



**MINUTES OF THE MEETING
RETAIL WATER AND SEWER RATES COMMITTEE
FEBRUARY 23, 2026
(via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Rachna Bhatt, Chairperson
2. Howard Gibbs, Vice Chairperson
3. Anthony Giancola, Principal
4. Richard Jackson, Principal
5. Alexander McPhail, Alternate
6. Jimmy Ortiz, Alternate
7. Jed Ross, Principal

DC WATER STAFF

1. Lola Oyeyemi, Interim Chief Financial Officer and EVP Finance, Procurement and Compliance
2. Gregory Hope, Interim Chief Legal Officer and EVP
3. Matthew Brown, Chief Operating Officer and EVP
4. Kirsten Williams, Chief Administrative Officer and EVP
5. Michelle Rhodd, Secretary to the Board

CONSULTANT

1. Ed Markus, Amawalk
2. Shan Lin, Amawalk

The DC Retail Water and Sewer Rates Committee meeting was called to order by Howard Gibbs, Vice Chairperson, at 9:40 AM. Assistant Board Secretary Debra Mathis called the roll.

I. MONTHLY REPORT TO THE DC RETAIL WATER AND SEWER RATES COMMITTEE

Syed Khalil, Vice President, Rates and Revenue, presented the monthly report for the period ending January 31, 2026.

As of January 31, 2026, cash receipts totaled \$353.0 million or 34.9% of the budget. Federal Government submitted their quarterly payments in January and Wholesale customers remitted their second quarterly payment of \$8.2 million early in January 2026 instead of scheduled in February 2026. Residential, Commercial, and Multi-Family receipts totaled \$194.5 million or 33.2% of the budget, which was \$6.4 million below the monthly target due to lower consumption. District government receipts were \$6.5 million or 23% of the budget, as their December 2025 payment was delayed until February 2026. DC Housing Authority receipts totaled \$4.4 million or 24.1%, which was \$0.4 million below budget due to reduced consumption.

Delinquent accounts increased both in dollar value and number of accounts. Delinquencies increased by approximately \$1.0 million in January 2026, largely attributable to back billing for Georgetown University.

Mr. Khalil reviewed the progress on Developer Deposits, noting that 39 accounts were refunded in December 2025, and 10 accounts were refunded in January 2026, for an approximate total of fifty eight thousand dollars.

II. INDEPENDENT REVIEW OF THE PROPOSED RATES FOR FY 2027 & FY 2028

Mr. Khalil introduced the consultants that conducted the Independent Review of Proposed Rates and Budget. He stated that the presentation summarized the findings of the biennial Independent Review of the proposed rates and budget, including the Water and Sewer Cost of Service Study (last completed in FY2024). He noted that the review was conducted by independent consultant Amawalk Consulting to provide an unbiased perspective which ensures that the study is impartial and objective. He added that Amawalk has extensive experience conducting COS and rate studies for major utilities, and that Shan Lin and Ed Markus bring more than 68 years of combined industry experience.

Mr. Markus presented the study's goals: ensure rate efficiency, benchmark policies against peers, and assess affordability impacts under the 2027–2028 proposals. He noted that from 2021–2025, revenues averaged 1.6% above budget and expenses 1.1% below, with early 2026 results slightly outperforming projections—supporting the reasonableness of the 2027–2028 estimates.

Next, Mr. Markus explained that the key measures of financial performance include debt service coverage and days of cash on hand. The study confirmed the Authority's compliance with key financial policies, including maintaining a minimum 250-day cash reserve, with a target of reaching 350 days by 2032, and combined debt service coverage of 1.60 or higher. The Authority's strong financials have supported high bond ratings, enabling DC Water to borrow long-term funds at competitive rates. Mr. Markus highlighted that the high job vacancies are consistent with post-COVID staffing levels experienced by peer utilities. He noted that DC Water's Capital Improvement Plan (CIP) projects are

typically on time and within budget and change orders and claims remain low. The average annual capital spending is projected to rise from \$447 million in 2021 to 2025 to \$957 million in 2026 to 2028 to support upgrades needed to maintain reliable service delivery. The increases in the CIP spending are particularly for the Clean Rivers Program, the Lead, Galvanized, and Brass Service Line Replacement program, and the Water Mains and Sewers project.

Mr. Markus noted that rate increases are mainly due to rising capital expenditures and that debt service costs will increase to 31.7% and 34.1% of total disbursements in 2027 and 2028, respectively and that Cash-financed construction will also increase, reducing the need for further debt.

Mr. Markus further stated that there is a growing challenge, which is the long-term decline in water demand, which has decreased by 6.2% from 2016 to 2025. This decline is consistent with similar trends in other major cities. The year-to-date water sales in 2026 are 0.9% lower than at the same time in 2025, with future decreases expected at 1.1% annually. Approximately 61% of FY 2027–2028 receipts are consumption-related, making the usage decline a significant factor in rates.

Next, Ms. Lin outlined the FY 2027–2028 proposed rates, noting that a new Public Inconvenience Fee (PIF) in 2027 will raise bills for District customers. She added that DC Water's customer assistance programs, along with CRIAC relief and the emergency SPLASH program, provide meaningful support to eligible customers.

In conclusion, Mr. Markus affirmed that DC Water's proposed rates for fiscal years 2027 and 2028 were reasonably developed, adhere to Board policies and industry standards, and align with comparable utilities. He explained that while factors like declining water usage, higher interest rates, or unexpected expenses may affect actual financial results, DC Water's rate structure and the availability of funds support both flexibility and effective risk mitigation. Although capital improvement spending is substantial and will drive future rate increases, documented needs and balanced funding strategies help limit debt growth. He noted that DC Water's reserve funds support liquidity and strong credit ratings, helping to control borrowing costs. The Authority's reserve practices are consistent with those of other highly rated utilities.

In response to a question from Committee member Alexander McPhail, Mr. Markus confirmed that DC Water receives limited assistance from the District of Columbia and the Environmental Protection Agency but cannot access the tax programs available in the 50 states.

Committee Chair Rachna Bhatt inquired about strategies used by peer utilities that may benefit DC Water. Mr. Markus noted that the Authority is already leveraging many cost- and rate-reduction strategies and taking advantage of opportunities to limit debt service and other expenses. He noted that the decline in water consumption is affecting utilities

nationwide.

III. PROPOSED FY 2027 AND FY 2028 RATE CHANGES AND FEES AND FY 2027 BUDGET

Lola Oyeyemi, Interim Chief Financial Officer and EVP, Finance, Procurement and Compliance presented an overview of the budget and two-year rate proposals. She noted that like similar utilities, DC Water faces sector-wide challenges, including maintaining and replacing aging infrastructure and rising cost of doing business while keeping rates affordable.

Ms. Oyeyemi provided an overview of the budget process which began in August 2025 including reviews with the Board committees and various stakeholders in January. The budgets and rate proposals are required to be submitted to the District by March 10, 2026, for inclusion in the mayor's budget which is due to the Council on April 1, 2026. She reported that the Customer Affordability Analysis will be conducted by consultants to and will be reviewed with the Committee in April 2026 before the public hearing in May 2026. Townhall meetings will be held in spring to educate customers about rates, the CIP and CAPs, and the meetings will be widely publicized through numerous channels.

Ms. Oyeyemi stated that DC Water's rate-setting policy requires rates to fully fund current costs and meet all bond indenture, and financial ratio requirements, ensuring reliable and predictable revenues through transparent and consistent rate adjustments. She added that surplus revenues can be utilized by the Board to stabilize future rates. She went on to review the process for establishing the rates which includes biennial cost-of-service studies, independent rate reviews, Board review of proposed rates and budgets, and opportunities for public comment before final adoption.

The proposed water and sewer rates will increase by 6% each for FY 2027 and FY 2028. The CRIAC fee will increase to \$25.50 per equivalent residential unit in FY 2027, and \$27.22 in FY 2028. The PILOT fee, consistent with the Memorandum of Understanding with the District, will increase to \$0.62 per centum cubic foot (Ccf) for FY 2027 and \$0.63 per Ccf in FY 2028. The groundwater rate will increase to \$3.90 per Ccf for both FY 2027 and FY 2028. Other fees and charges will remain the same. The newly introduced Public Inconvenience Fee (PIF) will be \$0.42 per Ccf in FY 2027. This fee is being charged by DDOT to recover previously waived permit fees for construction projects in public spaces that extend beyond 30 days, primarily related to the Lead-Free DC initiative and other major water main programs.

Ms. Oyeyemi noted that the recent cost-of-service study aligns with the proposed rates, resulting in slightly lower increases than previously projected—6.6% for FY 2027 (down from 6.7%) and 5.3% for FY 2028, down from last year's forecast of 5.7%. She also highlighted the Authority's commitment to affordability, with CAP+ offering a \$131 monthly discount, \$101 discount for CAP, and \$67 discount for CAP2 eligible customers.

Next, Ms. Oyeyemi provided an overview of the ten-year capital program and operating budgets. She noted that details of the CIP were discussed with the Environmental Quality & Operations Committee who advanced the action item to the Board. The \$9.69 billion 10-year CIP will be funded through \$3.3 billion in planned debt, Pay-Go, wholesale and federal contributions, and about \$413 million in external subsidies. Over the next 10 years, approximately \$5.6 billion will be invested in critical water and sewer infrastructure. The FY 2027 sources and uses of operating funds is balanced at \$1.07 billion. Revenues are projected from retail customers, the federal government, wholesale customers, and other revenues. These funds will be used to pay for debt service, water purchases, and essential personnel costs to support core operations.

Total revenue for FY 2026 includes proposed net reduction of \$3.2 million mainly to align with projected consumption for Federal category, with increases for interest earnings and wholesale revenue attributable to PI costs. Projected total revenue for FY 2027 is \$1.069 billion, rising to \$1.1 billion in FY 2028.

Next, Ms. Oyeyemi reviewed various impacts of the CIP and new PIF fee on the average residential customer bill. She noted that fully funding the \$9.69 billion CIP including the new PIF would require a higher increase of 7.3% in FY 2027 than what is being proposed. For the proposed financial plan without the PIF, the increase would have been lower at 5%. For the proposed financial plan which better aligns with the historical completion rate of the CIP and includes the new PIF, the overall bill increase is 6.6%, slightly lower than last year's Board-approved forecast of 6.7%.

The average residential customer monthly bill based on an average monthly consumption of 5.42 Ccf is projected to be \$156.80 in FY 2027 and \$165.07 in FY 2028. These include increases of approximately \$9.39 in FY 2027 and \$9.44 in FY 2028. Eligible CAP customers will receive significant discounts, including discount on water and sewer for first four Ccf, 100 percent discount for the Water System Replacement Fee, and a 75% discount on the CRIAC fee. The average CAP customer bill is projected at \$50.49 in FY 2027 and \$53.03 in FY 2028, reflecting an average discount of 68%.

Ms. Oyeyemi highlighted DC Water's strong fiscal management, reflected in its AAA (S&P), Aa1 (Moody's), and AA+ (Fitch) bond ratings, which support lower borrowing costs. She stated that the report highlighted several strengths for DC Water including our strong financial profile, robust liquidity, exceptional management policies and independent rate-setting authority. The Ten-Year Financial Plan remains in compliance with the indenture requirements, key board policies, and targets. This includes the days of cash on hand (with a 250-day Board target and 350-day goal by 2032), debt coverage above the 1.6x target, debt service below the 33% threshold, and a \$40.6 million Rate Stabilization Fund meeting the 5% retail revenue requirement.

Ms. Oyeyemi presented a work plan outlining the schedule for rate adoption and public

engagement, leading to the Board adoption of the rates on July 2nd. She presented the action items for the proposed two-year rates, fees and charges and the financial plan for the Committee to advance to the full Board.

Dr. McPhail emphasized the strength of the Authority's CAP programs. He asked if the costs required to support the PIF fee can be absorbed within the budget rather than passing it on to customers, noting that the fee totals \$12 million compared to \$1.07 billion in revenue. Ms. Oyeyemi responded that the board policy requires that we have sufficient fees and revenues to cover the costs noting that the occupancy permits were previously waived by DDOT. She also explained that the cost-of-service study is done every two years, which will help determine the fees based on actual costs in the future.

Ms. Bhatt recommended exploring a more transparent name for the fee to clarify that it is a pass-through charge from the District Department of Transportation. Dr. McPhail highlighted the robustness of the Authority's CAP programs. He and Committee member Anthony Giancola urged the finance team to find room in the budget to absorb the PIF, so it is not passed on to customers, noting that it amounts to \$12 million against revenue of \$1.07 billion. Ms. Bhatt suggested considering a more transparent name for the fee to clarify that the fee is passed through from the District Department of Transportation.

Matthew Brown, Chief Operating Officer EVP acknowledged that the Authority shares the Committee's concerns regarding the new PIF. However, he explained that absorbing the fee would require reductions in other budget areas in order to maintain a balanced budget. He also noted that the approved rates will not be finalized until completion of the public review process, after which the Board will have the opportunity to adopt rates that are lower than those originally proposed. Ms. Bhatt encouraged management to explore opportunities for lower rates as we head towards the final rates adoption in June. She also emphasized the importance of critical investments needed and having to make tough decisions based on current events impacting the Potomac Interceptor. She asked management to explore a more transparent name for the fee to clarify that it is a pass-through charge from the District Department of Transportation.

IV. ACTION ITEMS

Two action items were submitted for Committee approval prior to Board presentation.

1. Proposed FY 2027 and FY 2028 Rates, Charges and Fees
2. Proposed Ten-Year Financial Plan FY 2026 to FY 2035

The Committee agreed to move both action items forward to the Board.

V. DC RETAIL WATER AND SEWER RATES COMMITTEE WORKPLAN

Mr. Khalil reviewed the proposed Committee workplan for FY 2026, noting the timeline to

review and approve the Notice of Proposed Rulemaking and complete the public hearing process before approving the proposed rates to take effect on October 1, 2026.

VI. AGENDA FOR MARCH 18, 2026, COMMITTEE MEETING

The meeting on March 18, 2026 will include the monthly update, the Committee workplan, and any additional items the Committee wishes to discuss.

VII. ADJOURNMENT

The meeting adjourned at 11:01 AM.