board has approved the following changes in the rates and fees for rate making to be effective from October 1, 2024:

- Water volumetric rates:**

- Residential customers: "Consumption of 0 – 4 Ccf" - water rate increase of \$0.83 per Ccf, {\$1.11 per 1,000 gallons} from \$4.38 per Ccf to \$5.21 per Ccf, {\$6.97 per 1,000 gallons}
- Residential customers: "Consumption greater than 4 Ccf" - water rate increase of \$1.11 per Ccf, {\$1.48 per 1,000 gallons} from \$5.70 per Ccf to \$6.81 per Ccf, {\$9.10 per 1,000 gallons}
- Multi-family customers: water rate increase of \$0.82 per Ccf, {\$1.10 per 1,000 gallons} from \$5.00 per Ccf to \$5.82 per Ccf, {\$7.78 per 1,000 gallons}
- Non-Residential customers: water rate increase of \$1.14 per Ccf, {\$1.52 per 1,000 gallons} from \$5.89 per Ccf to \$7.03 per Ccf, {\$9.40 per 1,000 gallons}
- Sewer rate increase of \$0.37 per Ccf, {\$0.50 per 1,000 gallons} for all classes of customers from \$11.70 per Ccf to \$12.07 per Ccf, {\$16.14 per 1,000 gallons}
- Monthly Customer Metering Fee remains the same at \$7.75 for a 5/8" meter size. The Customer Metering fee varies by size
- Monthly Clean Rivers Impervious Area Charge (CRIAC) decrease of \$0.63 from \$21.86 per ERU to \$21.23 per ERU
- Clean Rivers Impervious Area Charge (CRIAC) six-tier residential rate structure is shown in the table below:

| Tiers  | Residential Impervious Area Range | ERU      |
|--------|-----------------------------------|----------|
| Tier 1 | 100 – 600 sq ft                   | 0.6 ERU  |
| Tier 2 | 700 – 2,000 sq ft                 | 1.0 ERU  |
| Tier 3 | 2,100 – 3,000 sq ft               | 2.4 ERU  |
| Tier 4 | 3,100 – 7,000 sq ft               | 3.8 ERU  |
| Tier 5 | 7,100 – 11,000 sq ft              | 8.6 ERU  |
| Tier 6 | 11,100 sq ft and more             | 13.5 ERU |

- The Water System Replacement Fee (WSRF) recovers the cost of 1 percent renewal and replacement program for water service lines. There will be no increase in WSRF. The WSRF varies with meter size. WSRF for 5/8" meter size is \$6.30
- PILOT and Right-of-Way fee – These fees recover the full cost of the PILOT and Right-of-Way fees charged to DC Water by the District of Columbia
  - There is no increase in the PILOT fee, which remains same at \$0.61 per Ccf, {\$0.82 per 1000 gallons}
  - There is no increase in the Right-of-Way (ROW) fee, which remains same at \$0.19 per Ccf, {\$0.25 per 1,000 gallons}
- These changes increased the typical residential customer's total monthly bill by \$6.27 or 4.8 percent

## APPROVED FY 2026 RATE AND FEE CHANGES



Reliable And Predictable



Healthy, Safe and Well



Reliable

**The Board has approved the following changes in the rates and fees for rate making to be effective from October 1, 2025:**

- Water volumetric rates:
  - Residential customers: “Consumption of 0 – 4 Ccf” - water rate increase of \$0.57 per Ccf, {\$0.76 per 1,000 gallons} from \$5.21 per Ccf to \$5.78 per Ccf, {\$7.73 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” - water rate increase of \$0.79 per Ccf, {\$1.06 per 1,000 gallons} from \$6.81 per Ccf to \$7.60 per Ccf, {\$10.16 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.65 per Ccf, {\$0.87 per 1,000 gallons} from \$5.82 per Ccf to \$6.47 per Ccf, {\$8.65 per 1,000 gallons}
  - Non-Residential customers: water rate increase of \$0.81 per Ccf, {\$1.08 per 1,000 gallons} from \$7.03 per Ccf to \$7.84 per Ccf, {\$10.48 per 1,000 gallons}
- Sewer rate increase of \$0.45 per Ccf, {\$0.60 per 1,000 gallons} for all classes of customers from \$12.07 per Ccf to \$12.52 per Ccf, {\$16.74 per 1,000 gallons}
- Monthly Customer Metering Fee remains the same at \$7.75 for a 5/8” meter size. The Customer Metering fee varies by size
- Monthly Clean Rivers Impervious Area Charge (CRIAC) increase of \$3.00 from \$21.23 per ERU to \$24.23 per ERU
- The Water System Replacement Fee (WSRF) recovers the cost of 1 percent renewal and replacement program for water service lines. There will be no increase in WSRF. The WSRF varies with meter size. WSRF for 5/8” meter size is \$6.30
- PILOT and Right-of-Way fee – These fees are proposed to increase to recover the full cost of the PILOT and Right-of-Way fees charged to DC Water by the District of Columbia
  - Increase of \$0.01 the PILOT fee, {\$0.01 per 1000 gallons} to \$0.62 per Ccf, {\$0.83 per 1000 gallons}
  - Increase of \$0.01 in the Right-of-Way (ROW) fee to \$0.20 per Ccf, {\$0.27 per 1,000 gallons}
- These changes increased the typical residential customer’s total monthly bill by \$8.94 or 6.5 percent

## APPROVED FY 2025 & FY 2026 RATE AND FEE CHANGES



Reliable And Predictable



Healthy, Safe and Well



Reliable

The ten-year projected water and sewer rate increases under this year's plan (FY 2025 – FY 2034) totaling 81.50 percent are driven primarily by capital spending for DC Water's \$9.62 billion capital improvement program.

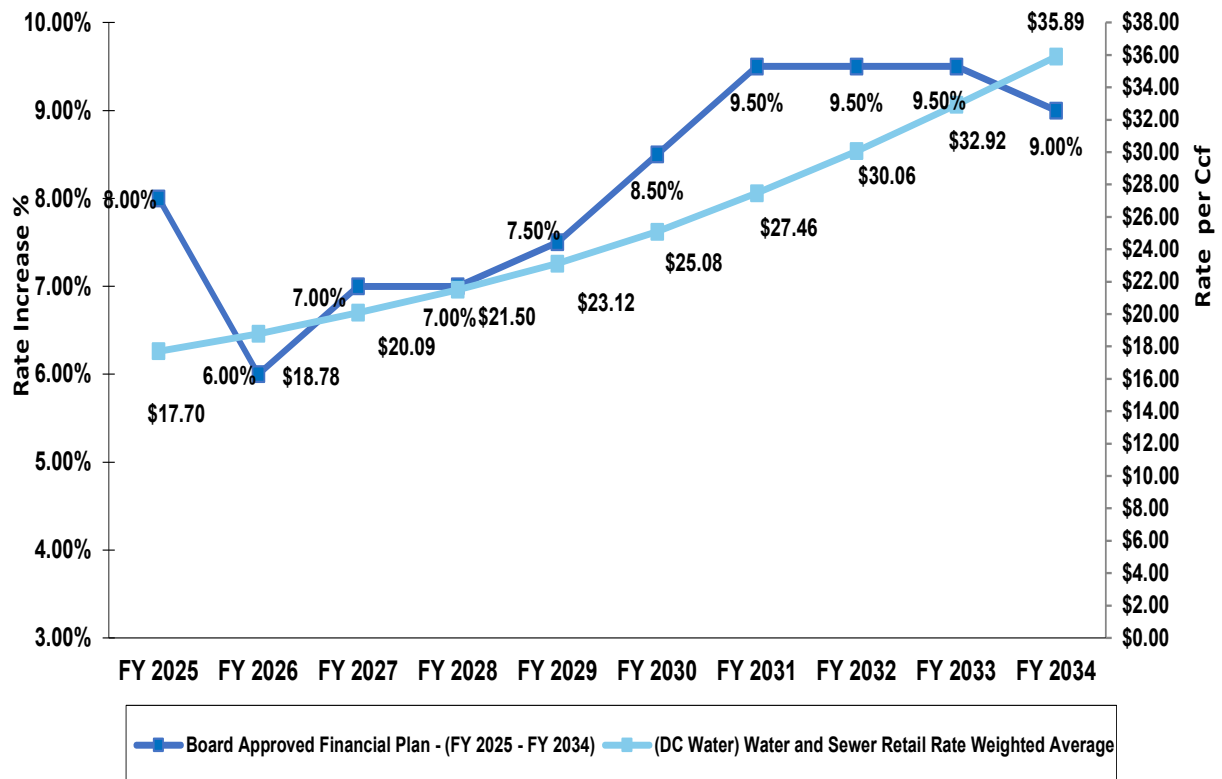
Primary spending in the ten-year capital plan include: the construction of the Potomac River Tunnel in the DC Clean Rivers program to meet the consent decree requirements by 2030, continued investment in the water and sewer infrastructure, and Lead Free DC program, major rehabilitation and upgrades at Blue Plains, DC Water's share of the Washington Aqueduct's critical infrastructure, and various capital equipment projects.

Based on feedback from the new Stakeholder Alliance and discussions with customers about the Clean Rivers Impervious Area Charge (CRIAC) that funds the Clean Rivers Program, the proposal was implemented for FY 2020 to shift 18 percent of the costs for the Clean Rivers program from the CRIAC to the sewer volumetric rate. This was increased to 28 percent in FY 2021 and 37 percent in FY 2022. This was based on an assessment that, on average, 37 percent of the volume in the new tunnels is from wastewater. The proposal to shift CRIAC to volumetric was adopted by the Board.

The public outreach and comment process for the rate proposal for FY 2025 and FY 2026 occurred between March and May 2024. With the approval of the rates by DC Water Board, these changes would increase the typical residential customer's monthly bill by \$6.27 or 4.8 percent in FY 2025 and \$8.94 or 6.5 percent in FY 2026, as shown on page 115.

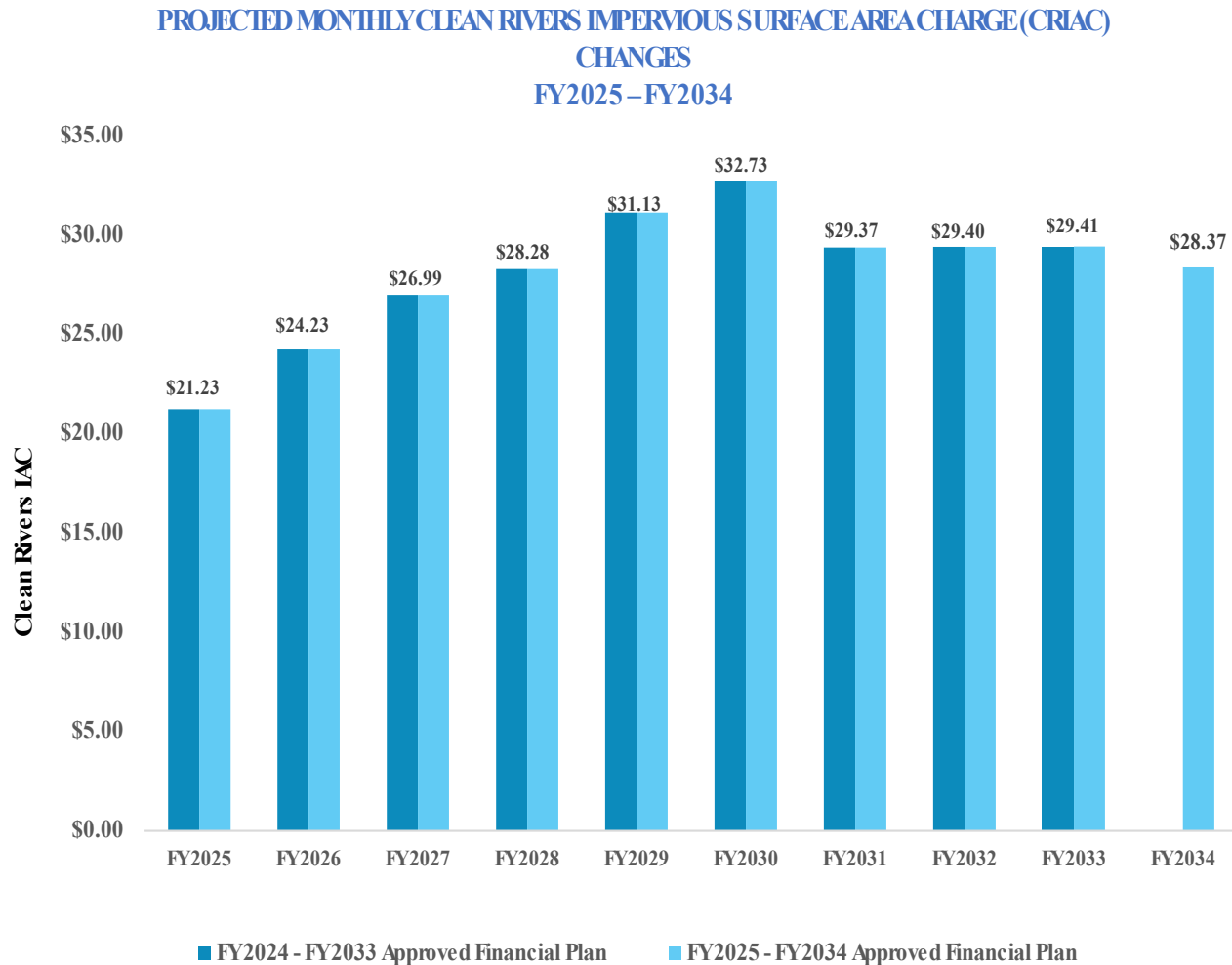
## APPROVED FY 2025 and FY 2026 RATE AND FEE CHANGES

### PROJECTED RETAIL WATER & SEWER RATE CHANGES FY 2025-2034



- (1) Rates shown above reflect weighted water and sewer rates for Residential customer category
- (2) In FY 2025 approved water and sewer rate increase of \$1.47 per Ccf, (\$1.97 per 1,000 gallons)
  - a. Combined water and sewer rate increases from \$16.43 to \$17.90 per Ccf
- (3) In FY 2026 approved water and sewer rate increase of \$1.35 per Ccf, (\$1.80 per 1,000 gallons)
  - a. Combined water and sewer rate increases from \$17.90 to \$19.25 per Ccf
- (4) Rate increase of 8.0 percent for FY 2025 and 6.00 percent for FY 2026

## APPROVED FY 2025 and FY 2026 RATE AND FEE CHANGES



- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the thirty-year \$3.29 billion Clean Rivers Project, which includes the federally mandated CSO-LTCP and the Nine-Minimum Controls Program
- The annual Clean Rivers Project costs for the average Tier 2 residential customer (700 – 2,000 sq. ft. of impervious area) is projected to increase from \$290.76 in FY 2026 to \$340.44 in FY 2034
- The CRIAC shift to sewer volumetric with 18 percent in FY 2020, 28 percent in FY 2021 and 37 percent in FY 2022 and beyond was recommended because it balances infrastructure investment with growth in rates. The shift was based on an assessment that on average 37 percent of volume in the tunnels is from wastewater. The gradual shift helps to avoid rate shock to customers. With the shift the overall household charges increase by 4.8 percent in FY 2025 and 6.5 percent in FY 2026. The CRIAC will decrease from \$21.86 to \$21.23 per ERU per month for FY 2025 and increase to \$24.23 per ERU per month for FY 2026.



## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE RESIDENTIAL CUSTOMER MONTHLY BILL FY 2021 – FY 2026

|  | Units | FY 2021          | FY 2022          | FY 2023          | FY 2024          | Current<br>FY 2025 | Approved<br>FY 2026 |
|--|-------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| DC Water Water and Sewer Retail Rates <sup>(1)</sup> | Ccf   | \$ 73.30         | \$ 78.92         | \$ 86.07         | \$ 89.03         | \$ 95.93           | \$ 101.77           |
| DC Water Clean Rivers IAC <sup>(2)</sup>             | ERU   | 19.52            | 18.40            | 18.14            | 21.86            | 21.23              | 24.23               |
| DC Water Customer Metering Fee                       | 5/8"  | 4.96             | 7.75             | 7.75             | 7.75             | 7.75               | 7.75                |
| DC Water Water System Replacement Fee <sup>(4)</sup> | 5/8"  | 6.30             | 6.30             | 6.30             | 6.30             | 6.30               | 6.30                |
| <b>Subtotal DC Water Rates &amp; Charges</b>         |       | <b>\$ 104.08</b> | <b>\$ 111.37</b> | <b>\$ 118.26</b> | <b>\$ 124.94</b> | <b>\$ 131.21</b>   | <b>\$ 140.05</b>    |
| Increase / Decrease                                  |       | \$ 6.73          | \$ 7.29          | \$ 6.89          | \$ 6.68          | \$ 6.27            | \$ 8.84             |
| <b>Percent Increase in DC Water Portion of Bill</b>  |       | <b>6.9%</b>      | <b>7.0%</b>      | <b>6.2%</b>      | <b>5.6%</b>      | <b>5.0%</b>        | <b>6.7%</b>         |
| District of Columbia PILOT Fee <sup>(1)</sup>        | Ccf   | \$ 2.93          | \$ 3.04          | \$ 3.20          | \$ 3.31          | \$ 3.31            | \$ 3.36             |
| District of Columbia Right-of-Way Fee <sup>(1)</sup> | Ccf   | 1.03             | 1.03             | 1.03             | 1.03             | 1.03               | 1.08                |
| District of Columbia Stormwater Fee <sup>(3)</sup>   | ERU   | 2.67             | 2.67             | 2.67             | 2.67             | 2.67               | 2.67                |
| <b>Subtotal District of Columbia Charges</b>         |       | <b>\$ 6.63</b>   | <b>\$ 6.74</b>   | <b>\$ 6.90</b>   | <b>\$ 7.01</b>   | <b>\$ 7.01</b>     | <b>\$ 7.11</b>      |
| <b>Total Amount Appearing on DC Water Bill</b>       |       | <b>\$ 110.71</b> | <b>\$ 118.11</b> | <b>\$ 125.16</b> | <b>\$ 131.95</b> | <b>\$ 138.22</b>   | <b>\$ 147.16</b>    |
| Increase / Decrease Over Prior Year                  |       | \$ 6.90          | \$ 7.40          | \$ 7.05          | \$ 6.79          | \$ 6.27            | \$ 8.94             |
| <b>Percent Increase in Total Bill</b>                |       | <b>6.6%</b>      | <b>6.7%</b>      | <b>6.0%</b>      | <b>5.4%</b>      | <b>4.8%</b>        | <b>6.5%</b>         |

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

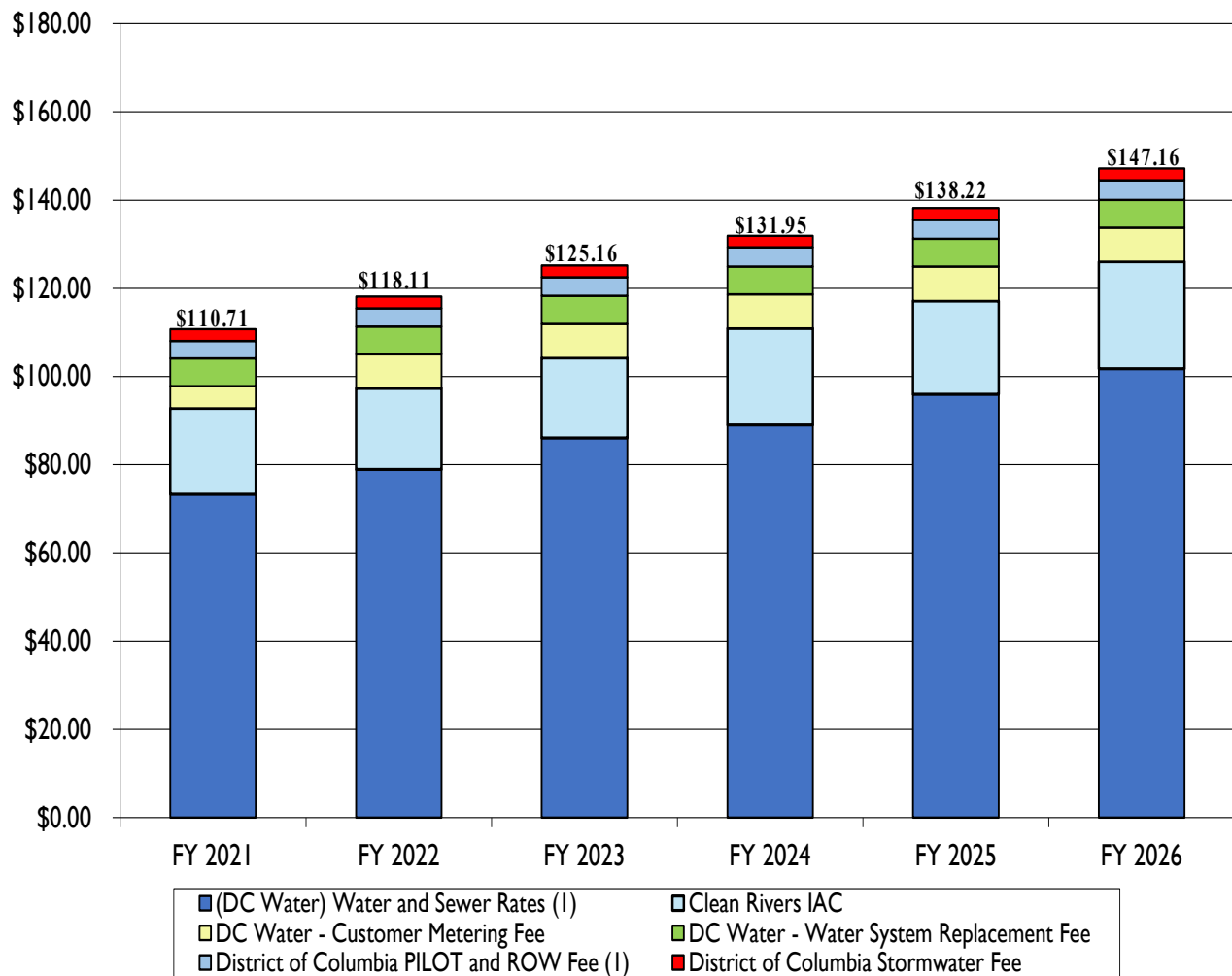
(2) Assumes average 1 Equivalent Residential Unit (ERU)

(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

## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE RESIDENTIAL CUSTOMER MONTHLY BILL FY 2021 – FY 2026



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

- FY2025 cost per gallon is a little over \$0.02 (water and sewer rates only)

## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE CAP CUSTOMER MONTHLY BILL FY 2021 – FY 2026

|  | Units | FY 2021          | FY 2022          | FY 2023          | FY 2024          | Current<br>FY 2025 | Approved<br>FY 2026 |
|--|-------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| DC Water Water and Sewer Retail Rates <sup>(1)</sup>     | Ccf   | \$ 73.30         | \$ 78.92         | \$ 86.07         | \$ 89.03         | \$ 95.93           | \$ 101.77           |
| DC Water Clean Rivers IAC                                | ERU   | 19.52            | 18.40            | 18.14            | 21.86            | 21.23              | 24.23               |
| DC Water Customer Metering Fee                           | 5/8"  | 4.96             | 7.75             | 7.75             | 7.75             | 7.75               | 7.75                |
| DC Water Water System Replacement Fee                    | 5/8"  | 6.30             | 6.30             | 6.30             | 6.30             | 6.30               | 6.30                |
| <b>Subtotal DC Water Rates &amp; Charges</b>             |       | <b>\$ 104.08</b> | <b>\$ 111.37</b> | <b>\$ 118.26</b> | <b>\$ 124.94</b> | <b>\$ 131.21</b>   | <b>\$ 140.05</b>    |
| Increase / Decrease                                      |       | \$ 6.73          | \$ 7.29          | \$ 6.89          | \$ 6.68          | \$ 6.27            | \$ 8.84             |
| <b>Percent Increase in DC Water Portion of Bill</b>      |       | <b>6.9%</b>      | <b>7.0%</b>      | <b>6.2%</b>      | <b>5.6%</b>      | <b>5.0%</b>        | <b>6.7%</b>         |
| District of Columbia PILOT Fee <sup>(1)</sup>            | Ccf   | \$ 2.93          | \$ 3.04          | \$ 3.20          | \$ 3.31          | \$ 3.31            | \$ 3.36             |
| District of Columbia Right-of-Way Fee <sup>(1)</sup>     | Ccf   | 1.03             | 1.03             | 1.03             | 1.03             | 1.03               | 1.08                |
| District of Columbia Stormwater Fee <sup>(4)</sup>       | ERU   | 2.67             | 2.67             | 2.67             | 2.67             | 2.67               | 2.67                |
| <b>Subtotal District of Columbia Charges</b>             |       | <b>\$ 6.63</b>   | <b>\$ 6.74</b>   | <b>\$ 6.90</b>   | <b>\$ 7.01</b>   | <b>\$ 7.01</b>     | <b>\$ 7.11</b>      |
| <b>Total Amount</b>                                      |       | <b>\$ 110.71</b> | <b>\$ 118.11</b> | <b>\$ 125.16</b> | <b>\$ 131.95</b> | <b>\$ 138.22</b>   | <b>\$ 147.16</b>    |
| Less: CAP Discount (4 Ccf per month) <sup>(1), (2)</sup> |       | (55.96)          | (60.08)          | (65.28)          | (67.52)          | (72.32)            | (76.48)             |
| Water System Replacement Fee (WSRF) <sup>(3)</sup>       |       | (6.30)           | (6.30)           | (6.30)           | (6.30)           | (6.30)             | (6.30)              |
| Clean Rivers IAC <sup>(5)</sup>                          |       | (14.64)          | (13.80)          | (13.61)          | (16.40)          | (15.92)            | (18.17)             |
| <b>Total Amount Appearing on DC Water Bill</b>           |       | <b>\$ 33.81</b>  | <b>\$ 37.93</b>  | <b>\$ 39.97</b>  | <b>\$ 41.73</b>  | <b>\$ 43.68</b>    | <b>\$ 46.21</b>     |
| Increase / Decrease Over Prior Year                      |       | \$ (2.63)        | \$ 4.12          | \$ 2.04          | \$ 1.76          | \$ 1.95            | \$ 2.53             |
| <b>CAP Customer Discount as a Percent of Total Bill</b>  |       | <b>-69.5%</b>    | <b>-67.9%</b>    | <b>-68.1%</b>    | <b>-68.4%</b>    | <b>-68.4%</b>      | <b>-68.6%</b>       |

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

(2) Expansion of CAP program in FY 2009 assumes discount to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 2011

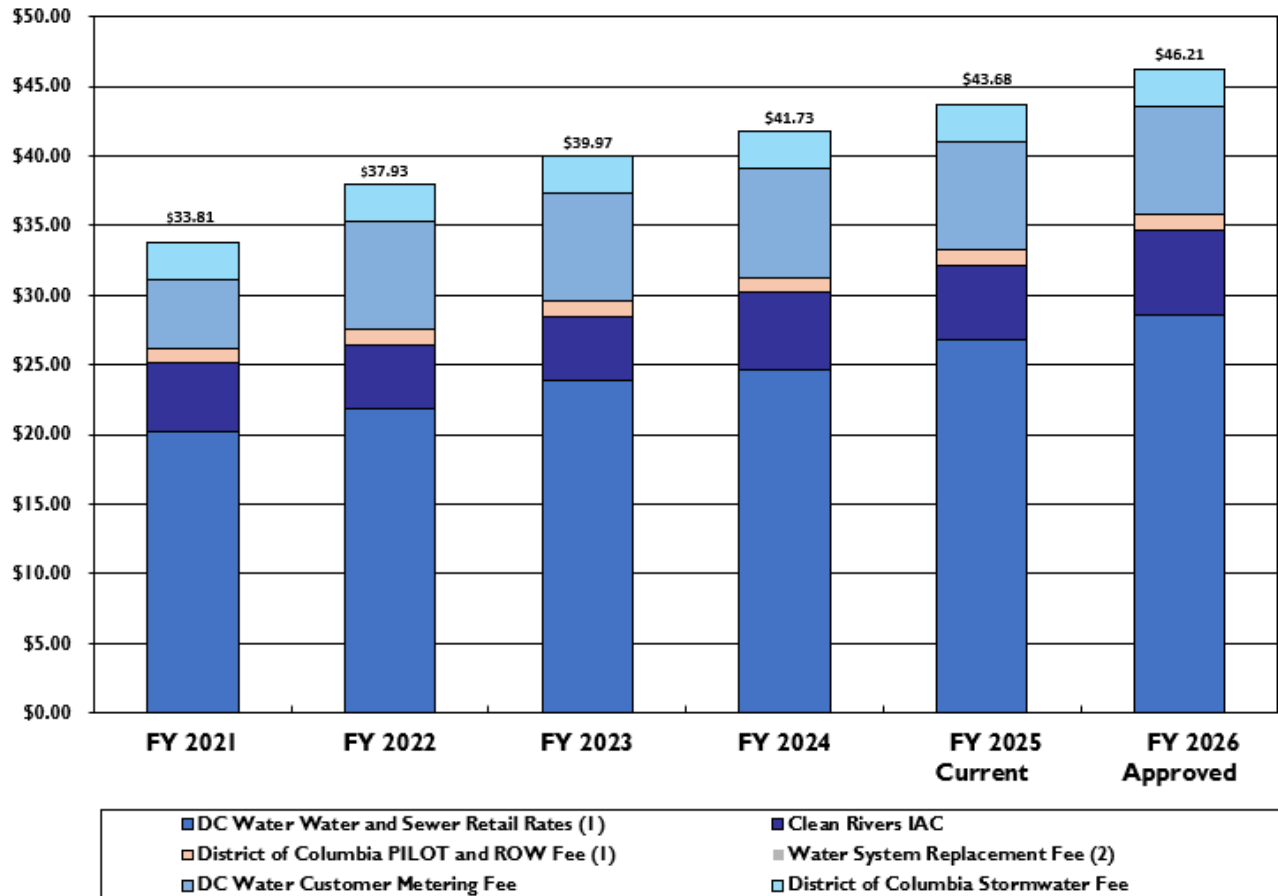
(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 50 percent discount up to FY 2020 and 75 percent discount for FY 2021 to FY 2026 for the Clean Rivers IAC

## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE CAP CUSTOMER MONTHLY BILL



- (1) Assumes average monthly consumption of 5.42 Ccf, or 4,054 gallons
  - FY 2025 & FY 2026 cost per gallon is a little over \$0.02 (water and sewer rates only)
- (2) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers, therefore, WSRF is not shown in the above graph
- (3) Assumes 50 percent credit up to FY 2020 and 75 percent credit for FY 2021 to FY 2026 for the Clean Rivers Impervious Area Charge (CRIAC).

## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE CAP 2 CUSTOMER MONTHLY BILL FY 2021 – FY 2026

|   | Units | FY 2021          | FY 2022          | FY 2023          | FY 2024          | Current<br>FY 2025 | Approved<br>FY 2026 |
|---|-------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| DC Water Water and Sewer Retail Rates <sup>(1)</sup>    | Ccf   | \$ 73.30         | \$ 78.92         | \$ 86.07         | \$ 89.03         | \$ 95.93           | \$ 101.77           |
| DC Water Clean Rivers IAC                               | ERU   | 19.52            | 18.40            | 18.14            | 21.86            | 21.23              | 24.23               |
| DC Water Customer Metering Fee                          | 5/8"  | 4.96             | 7.75             | 7.75             | 7.75             | 7.75               | 7.75                |
| DC Water Water System Replacement Fee                   | 5/8"  | 6.30             | 6.30             | 6.30             | 6.30             | 6.30               | 6.30                |
| <b>Subtotal DC Water Rates &amp; Charges</b>            |       | <b>\$ 104.08</b> | <b>\$ 111.37</b> | <b>\$ 118.26</b> | <b>\$ 124.94</b> | <b>\$ 131.21</b>   | <b>\$ 140.05</b>    |
| Increase / Decrease                                     |       | \$ 6.73          | \$ 7.29          | \$ 6.89          | \$ 6.68          | \$ 6.27            | \$ 8.84             |
| District of Columbia PILOT Fee                          | Ccf   | \$ 2.93          | \$ 3.04          | \$ 3.20          | \$ 3.31          | 3.31               | 3.36                |
| District of Columbia Right-of-Way Fee                   | Ccf   | 1.03             | 1.03             | 1.03             | 1.03             | 1.03               | 1.08                |
| District of Columbia Stormwater Fee                     | ERU   | 2.67             | 2.67             | 2.67             | 2.67             | 2.67               | 2.67                |
| <b>Subtotal District of Columbia Charges</b>            |       | <b>\$ 6.63</b>   | <b>\$ 6.74</b>   | <b>\$ 6.90</b>   | <b>\$ 7.01</b>   | <b>\$ 7.01</b>     | <b>\$ 7.11</b>      |
| <b>Total Amount</b>                                     |       | <b>110.71</b>    | <b>118.11</b>    | <b>125.16</b>    | <b>131.95</b>    | <b>138.22</b>      | <b>147.16</b>       |
| Less: CAP2 Discount (3 Ccf per month) <sup>(2)</sup>    |       | (39.78)          | (42.81)          | (46.62)          | (48.24)          | (51.84)            | (54.90)             |
| Clean Rivers IAC <sup>(3)</sup>                         |       | (9.76)           | (9.20)           | (9.07)           | (10.93)          | (10.62)            | (12.12)             |
| <b>Total Amount Appearing on DC Water Bill</b>          |       | <b>61.17</b>     | <b>66.10</b>     | <b>69.47</b>     | <b>72.78</b>     | <b>75.76</b>       | <b>80.14</b>        |
| Increase / Decrease Over Prior Year                     |       | \$ 3.68          | \$ 4.93          | \$ 3.37          | \$ 3.31          | \$ 2.98            | \$ 4.38             |
| <b>CAP Customer Discount as a Percent of Total Bill</b> |       | <b>-44.7%</b>    | <b>-44.0%</b>    | <b>-44.5%</b>    | <b>-44.8%</b>    | <b>-45.2%</b>      | <b>-45.5%</b>       |

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

(2) Expansion of CAP2 program in FY 2019 and onwards assumes discount to first 3 Ccf of Water and Sewer

(3) Expansion of CAP2 program in FY 2019 and onwards assumes 50 percent discount for the Clean Rivers IAC

## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE CAP+ CUSTOMER MONTHLY BILL FY 2025 – FY 2026

|   | Units | Current<br>FY 2025 | Approved<br>FY 2026 |
|---|-------|--------------------|---------------------|
| DC Water Water and Sewer Retail Rates <sup>(1)</sup>        | Ccf   | \$ 95.93           | \$ 101.77           |
| DC Water Clean Rivers IAC                                   | ERU   | 21.23              | 24.23               |
| DC Water Customer Metering Fee                              | 5/8"  | 7.75               | 7.75                |
| DC Water Water System Replacement Fee                       | 5/8"  | 6.30               | 6.30                |
| <b>Subtotal DC Water Rates &amp; Charges</b>                |       | <b>\$ 131.21</b>   | <b>\$ 140.05</b>    |
| Increase / Decrease   |       | \$ -               | \$ 8.84             |
| District of Columbia PILOT Fee                              | Ccf   | 3.31               | 3.36                |
| District of Columbia Right-of-Way Fee                       | Ccf   | 1.03               | 1.08                |
| District of Columbia Stormwater Fee                         | ERU   | 2.67               | 2.67                |
| <b>Subtotal District of Columbia Charges</b>                |       | <b>\$ 7.01</b>     | <b>\$ 7.11</b>      |
| <b>Total Amount</b>   |       | <b>138.22</b>      | <b>147.16</b>       |
| Less: CAP Discount (5.42 Ccf per month) <sup>(1), (2)</sup> |       | (100.27)           | (106.21)            |
| Water System Replacement Fee (WSRF) <sup>(3)</sup>          |       | (6.30)             | (6.30)              |
| Clean Rivers IAC <sup>(4)</sup>                             |       | (15.92)            | (18.17)             |
| <b>Total Amount Appearing on DC Water Bill</b>              |       | <b>15.73</b>       | <b>16.48</b>        |
| Increase / Decrease Over Prior Year                         |       |                    | \$ 0.75             |
| <b>CAP Customer Discount as a Percent of Total Bill</b>     |       | <b>-88.6%</b>      | <b>-88.8%</b>       |

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

(2) Expansion of CAP+ program in FY 2025 assumes CAP discount plus additional 2 Ccf discount on Water and Sewer, PILOT and ROW

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

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



## RECENT AND APPROVED RATE AND FEE CHANGES

### AVERAGE CAP 3 CUSTOMER MONTHLY BILL FY 2021 – FY 2026

|   | Units | FY 2021          | FY 2022          | FY 2023          | FY 2024          | Current<br>FY 2025 | Approved<br>FY 2026 |
|---|-------|------------------|------------------|------------------|------------------|--------------------|---------------------|
| DC Water Water and Sewer Retail Rates <sup>(1)</sup>    | Ccf   | \$ 73.30         | \$ 78.92         | \$ 86.07         | \$ 89.03         | \$ 95.93           | \$ 101.77           |
| DC Water Clean Rivers IAC                               | ERU   | 19.52            | 18.40            | 18.14            | 21.86            | 21.23              | 24.23               |
| DC Water Customer Metering Fee                          | 5/8"  | 4.96             | 7.75             | 7.75             | 7.75             | 7.75               | 7.75                |
| DC Water Water System Replacement Fee                   | 5/8"  | 6.30             | 6.30             | 6.30             | 6.30             | 6.30               | 6.30                |
| <b>Subtotal DC Water Rates &amp; Charges</b>            |       | <b>\$ 104.08</b> | <b>\$ 111.37</b> | <b>\$ 118.26</b> | <b>\$ 124.94</b> | <b>\$ 131.21</b>   | <b>\$ 140.05</b>    |
| Increase / Decrease                                     |       | \$ 6.73          | \$ 7.29          | \$ 6.89          | \$ 6.68          | \$ 6.27            | \$ 8.84             |
| District of Columbia PILOT Fee                          | Ccf   | \$ 2.93          | \$ 3.04          | \$ 3.20          | \$ 3.31          | 3.31               | 3.36                |
| District of Columbia Right-of-Way Fee                   | Ccf   | 1.03             | 1.03             | 1.03             | 1.03             | 1.03               | 1.08                |
| District of Columbia Stormwater Fee                     | ERU   | 2.67             | 2.67             | 2.67             | 2.67             | 2.67               | 2.67                |
| <b>Subtotal District of Columbia Charges</b>            |       | <b>\$ 6.63</b>   | <b>\$ 6.74</b>   | <b>\$ 6.90</b>   | <b>\$ 7.01</b>   | <b>\$ 7.01</b>     | <b>\$ 7.11</b>      |
| <b>Total Amount</b>                                     |       | <b>110.71</b>    | <b>118.11</b>    | <b>125.16</b>    | <b>131.95</b>    | <b>138.22</b>      | <b>147.16</b>       |
| Less: CAP3 Discount Clean Rivers IAC <sup>(2)</sup>     |       | (14.64)          | (13.80)          | (13.61)          | (16.40)          | (15.92)            | (18.17)             |
| <b>Total Amount Appearing on DC Water Bill</b>          |       | <b>96.07</b>     | <b>104.31</b>    | <b>111.55</b>    | <b>115.55</b>    | <b>122.30</b>      | <b>128.99</b>       |
| Increase / Decrease Over Prior Year                     |       | \$ 7.97          | \$ 8.24          | \$ 7.24          | \$ 4.00          | \$ 6.75            | \$ 6.69             |
| <b>CAP Customer Discount as a Percent of Total Bill</b> |       | <b>-13.2%</b>    | <b>-11.7%</b>    | <b>-10.9%</b>    | <b>-12.4%</b>    | <b>-11.5%</b>      | <b>-12.3%</b>       |

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

(2) Expansion of CAP3 program in FY 2019 assumes 75 percent discount for the Clean Rivers IAC

## WHY RATE INCREASES ARE NEEDED

### FY 2025 – FY 2034 FINANCIAL PLAN

As shown in the chart below, incremental increases in retail revenues are projected to range from \$42.1 million to \$81.6 million in FY 2026 – FY 2034, due to:

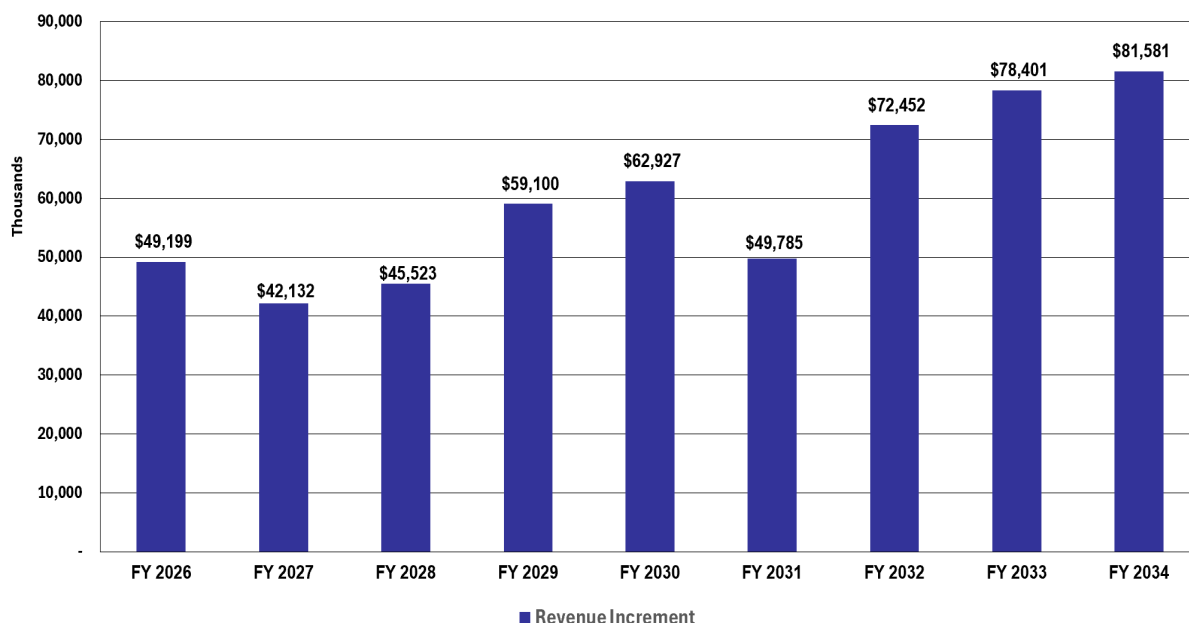
- Average annual debt service increase of 8.6 percent
- Average annual O&M increase of 4.0 percent
- Annual projected Payment-in-Lieu of Taxes (PILOT) and Right-of-Way (ROW) increases due to DC Government increasing costs of providing services to the District
- This year's ten-year plan reflects increases in operating and maintenance and increases in debt service cost associated with DC Water's Capital Improvement Program (CIP).

These costs would be recovered through:

- Approved water and sewer rate increase of 8.0 percent in FY 2025 and 6.0 percent to 9.5 percent from FY 2026 to FY 2034.
- Approved Clean Rivers Impervious Surface Area Charge (CRIAC) revenues ranging from \$24.23 to \$32.73 per ERU per month
- Approved DC PILOT fee increases of 2 percent in accordance with the current MOU dated September 4, 2014, to recover the amount of PILOT payment obligation to the District of Columbia
- The ROW fee will remain the same at \$5.1 million per annum in accordance with the current MOU signed on October 2, 2014 to recover the amount of ROW payment obligation to the District of Columbia
- No Rate Stabilization Fund is projected to be utilized for FY 2026 to FY 2034 to offset retail rate increases.

### INCREMENTAL INCREASE IN REVENUE

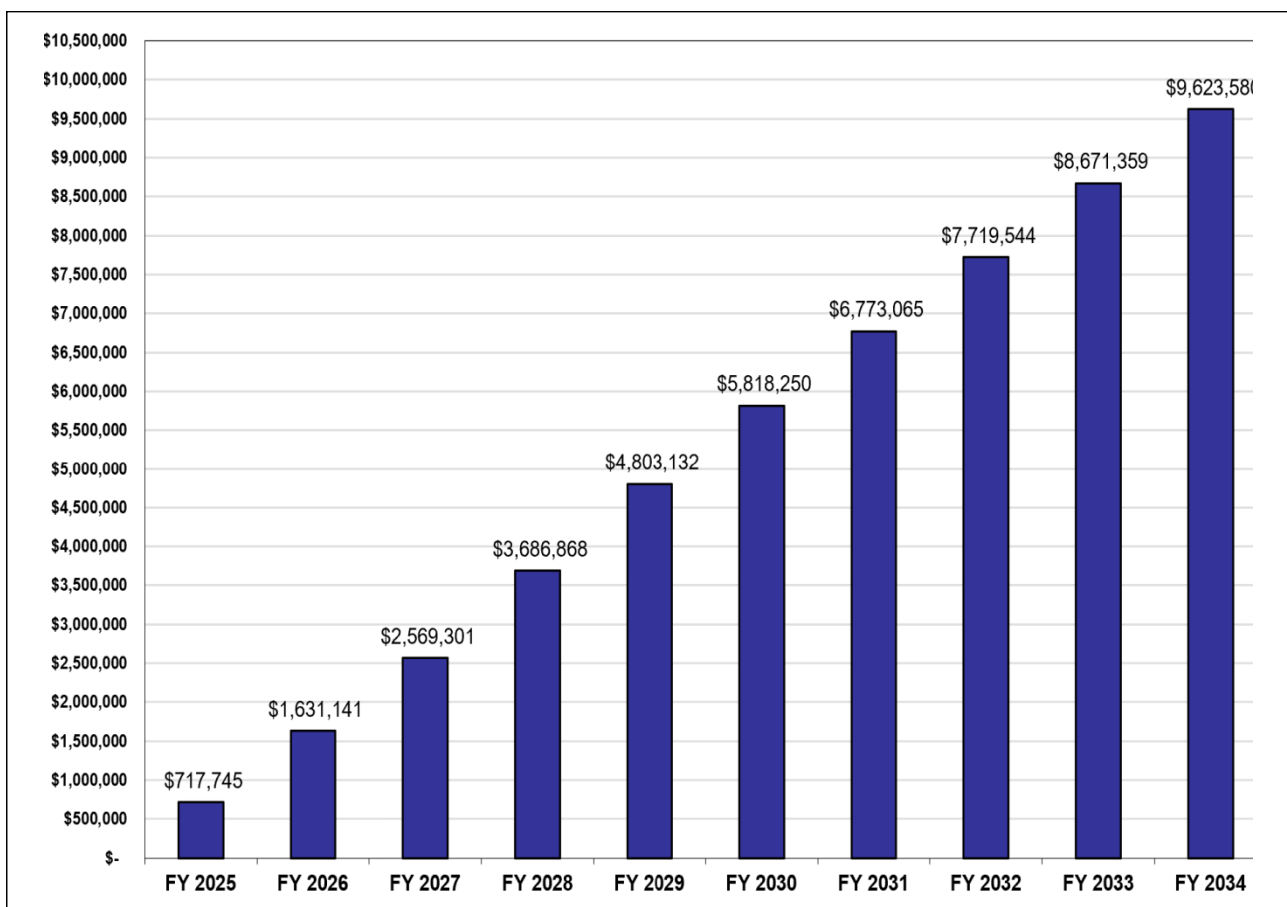
FY 2026 – FY 2034  
(\$000's)



## WHY RATE INCREASES ARE NEEDED

DC Water's Proposed rate increases are primarily required to fund increasing debt service costs from increased capital spending.

### CUMULATIVE CAPITAL SPENDING FY 2025 – FY 2034 (\$000's)



- DC Water's ten-year capital improvement program totals \$9.62 billion, with annual spending ranging from \$717.75 million to \$1,117.57 million
- Once completed, the ten-year capital improvement project will double the book value of DC Water's infrastructure
- The ten-year plan includes disbursements of the Clean Rivers Project (CSO LTCP), totaling nearly \$1.07 billion exclusive of nine minimum controls
- Water and sewer infrastructure and the Lead Free DC program continue to drive the ten-year Capital Improvement Plan from FY 2025 through FY 2034

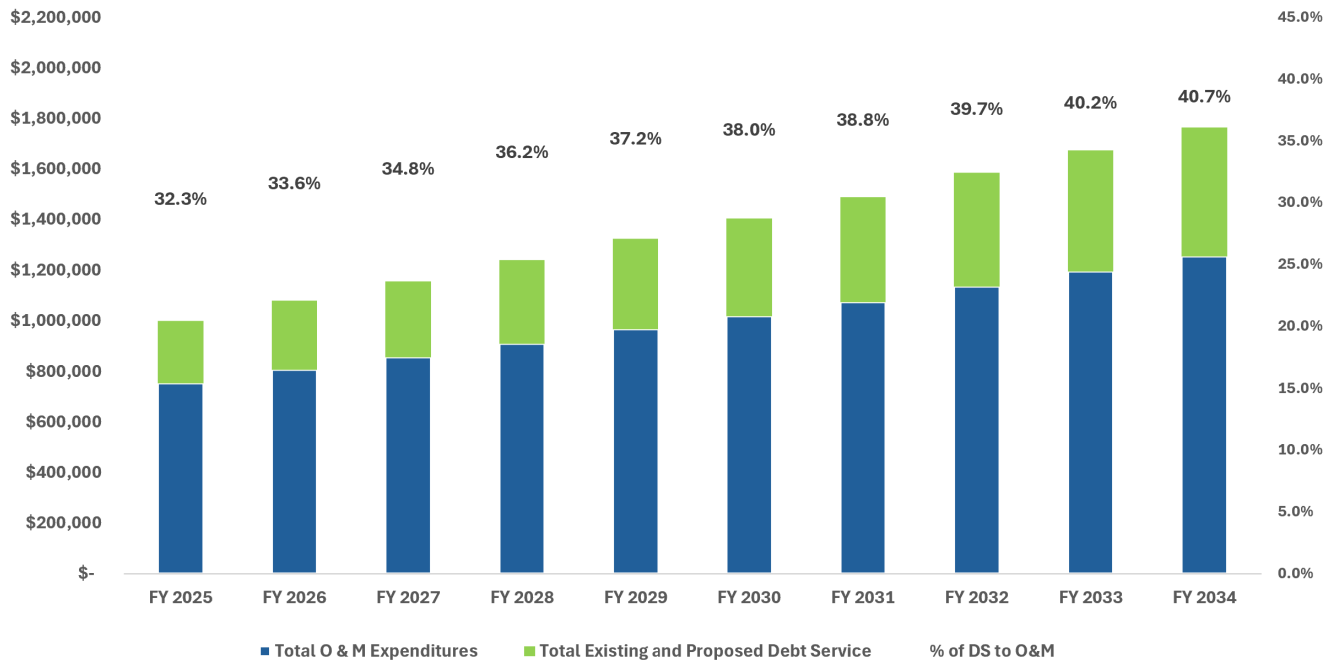
## WHY RATE INCREASES ARE NEEDED



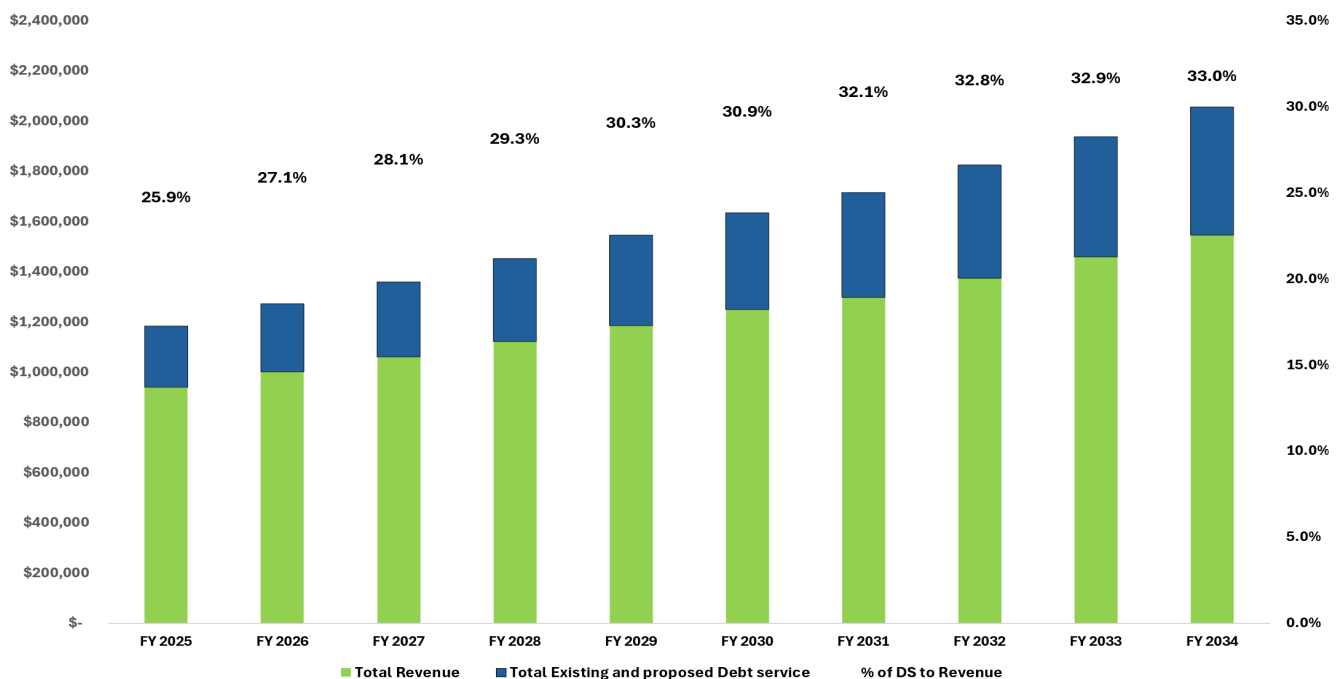
- The largest source of funding for DC Water's capital program is debt
- Over the next ten years, DC Water will issue approximately \$4.2 billion in new debt (which includes the funding of reserves and costs of issuance), increasing total debt outstanding to \$7.0 billion at the end of FY 2034.

## WHY RATE INCREASES ARE NEEDED

### DEBT SERVICE AS PERCENT OF TOTAL OPERATING & MAINTENANCE EXPENDITURES FY 2025 – FY 2034



### DEBT SERVICE AS PERCENT OF TOTAL OPERATING REVENUES FY 2025 – FY 2034 (\$000's)



## WHY RATE INCREASES ARE NEEDED

### OPERATING & DEBT SERVICE EXPENDITURES FY 2025 – FY 2034

Over the ten-year period, total expenditures increase on average by 5.9 percent annually

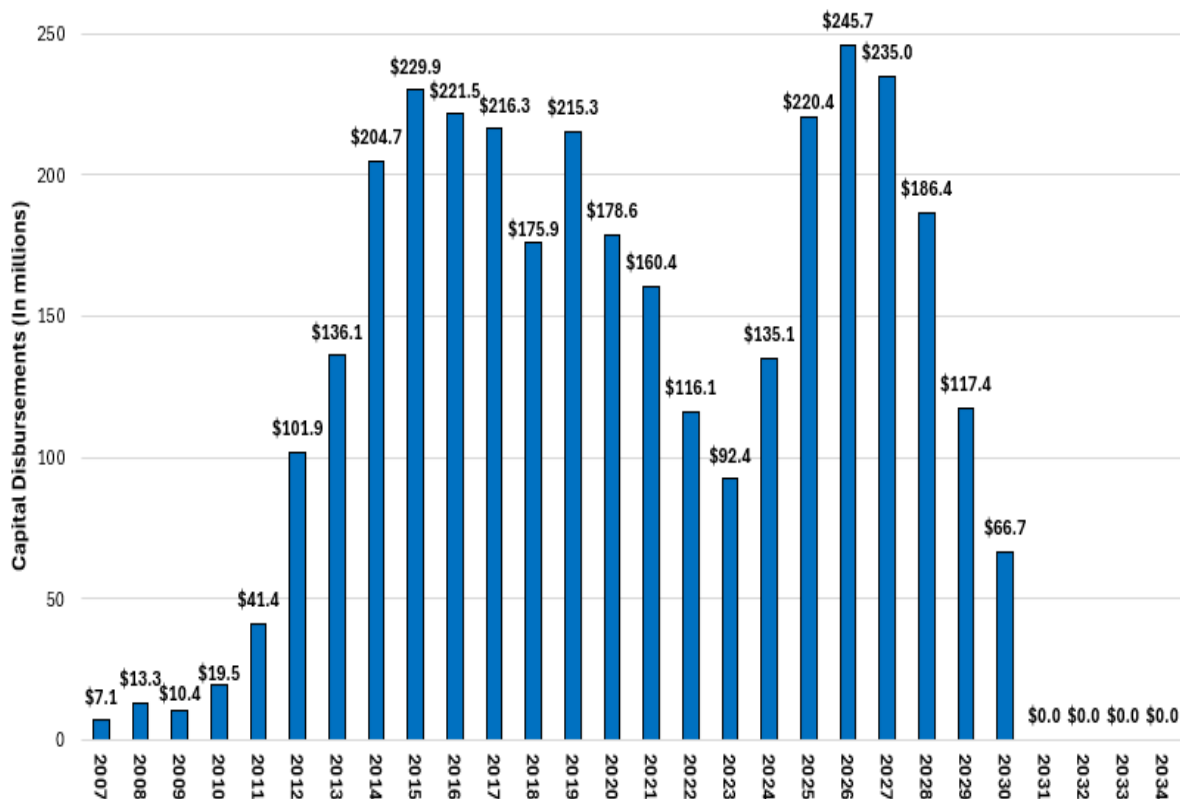
#### **DC Water's proposed rate increases are primarily required to fund increasing debt service costs**

- Operations and maintenance expenditures (excluding the payment-in-lieu of taxes and right-of-way fee) increase on average by 4.0 percent annually
- Debt service expenditures grow at an annual average rate of 8.6 percent
- This year's ten-year plan reflects increases in operating and maintenance and increases in debt service costs associated with DC Water's Capital Improvement Program (CIP)

## WHY RATE INCREASES ARE NEEDED

### POTENTIAL IMPACT OF CSO LONG-TERM CONTROL PLAN ON RATES

#### Clean Rivers CSO LTCP Disbursement by Fiscal Year



In December 2004, the Board reached an agreement with the federal government on the Clean Rivers Project (CSO-LTCP) and entered into a related consent decree. Actual and projected disbursements by fiscal year for the Clean Rivers Project are shown in the chart above and are the drivers for changes in the Clean Rivers Impervious Area Charge over the ten-year plan. Wholesale customers contribute 7.1 percent to the Clean Rivers Project. To mitigate impacts, DC Water continues to look for federal support for this program. As of September 30, 2024, \$300.8 million has been received through federal appropriations. Lifetime capital costs for the plan (exclusive of the nine–minimum controls program) total approximately \$3.29 billion, and this year’s proposed ten-year plan includes \$1.07 billion of projected Clean Rivers Project disbursements.





# CUSTOMER ASSISTANCE PROGRAMS

20%  
MFI

60%  
SFI

80%  
MFI

100%  
MFI

↑ LEAK ASSESSMENT PROGRAM (START 10/1/24) ↓

## ▶ CAP+

- Discount on the first 600 cubic feet of water and sewer services
- 75% reduction in the monthly CRIAC fee + WSRF waiver
- \$122/month discount

## ▶ CAP

- Discount on the first 400 cubic feet of water and sewer services
- 75% reduction in the monthly CRIAC fee + WSRF waiver
- \$95/month discount

## ▶ CAP2

- Discount on the first 300 cubic feet of water and sewer services
- 50% reduction in the monthly CRIAC fee
- \$62/month discount

## ▶ CAP3

- Discount of 75% off the monthly CRIAC fee
- \$16/month discount

## ▶ CRIAC NON-PROFIT

- Eligible non-profit organizations with Clean Rivers Impervious Area Charge (CRIAC)
- Discount of up to 90% off the monthly CRIAC fee

### Payment Plan Incentive Program (Start 6/1/24)

- 40% credit for on-time payments according to payment plans and the program rules

### Homeowners Assistance Fund

- Federally funded
- Up to \$5,000 for homeowners towards water bill

### Flexible Payment Plans

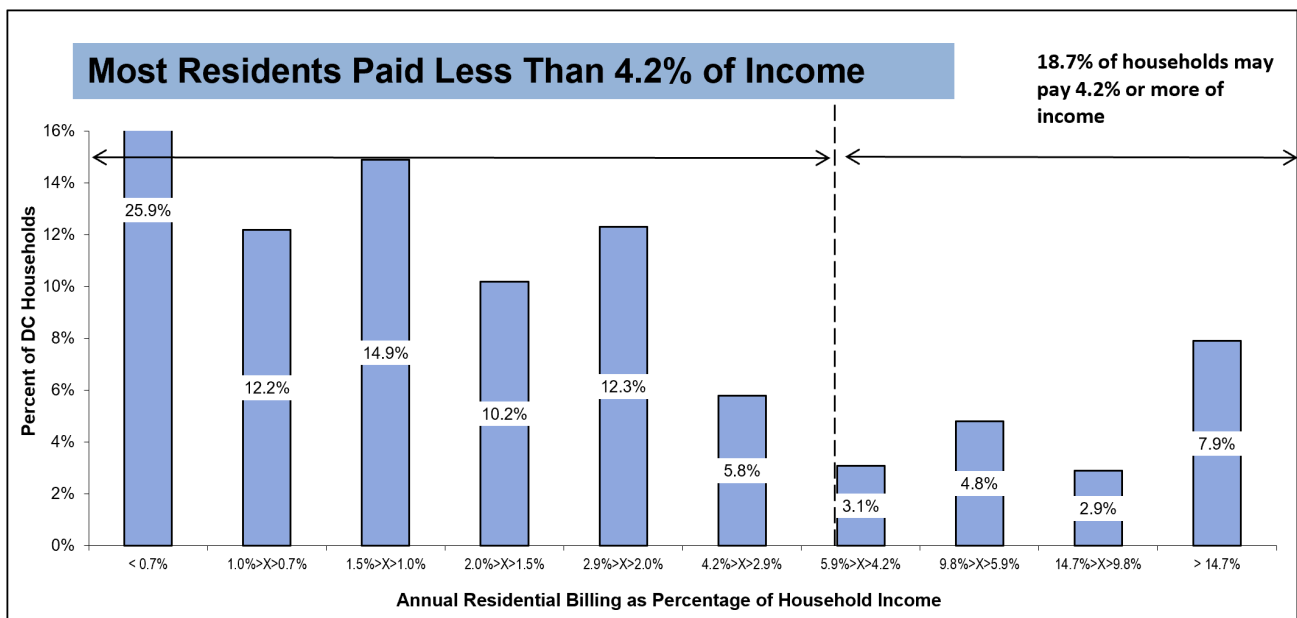
### SPLASH

- \$350 payment towards bill
- Donations from customers, employees, Board Members and others

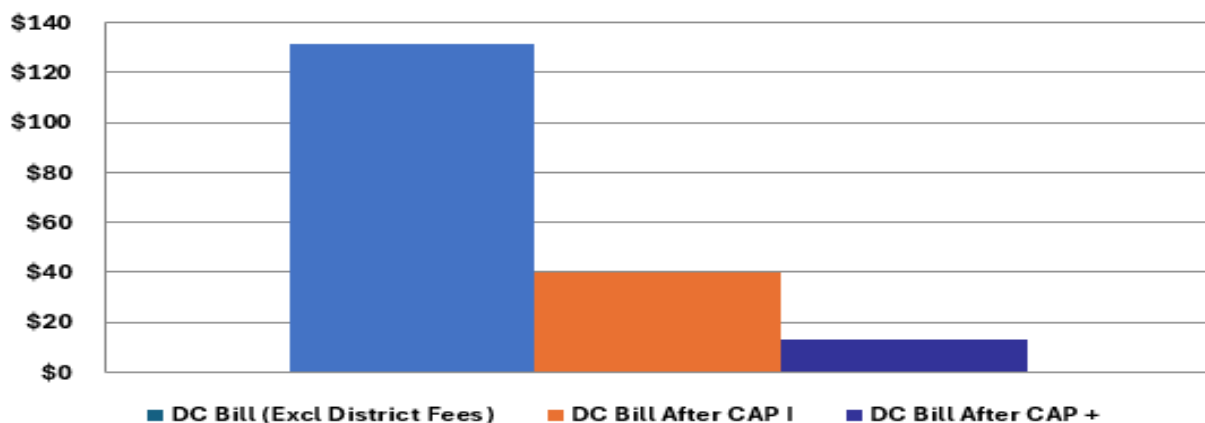
## AFFORDABILITY OF RETAIL RATES

### DC WATER CHARGES ARE STILL AFFORDABLE AND COMPETITIVE WITH OTHER MAJOR

- **Median household income:** The average DC Water charges are less than 4.2% of income for 81.3% of the households in the District of Columbia. US EPA guidelines suggest that charges greater than 4% of household income are typically viewed as a strain on household budgets (2% water + 2% sewer)
- **Customer Assistance Programs** are in place to help eligible low income customers with their water/sewer bills



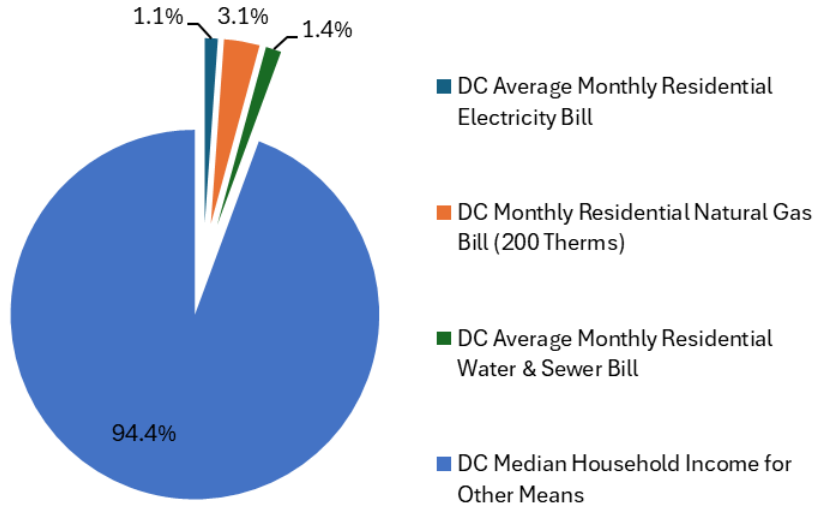
### FY 2025 Single Family Residential Average Monthly Bill With and Without CAP Credits



- A family of 4 at the 2024 Federal Poverty level spends 0.5% and 1.5% of income on DC Water bills, respectively, after CAP+ and CAP credits

## AFFORDABILITY OF RETAIL RATES

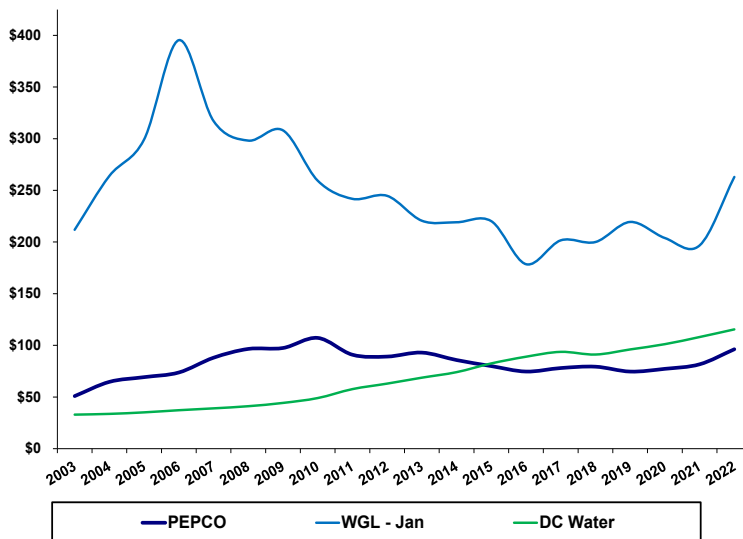
### 2022 Monthly DC Median Household Income



#### Observation:

DC Water's average monthly residential water & sewer bill is about 1.4% of the total monthly household income for the median income family, lower than the winter monthly natural gas bill and somewhat higher than the electricity bill.

### Monthly Residential Utility Bills



#### Observation:

- The average winter monthly natural gas bill is higher than water & sewer bills

#### Assumption:

- DC Water customer is assumed to use 5.42 Ccf of water starting in 2019 and onward, WGL customer is assumed to use 200 Therms of natural gas for January. Average residential electricity usage was 614 kWh of electricity per month for PEPCO customers in 2022

#### Source

Electricity and Gas: District of Columbia Public Service Commission  
Water and Sewer: DC Water Assuming 5.42 Ccf, or 4,054 gallons consumption  
Median HH Income: US Census Bureau, American Community Survey 2022 1-Year Estimates

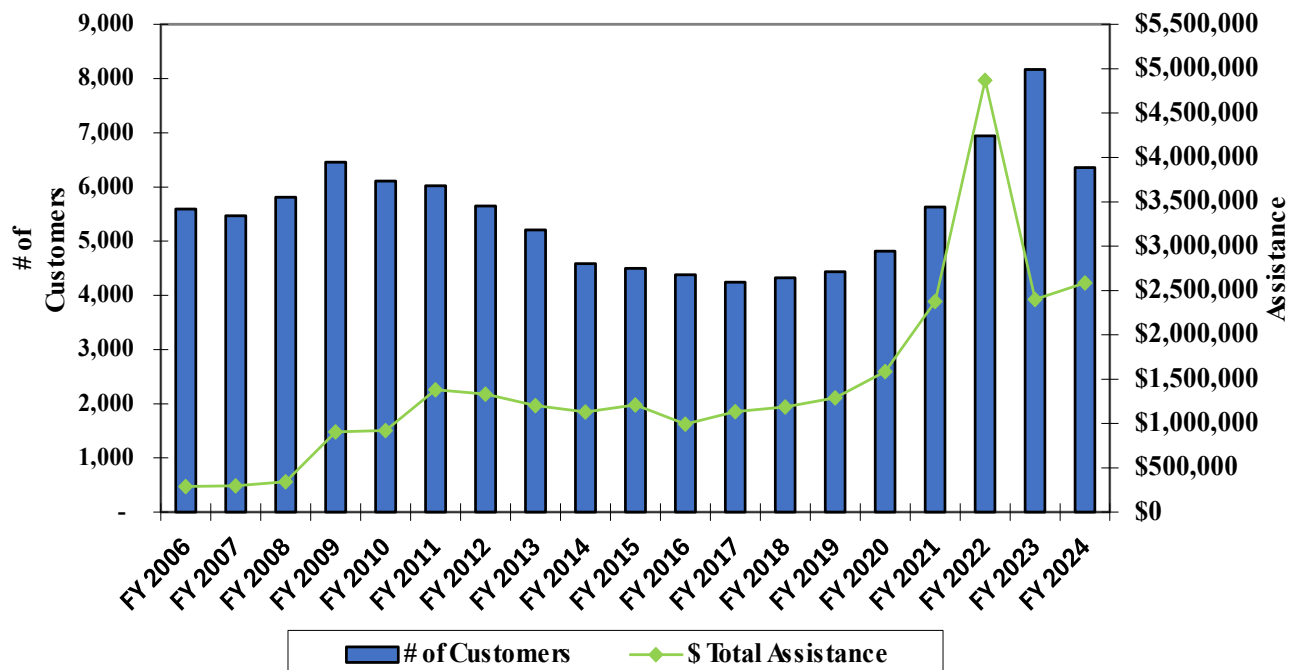
## AFFORDABILITY OF RETAIL RATES

### DC Water sponsors two programs to assist low-income customers in paying their water bills:

**Customer Assistance Program (CAP):** The Authority implemented the CAP in 2001 providing a discount of 4 Ccf per months of water service for single family residential homeowners that meet income eligibility guidelines. In FY 2004, the Authority expanded the CAP to include tenants who meet the financial eligibility requirements and whose primary residence is separately metered by the Authority. In January 2009, the Authority further expanded the CAP to provide a discount of 4 Ccf per month of sewer services to eligible customers. In FY 2011, the discount was expanded to the first 4 Ccf associated with the PILOT/ROW fee in addition to the current discount provided on water and sewer services. In FY 2016, the CAP discount was expanded to include a 100 percent credit/discount for the Water System Replacement Fee (WSRF). In FY 2017, the Authority further expanded the CAP to include 50 percent discount for CRIAC. In FY 2018, the District of Columbia's Budget Support Act authorized the Mayor to establish a financial assistance program to assist residential customers with incomes "not exceeding 100 percent of the area median income" with payment of CRIAC and to supplement the financial assistance programs implemented by DC Water. In FY 2020, the Board approved the increase in CRIAC discount for CAP customers from 50 percent to 75 percent effective from FY 2021. In FY 2022, CAP assisted over 6,943 customers and provided \$4,871,357 in discounts to low-income customers.

The assisted dollar amounts were high in FY 2021 and FY 2022 because the number of registered customers increased. Additionally, in FY 2022, the Board approved to waive recertification requirements for FY 2021 CAP customers for FY 2022, which resulted in an increase in CAP customers and discounts. In FY 2024, CAP assisted 6,362 customers and provided \$2,586,698 in discounts to low-income customers.

### Customer Assistance Program



## AFFORDABILITY OF RETAIL RATES

The following terms are defined:

**Customer Assistance Program (CAP)** – Existing program that uses LIHEAP (Low Income Home Energy Assistance Program) criteria to provide DC Water-funded discounts to low-income residential customers with incomes up to 60 percent of the State Median Income (SMI from Health and Human Services (HHS)). Eligible customers receive the first 4 Ccf of water and sewer services, PILOT and ROW, 100 percent discount for the Water System Replacement Fee (WSRF) and 75 percent discount for the CRIAC.

**Customer Assistance Program II (CAP2)** – In FY 2019, DC Water expanded the CAP program for low-income residential customers who do not qualify for CAP with household income up to 80 percent Area Median Income (AMI). Eligible customers receive a discount of up to 3 Ccf per month for water and sewer services and a 50 percent discount for CRIAC. On March 5, 2020, DC Water’s Board adopted a proposal to amend regulations to make the CAP2 program permanent. In FY 2024, CAP2 assisted 579 customers and provided \$160,586 in discounts to low-income customers.

**Customer Assistance Program III (CAP3)** – New District-funded program to provide benefits to DC Water customers with household income greater than 80 percent and up to 100 percent Area Median Income (AMI) who do not qualify for CAP or CAP2. Eligible customers receive a 75 percent discount for CRIAC. In FY 2024, CAP3 assisted 29 customers and provided \$4,714 in discounts.

**CRIAC (Clean Rivers Impervious Area Charge) Non-profit Relief Program** – New District-funded program to provide CRIAC credits to non-profit organizations as determined by the District Department of the Environment (DOEE). Eligible customers receive up to 90 percent discount for CRIAC. In FY 2024, Nonprofit Relief Program assisted 185 non-profit organizations and provided \$997,487 in discounts.

**Emergency Residential Relief Program (ERRP)** – District funded program where eligible households may receive bill assistance up to \$2,000 as a one-time emergency benefit. In FY 2022, ERRP assisted 28 customers and provided \$27,493. The program ended in September 2022.

### **New Customer Assistance Programs to Mitigate the Impact of COVID-19:**

The COVID-19 pandemic impacted DC Water with declines in commercial, federal, and municipal consumption and increases in delinquencies which impacted revenue. In response, DC Water took several strategic and cost reduction initiatives. This included delaying non-critical purchases and activities and pausing some hiring as well as modifying operations to protect staff by arranging work from home for most employees. DC Water also assessed its critical infrastructure needs and balanced it to its revenue challenges and continued to invest in critical capital programs based on priority. Additionally, DC Water also took initiatives to help our customers during the pandemic by reconnecting customers previously disconnected for non-payment, waiving late fees, pausing placing liens, arranging payment plans, and partnering with the District for emergency assistance for those impacted by COVID-19.

## AFFORDABILITY OF RETAIL RATES

On September 3, 2020, DC Water's Board of Director's adopted Resolution #20-65, where the Board approved directing \$15.0 million from the Authority's projected net cash surplus for FY 2020 to the Customer Assistance Program low-income customers:

- (1) \$3.0 million to continue the Emergency Residential Relief Program (ERRP) in FY 2021 to provide one-time assistance to customers impacted by COVID; Assistance up to \$2,000 per residential customer;
- (2) \$7.0 million for a new program to provide one-time assistance to multi-family buildings where occupants have been negatively impacted by COVID and payment plans are established and adhered to; assistance amount to be determined and provided per affordable unit, and will be on matching basis;
- (3) The \$5.0 million held for FY 2022 targeted assistance for customer in need

The \$5.0 million held for FY 2022 targeted assistance was allocated to the CAP, RAP and MAP programs to assist customers in FY 2022.

**DC Water Cares, Residential Assistance Program (RAP)** - In FY 2020 DC Water established a \$3.0 million program to continue the ERRP in FY 2021 to provide one-time assistance of up to \$2,000 to residential customers. RAP was extended to FY 2022, FY 2023 and FY 2024.

In FY 2024, RAP assisted 1,660 customers and provided \$1,105,135. The RAP program ended in FY 2024.

**DC Water Cares, Multi-family Assistance Program (MAP)** - A \$7.0 million program to provide one-time assistance to multifamily buildings where occupants have been negatively impacted by COVID-19. Payment plans are established and adhered to; assistance amounts are determined and provided per affordable unit and will be on matching basis. MAP was extended to FY 2022 and FY 2023. In FY 2022, MAP assisted 131 customers (4,313 units) and provided \$1,880,830. In FY 2023, MAP assisted 133 customers (3,038 Units) and provided \$2,137,750. The MAP program ended in September 2023.

**LIHWAP (Low Income Household Water Assistance Program)** - Provides funds to assist low-income households with water and wastewater bills. In FY 2024, LIHWAP assisted 642 customers and provided \$283,116.

**Catch-Up Offer** – Ran from February 1st to May 31st, 2023, and assisted all eligible customers in the residential and non-residential billing categories. It assisted customers by waiving late fees and penalties from January 2018 through December 31st, 2022, and adjusting 10 percent of the remaining balance after the late fees had been removed if the customer paid the Catch-up offer total before the program end date. Over 9,000 customers participated and received over \$2 million in assistance.

**CAP+** - A new program to begin in FY 2025, which provides greater assistance to customers with 20% MHI. They will receive CAP benefits plus an additional 2 CCF of usage credit which equates to an additional \$39 in monthly credit in FY 2025.

## AFFORDABILITY OF RETAIL RATES

**Leak Assessment Program** - Offer resources to CAP+, CAP and CAP2 customers that will provide private side leak assessment to help them identify the source of leaks and high usage. DC Water has partnered with the District to provide repairs for leaks identified through the assessment.

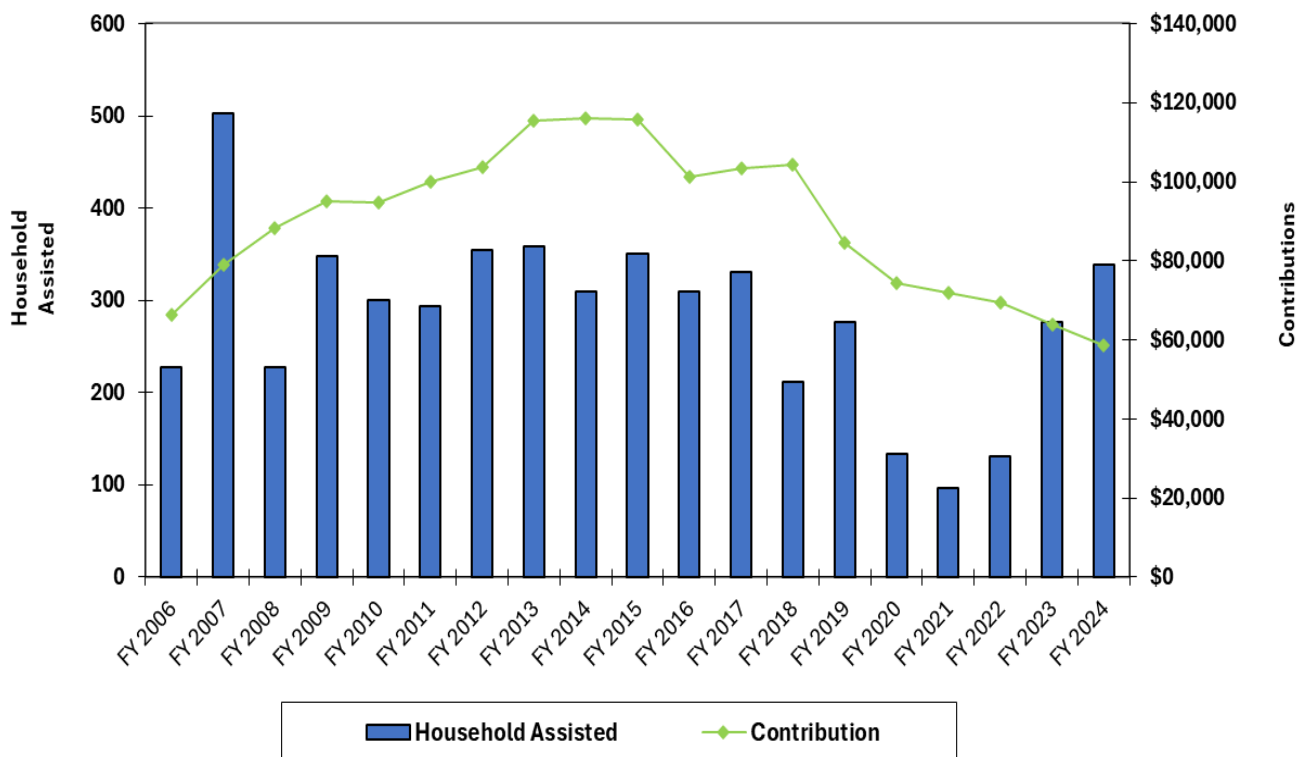
**Payment Plan Incentive Program** - Help residential customers who are 60+ days past due and \$500 or more in arrears to bridge the affordability gap through a partnered payment plan incentive. DC Water applies a 40% adjustment of the total payments toward the payment plan balance until the program's end date (Adjustment processed every 4th month after three consecutive months of payments). It is Funded by Rate Stabilization Fund for \$2M in each year (FY24 & FY25) The program duration is from 6/1/24 to 9/30/25.

**STAY (Stronger Together Assisting You)** - Is a financial program for D.C renters and housing providers who are looking for support to cover housing and utility expenses and offset the loss of income. In FY 2022, STAY DC program assisted 1,100 customers and provided \$1,106,974.



## AFFORDABILITY OF RETAIL RATES

### S.P.L.A.S.H Program



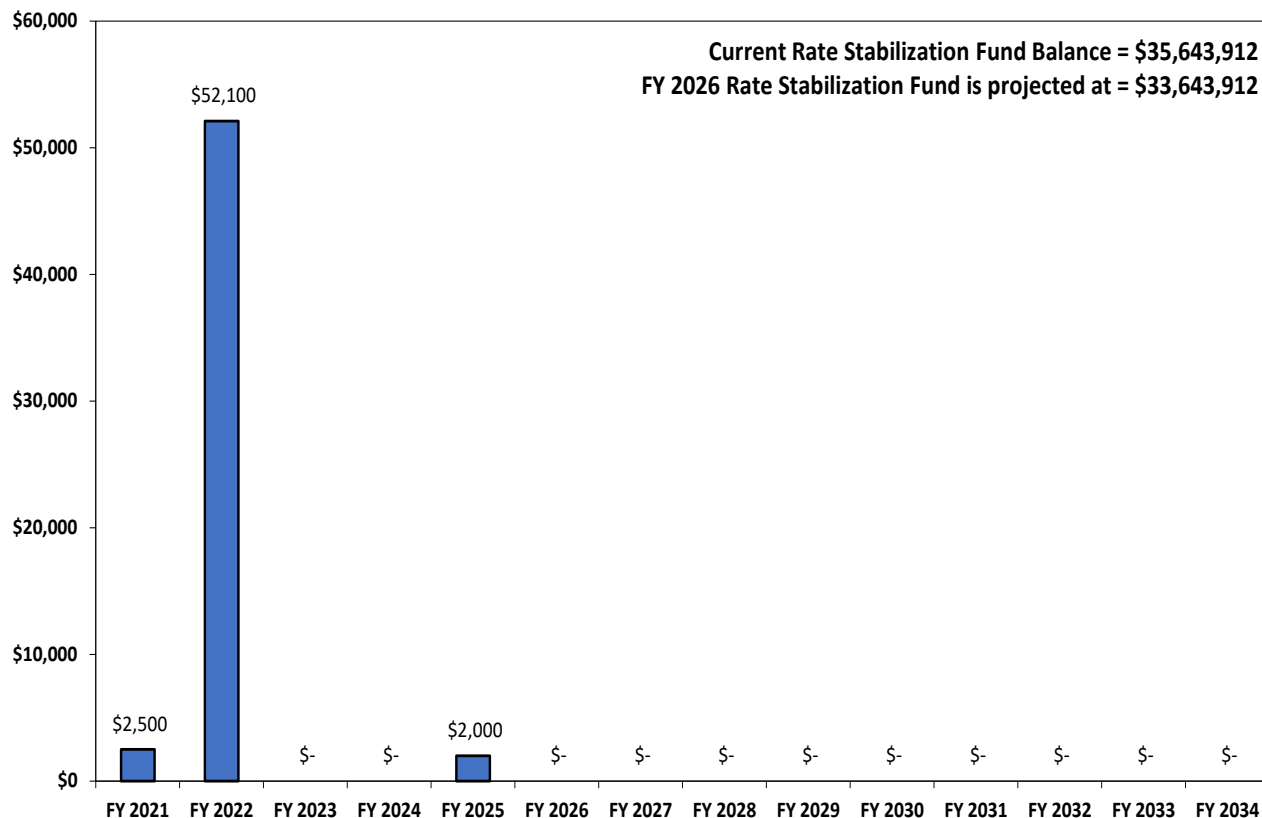
**Serving People by Lending a Supporting Hand (S.P.L.A.S.H):** The SPLASH program was implemented in FY 2001. Through the SPLASH program, DC Water offers assistance to families in need so that they can maintain critical water and sewer services until they get back on their feet. The program is administered by the Greater Washington Urban League. Every dollar received by DC Water is distributed to eligible customers. In FY 2024, SPLASH contributions received was \$58,611 and DC Water assisted 339 households low income customers.

## AFFORDABILITY OF RETAIL RATES

### RATE STABILIZATION FUND USAGE

FY 2025 - FY 2034

(\$000's)



### RATE STABILIZATION FUND USAGE

At the end of FY 2021, DC Water's Rate Stabilization Fund (RSF) balance was \$87.74 million. As approved by the Board, \$10.5 RSF was utilized in FY 2022 to mitigate rate increase. An additional \$41.6 million of RSF was used to transfer the money to Ending Cash Balance in order to make Days of Cash equal to 250 days without including RSF Balance in the calculation. At the end of FY 2022 to FY 2024, DC Water's rate stabilization fund (RSF) balance was \$35.64 million. For funding the Payment Plan Incentive Program, \$2.0 million RSF utilization is projected for FY 2025, which will result in reducing the RSF balance to \$33.64 million at the end of FY 2025. No RSF is proposed to be utilized from FY 2026 to FY 2034. RSF will have a balance of \$33.64 million at the end of FY 2034.

## AFFORDABILITY OF RETAIL RATES

One method of assessing the affordability of residential rates is to calculate the portion of the Median Household Income that would be spent on typical water, wastewater, and stormwater bills and compare the results with the same calculation for other utilities. While no utilities are exactly alike, in the most recent rate survey conducted for DC Water in November 2024, DC Water's charges for a single family residential customer as a percentage of median income, excluding District fees, were comparable to the average of other large and regional water and wastewater utilities.

The following charts provide DC Water combined water, sewer and stormwater charges for single family residential customers compared to: large CSO communities, other similar large jurisdictions and other regional jurisdictions. There are distinct differences between DC Water and other large and regional utilities. Some differences include:

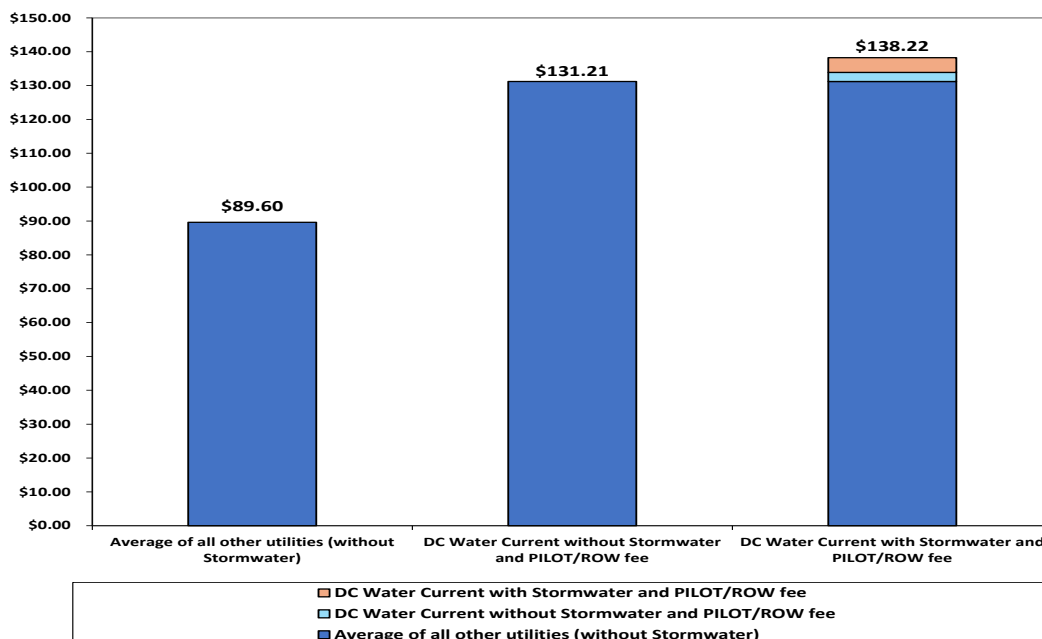
- Different patterns of water use (e.g., suburban jurisdictions can have different demands from urban centers)
- Revenues from taxes that reduce the revenues to be raised from water, sewer and stormwater rates (e.g., Milwaukee, St. Louis, Atlanta, Chicago, etc.)
- Available undeveloped areas supporting high developer contributions for growth that can again reduce the revenues to be raised from water, sewer and stormwater rates (e.g., Fairfax County)
- Separate sewer systems in certain large jurisdictions and regional jurisdictions (e.g., Dallas)
- Differences in climate that may affect water supply or conservation needs (e.g., Seattle)
- Varying stages of completion of facilities to meet federal mandates (e.g., Atlanta and Boston have completed most of their major investments - the DC Clean Rivers Project is in progress at this time)

### DC WATER'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES

#### DC Water's Current FY2025 Monthly Residential Bill

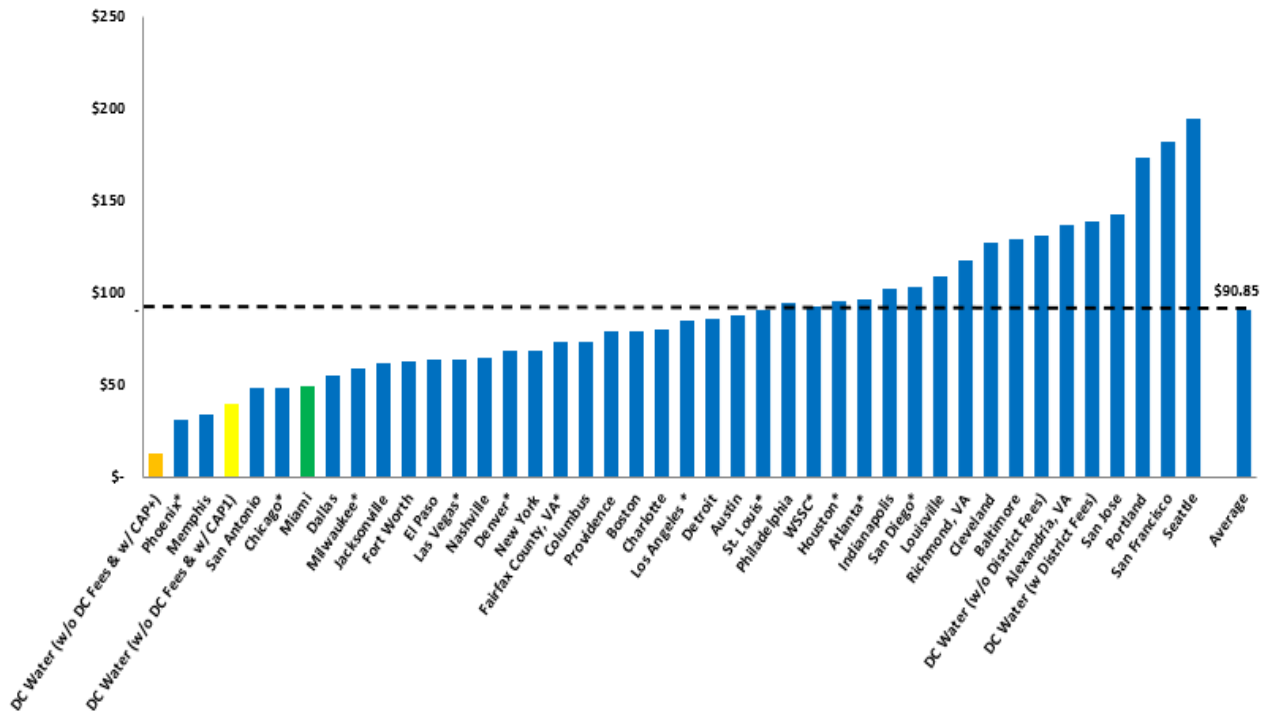
vs.

#### Average Monthly Bill of Other Utilities in Effect Fall 2024



## AFFORDABILITY OF RETAIL RATES

### DC Water Retail Rates Compared to Other Large Utilities (Based on Rates in effect Fall 2024)

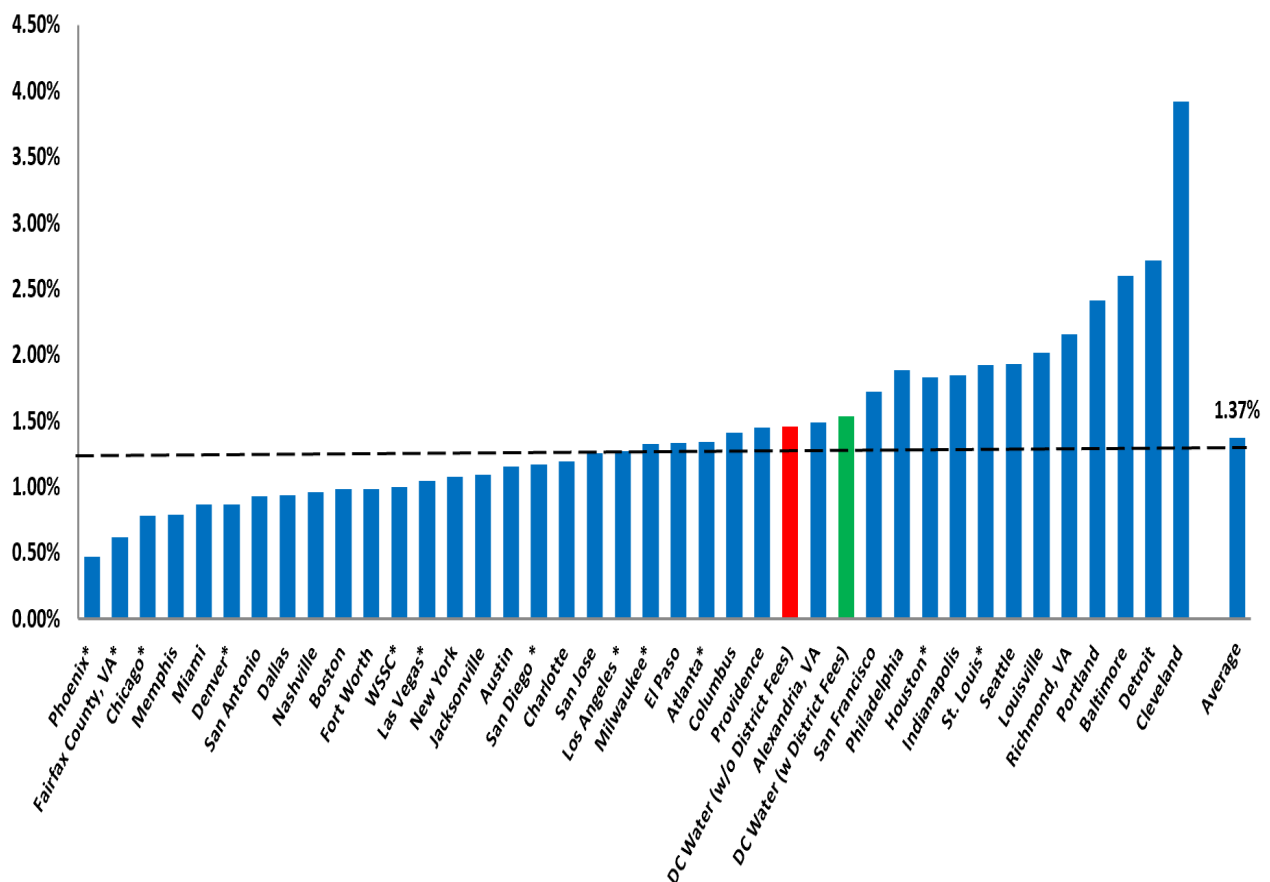


- (1) Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons
- (2) Reflects rates and fees in place as of November 1, 2024. The Authority's charges with District fees include the PILOT/ROW fee totaling \$0.80 per Ccf (effective October 1, 2024) and the DOEE residential stormwater rate of \$2.67 per ERU per month.
- (3) Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by \* in the graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services.

## AFFORDABILITY OF RETAIL RATES

In the chart below, DC Water current charges rank at the median for bill comparison purposes for water and wastewater services compared to a select group of large, regional and CSO utilities, but well within US EPA guidance of 4 percent.

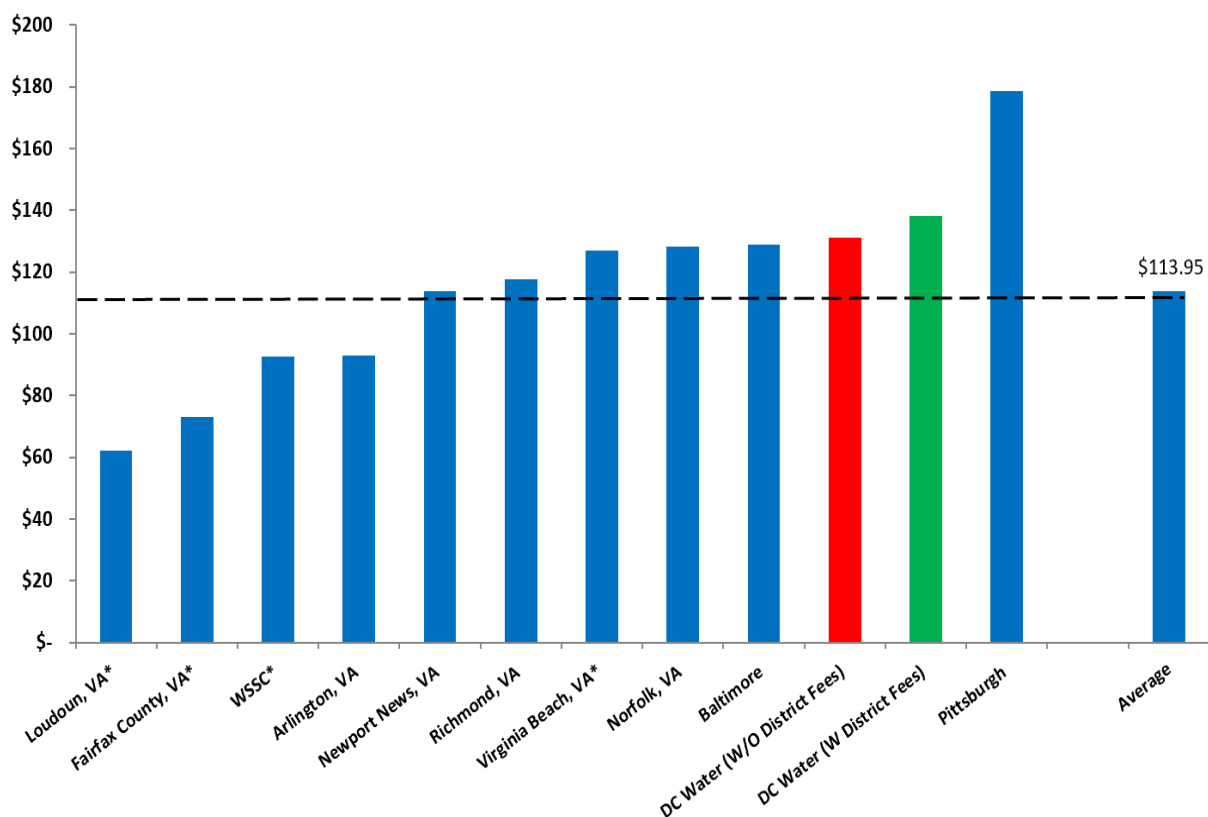
### Single Family Residential (SFR) Monthly Bill as % of Median Household Income - Large National Utilities (Based on Rates in effect Fall 2024)



- (1) Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons
- (2) Reflects rates and fees in place as of November 1, 2024. The Authority's rate includes the PILOT/ROW fee totaling \$0.80 per Ccf (effective October 1, 2024) and the DOEE residential stormwater rate of \$2.67 per ERU per month. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by \* in the graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services.

## AFFORDABILITY OF RETAIL RATES

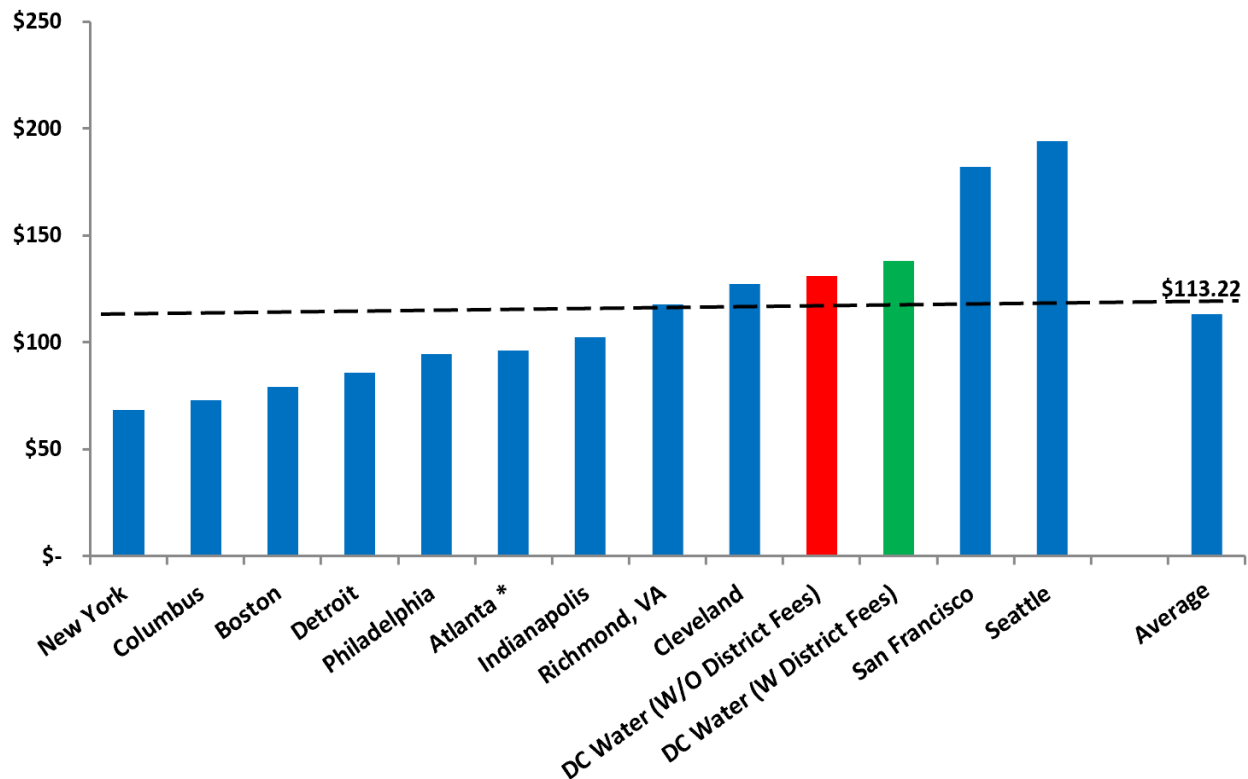
### DC Water Retail Rates Compared to Regional Utilities (Based on Rates in effect Fall 2024)



- (1) Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons
- (2) Reflects rates and fees in place as of November 1, 2024. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by \* in the graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services.

## AFFORDABILITY OF RETAIL RATES

### DC Water Compared to CSO Communities (Based on Rates in effect Fall 2024)



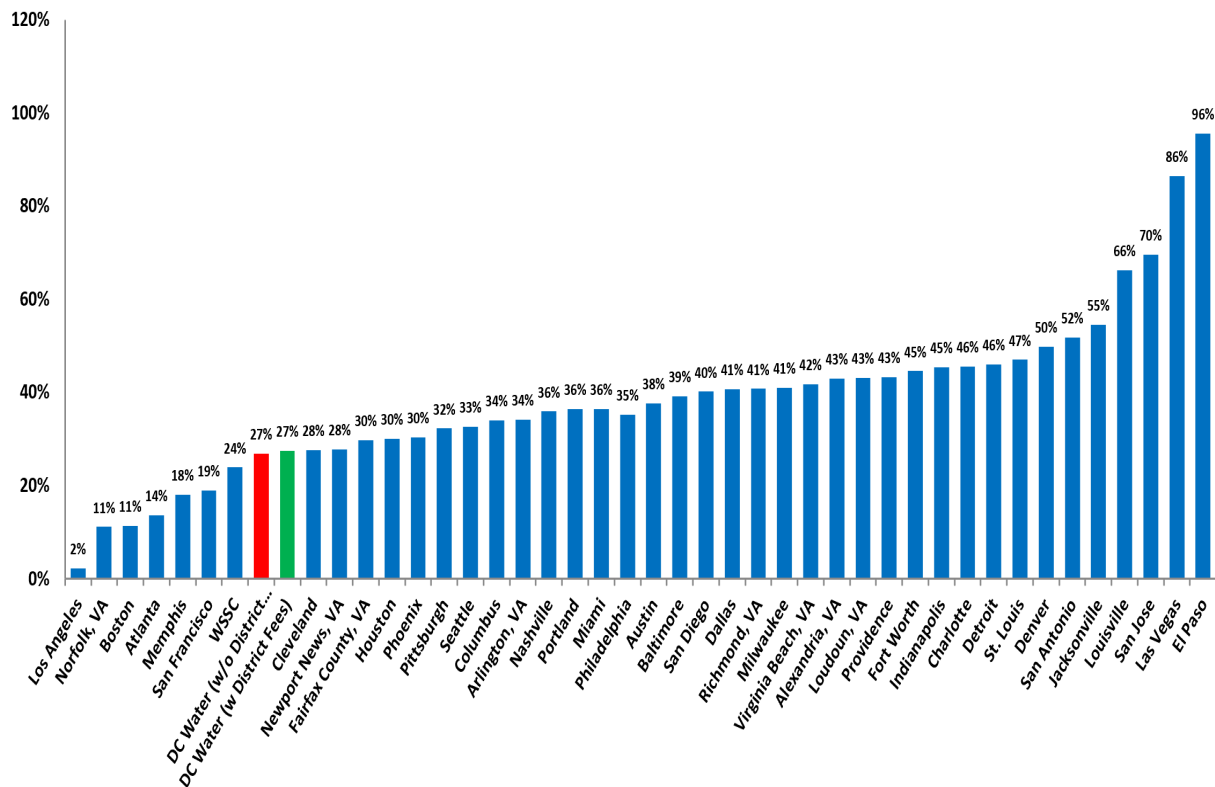
- (1) Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects rates and fees in place as of November 1, 2024. The Authority's rate includes the PILOT/ROW fee totaling
- (3) \$0.80 per Ccf (effective October 1, 2024) and the DOEE residential stormwater rate of \$2.67 per ERU per month.
- (4) Most CSO communities have implemented double digit rate increases to recover CSO-LTCP costs
- (5) Increases do not reflect other available dedicated taxes or state funding potentially available to some agencies
- (6) Chart reflects SFR monthly bill utilities with CSO programs without offsets to user charges



## AFFORDABILITY OF RETAIL RATES

Fixed charges are a small component of the DC Water monthly bill and are less than median for large utilities. This provides the customer more opportunities to impact monthly bills through water conservation.

### Fixed Charge as % of Total Single-Family Residential Bills in Large Cities (Based on Rates in effect Fall 2024)



- (1) User Charges are based upon information provided by the identified cities and standardized assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors. Actual charges in each city will vary in accordance with local usage patterns. Some cities bill for sewer uses on the basis of winter consumption which could affect sewer billings if a customer's use was not uniform throughout the year. Sewer charges include stormwater charges in those cities where separate stormwater fees are assessed. Some cities use property tax revenue or other revenues to pay for the part of the cost of water, wastewater, or stormwater services. In such situations, the user charges will not reflect the full cost of water, wastewater or stormwater services.
- (2) DC Water rate schedule was effective October 1, 2024. Whereas charges for all cities reflect rate schedules in effect November 1, 2024
- (3) DC Water PILOT and ROW fees are split between variable water charges and variable sewer charges
- (4) DC Water charges include the stormwater charges of the District
- (5) CSO/Stormwater charges may cover the cost of CSO abatement facilities in those cities with combined sewers; such charges can also cover the cost of stormwater-related facilities and services