

dc

Executive Budget Summary

Approved FY 2027 • Adopted March 5, 2026

(Fiscal year starting October 1)

Dr. Unique N. Morris-Hughes, Chair, Board of Directors

David L. Gadis, Chief Executive Officer and General Manager

Matthew T. Brown, Chief Operating Officer and Executive Vice President, Engineering and Operations (Former CFO & EVP)

Lola Oyeyemi, Chief Financial Officer and Executive Vice President, Finance, Procurement, and Compliance (Acting)

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY



ACCOUNTABILITY • TRUST • TEAMWORK • CUSTOMER FOCUS • SAFETY • WELLBEING



DC Water provides clean drinking water to residents of the District of Columbia, and wastewater treatment services to both residents of the District of Columbia and wholesale customers in Maryland and Virginia.

This executive budget summary is both an introduction to the FY 2027 budget and a standalone document that provides information about our budget priorities to our customers and diverse stakeholders. Additional information about our operating and capital budgets can be found in the detailed budget book and is also available online at www.dewater.com.

DC Water continues to align our budget and strategic priorities. Our strategic plan, Blueprint 2.0, was adopted by the Board of Directors in 2021 to guide DC Water over the next five years and beyond. Detailed information about the strategic plan is available online at www.dewater.com/strategic-plan.

Blueprint 2.0 Imperatives



Vision

We will be known for superior service, ingenuity and stewardship to advance the health and well-being of our diverse workforce and communities.

Mission

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

Imperatives

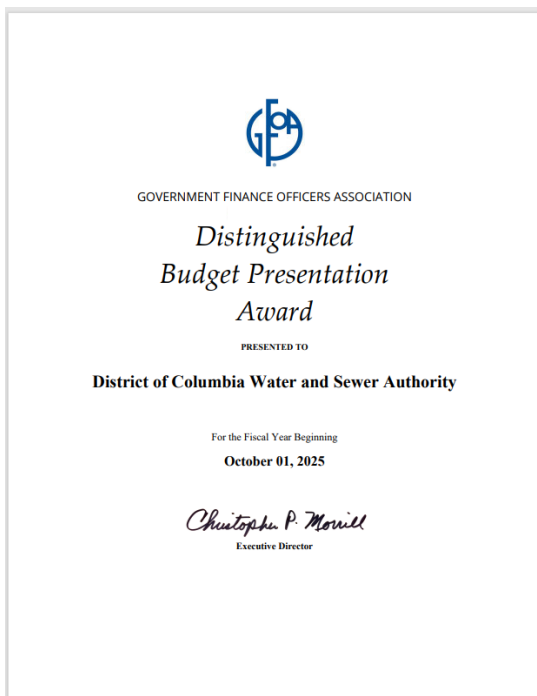
Healthy, Safe and Well
Is everybody we impact healthy, safe and well?

Reliable
Can we deliver our agreed service level in an efficient and effective manner?

Resilient
Are we able to cope with and recover from disruption, anticipating shocks and stressors to maintain service?

Sustainable
Are we able to meet the needs of the present without compromising the ability of future generations to meet their own needs?

Equitable
Are we operating in an equitable manner to enable our employees, partners, customers, and communities to prosper?



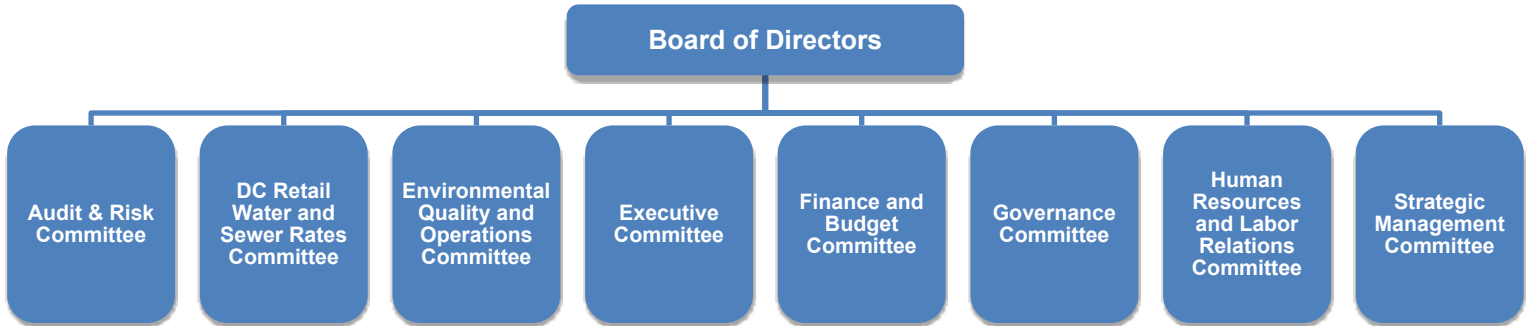
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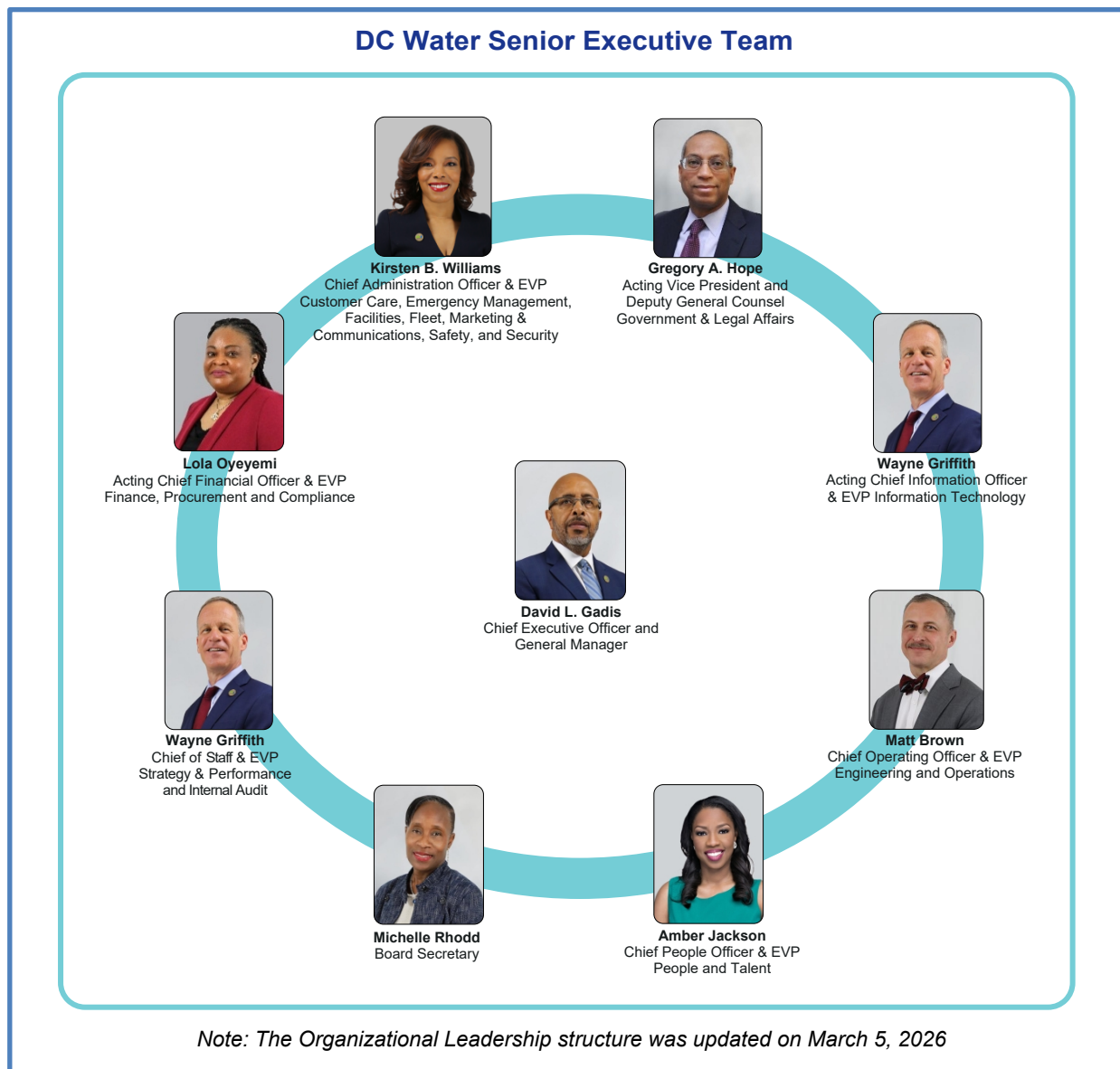
Organizational Governance and Structure

DC Water is an independent authority of the District of Columbia, established under District of Columbia and Federal law, and is governed by 11 principals and 11 alternate members of the Board of Directors. The members of the Board of Directors also serve on various Committees.

DC Water Board Committees



DC Water Senior Executive Team





I am pleased to present DC Water's Fiscal Year (FY) 2027 Budget and Two-Year Rates proposal.

This budget is guided by the theme "Smart Spending for a Resilient Tomorrow." It reflects our commitment to building resilient people, resilient systems, resilient operations and resilient communities ensuring the Authority remains strong in

the face of evolving challenges.

Investing in a Resilient Future for the District

This year's budget comes at a pivotal time. Like utilities nationwide, DC Water is navigating shifting federal funding priorities, tightening regulatory requirements, aging infrastructure, extreme weather risks, and the dual mandates to complete the Clean Rivers Program by 2030 and replace every lead service line by 2037. These pressures underscore a new reality: resilience is not achieved, it is built.

The FY 2027 budget reflects a utility transitioning from maintaining a legacy system to constructing a redundant, climate-ready water and wastewater network capable of supporting the region for generations.

Our multi-billion dollar ten-year capital program balance's reliability with responsibility to our customers, our workforce, and the communities we serve.

Addressing Water Resilience

For generations, the District has relied on a single source of water. In FY 2025, the need to establish a second source moved from a strategic goal to an operational necessity.

In response, we launched Pure Water DC, an initiative to advance water reuse and strengthen regional water supply resilience. This budget continues funding for the Pure Water DC Discovery Center, expected to open in 2027, to pilot new technologies, conduct research, and educate the community about the importance of a diversified water supply. This is an investment in the region's health and economic security.

We are also advancing our three-year Advanced Metering Infrastructure (AMI) program to improve real-time data transmission, reduce non-revenue water, and provide customers with more accurate and timely billing information.

Building Stronger Communities and Lasting Resilience

Looking ahead, we are accelerating the rehabilitation of

major sewer interceptors to ensure reliable service across the region.

The recent Potomac Interceptor collapse highlights the

vulnerabilities of infrastructure built in the 1960s and reinforces the urgency of sustained investment and the need for enhanced federal funding support for assets originally constructed by the federal government. These issues extend beyond utility operations and require regional advocacy and alignment to protect the Potomac River.

To deepen engagement and trust with our stakeholders, especially following the Potomac Interceptor incident, we reinstated the Stakeholder Alliance, strengthening our partnerships with community leaders, environmental groups, and river-reliant organizations.

Protecting Public Health and the Environment

Public health remains central to our mission. Through our Lead Free DC program, we have now replaced more than 11,000 lead service lines, and this budget maintains the aggressive pace needed to fully eliminate lead from the system by 2037.

Additionally, construction of the Potomac River and Piney Branch Tunnels represents the next major phase of the Clean Rivers Project. These investments will significantly reduce overflows and protect waterways across the region.

Advancing our Culture of Strong Financial Management

We remain committed to affordability. The overall bill increase for the average residential customer over the next two years is lower than previously forecasted. At the same time, we continue to invest in robust customer assistance programs that support those most in need.

These budgets reflect disciplined cost management and our commitment to reliable service, environmental responsibility, fiscal accountability, and operational continuity. They balance the weight of necessary capital improvements with the efficiency our customers and stakeholders expect.

I am grateful for the dedication of Team Blue, the strong partnership of the Senior Executive Team, the guidance of our Board of Directors, and the trust of the communities we serve. Together, we will continue building a resilient, innovative, and customer-focused utility for the future.

David L. Gadis
CEO & General Manager, DC Water

DC Water Budget Overview



DC Water Budget Overview

FY 2027 Approved Operating Budget of **\$844.1 million**

NON-OPERATIONAL



\$346.0 million
Other non-operational needs for debt service and Paygo for the capital program.



\$24.0 million
PILOT & ROW payments to the District.

CORE OPERATIONAL

\$88.4 million



Funds critical infrastructure and facilities maintenance and repairs, software technology, legal, compliance, insurance, audit services, biosolids hauling services, government affairs, and workforce development.



\$5.0 million

Enhances customer engagement, stakeholder communication, and the Mark & Locate program to identify underground utility repairs and developments. Implements the leak assessment program to help customers fix property-side leaks affecting water bills.



\$227.0 million

Funds wages, retirement, health benefits for 1283 FTEs, supports overtime for emergency repairs and special projects, and career pathways, and training programs for apprentices and summer interns.



\$1.5 million

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

\$152.2 million



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



DC Water Budget Overview

FY2026-2035 Approved Capital Investments of **\$9.7 billion**

REGULATORY



\$1.04 billion
Continue eliminating lead service lines and meet regulatory requirements.



\$1.15 billion
Fully funds DC Water Clean Rivers projects to meet Consent Decree requirements.

RISK-BASED



Sewer Infrastructure \$2.86 billion

Rehab of high risk trunk sewers, pump stations and structures that control flow.



Water Infrastructure \$1.74 billion

Rehab critical valves, large diameter transmission main assessments and resilience.



Blue Plains \$1.59 billion

Funds rehabilitation and upgrades including filters, primary treatment, and discovery center for Pure Water DC.



Washington Aqueduct \$514 million

Invests in the Aqueduct's capital infrastructure for potable water treatment.



Capital Equipment \$415 million

Invests in process equipment, specialized vehicles, IT and water meters.



Non-Process Facilities \$243 million

Renovates Non-Process Facilities including at Blue Plains, Main Pump Station, and Bryant Street Pump Station.



Separate Stormwater \$127 million

Rehab stormwater pump stations, address MS4 permit obligations.



It is my honor to serve as the Acting Chief Financial Officer, and lead our Finance, Procurement and Business Compliance teams during this transition period. I am pleased to present DC Water's Fiscal Year 2027 approved budget and two-year rate proposal. This plan reflects disciplined financial stewardship and

strategic investment – advancing the resilience of our systems, protecting affordability for customers, and positioning DC Water for long-term stability.

Building a Sustainable Operational Budget

The approved FY 2027 Operating Budget of \$844.1 million reflects a disciplined response to ongoing cost pressures that continue to exceed available resources. The budget increase of \$6 million reflects careful prioritization, disciplined cost management, targeted reallocations, and a commitment to doing more with what we have. Rising expenses in the cost of purchasing drinking water, labor, chemicals, energy, and maintenance require constant vigilance and prudent management.

To support stability and maintain core services, we are holding authorized headcount steady for the second consecutive year. This approach reflects intentional vacancy management and improved operational efficiency, ensuring the right resources are in place while continuing to invest in our workforce.

Prioritizing Critical Capital Investments

The FY 2026–FY 2035 Capital Improvement Program (CIP) totals \$9.69 billion and remains tightly aligned with regulatory requirements, asset condition priorities, and affordability objectives. The program strengthens system reliability and prepares our infrastructure for the demands of a growing region.

This year's CIP dedicates \$2.1 billion to two mandated programs: Clean Rivers and Lead Free DC. As the Clean Rivers tunnel construction progresses towards completion in 2030, spending on mandated projects will decline to roughly 7 percent of the capital budget, creating future flexibility to reinvest in critical water and sewer assets. The Lead Free DC program is a critical initiative focused on the replacement of lead service lines throughout the District. This program supports the long-term well-being of the community and meets regulatory requirements for water quality and safety.

Beyond mandated work, DC Water's risk-based capital planning allocates \$7.59 billion to the highest-priority needs across our systems. This includes rehabilitation of major sewer interceptor, asset upgrades that ensure reliable water distribution, modernization efforts at Blue Plains and other facilities, capital equipment purchases and DC Water's share of the Washington Aqueduct's capital program.

Together, these investments strengthen system redundancy, reduce long-term risk, and balance near-term affordability with long-term sustainability.

Translating Credit Strength into Customer Value

DC Water's high bond ratings were reaffirmed by all three rating agencies. This reflects our commitment to disciplined financial management, sound governance, and long-range financial planning. These strong ratings lower our borrowing costs, support operational flexibility, and help limit rate pressures on customers in the years ahead.

The two-year rate proposal aligns with the cost-of-service study to cover the full costs necessary to deliver essential services and meet revenue requirements. The average residential bill is projected to increase by 6.6 percent in FY 2027 and 5.3 percent in FY 2028. These increases balance affordability with the need to maintain quality service and critical investment.

Looking Ahead

DC Water remains committed to stewarding a financial framework that is resilient, transparent, and responsive to the communities we serve. I want to thank Team Blue for their hard work, the Finance Department for their commitment, the Senior Executive Team for their partnership, and our Board of Directors for their engagement and oversight as we continue delivering essential services to the region today and for generations to come.

Lola Oyeyemi
Acting Chief Financial Officer & EVP

Budget at a Glance

Operating Expenditures (\$ in Thousands)

Category	FY 2021 Revised	FY 202 Approve
Authorized Headcount	128	128
Personnel Services	\$ 217,4	\$ 226,9
Chemicals	43,9	45,4
Supplies	13,4	14,7
Utilities	41,6	42,2
Contractual Services	102,2	99,9
Water Purchases	48,1	54,4
Small Equipment	1,5	1,0
Total Non-Personnel Services	\$ 251,1	\$ 257,8
Total Operations and Maintenance	\$ 468,5	\$ 484,8
Debt Service	247,4	257,8
PILOT & ROW	24,1	24,5
Payment in Lieu of Taxes	19,0	19,4
Right of Way	5,1	5,1
Cash Financed Capital Improvement	97,9	76,8
Total Debt Service/PILOT/ROW/CF	369,5	359,2
Total Operating Expenditure	\$ 838,1	\$ 844,1
Less: Capital Labor	(30,9)	(31,3)
Total Net Operating Expenditure	\$ 807,2	\$ 812,7

Operating Revenues (\$ in Thousands)

Category	FY 2026 Revised	FY 2027 Proposed
Residential	\$156,396	\$163,912
Commercial	242,767	254,435
Multi-family	183,802	192,668
Federal Government	99,339	106,618
Municipal & Housing	42,435	44,543
Water System Replacement Fee	42,717	42,717
Metering Fee	24,400	24,400
Wholesale	124,219	134,090
Rate Stabilization Fund	-	-
Other Revenue	92,119	105,991
Total Operating Revenue	\$1,008,194	\$1,069,374



Capital Disbursement (\$ in Thousands)

Service Areas	FY 202 Revise	FY 202 Approve
Non-Process Facilities	\$ 15,4	\$ 32,6
Wastewater Treatment	83,1	127,5
Clean Rivers	226,4	279,2
Combined Sewer	11,0	31,7
Stormwater	16,5	14,7
Sanitary Sewer	155,3	230,7
Water	186,7	274,5
Capital Projects	\$ 694,8	\$ 991,2
Capital Equipment	32,4	45,2
Washington Aqueduct	49,4	35,7
Additional Capital Programs	\$ 81,9	\$ 81,0
Total CIP	\$ 776,7	\$1,072,2

Capital Revenues (\$ in Thousands)

Source	FY 2026 Revised	FY 2027 Proposed
Wholesale Capital Payments	\$ 119,438	\$ 166,497
Federal Grants & CSO Appropriations	65,763	67,709
Interest Income on Bond Proceeds	5,850	2,385
Pay-Go Financing	269,013	314,279
Debt Proceeds	26,000	502,324
Curing Pad and Solar	30	29
System Availability Fee	5,700	5,700
Total Capital Revenue	\$ 491,794	\$ 1,058,923

The Strategic Plan

DC Water’s five-year strategic plan, called Blueprint 2.0, demonstrates the commitment of our Board of Directors, management team, and workforce to meet our challenges head on and to exceed ratepayer expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner, while positioning DC Water for success in the coming years.

DC Water’s budget is prepared through a collaborative and decentralized process, guided by its strategic plan. The Blueprint 2.0 includes five interconnected imperatives and lays out defined outcomes essential to achieving the strategic goals over the next five years and beyond, plans are underway to update Blueprint 2.0. Detailed information about the strategic plan is available online at www.dewater.com/strategic-plan.

The Blueprint 2.0 Imperatives



Healthy, Safe and Well
Is everybody we impact healthy, safe and well?

Reliable
Can we deliver our agreed service level in an efficient and effective manner?

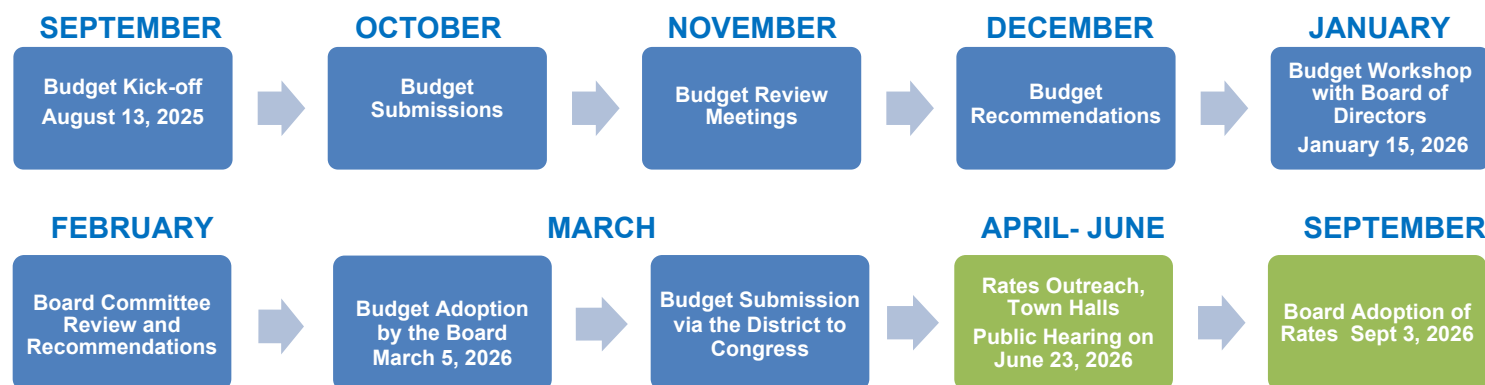
Resilient
Are we able to cope with and recover from disruption, anticipating shocks and stressors to maintain service?

Sustainable
Are we able to meet the needs of the present without compromising the ability of future generations to meet their own needs?

Equitable
Are we operating in an equitable manner to enable our employees, partners, customers, and communities to prosper?

The Budget and Rate Making Process

DC Water’s budget is the fiscal roadmap that allocates and aligns spending plan with the imperatives and goals of the strategic plan. The rigorous budget process balances the level of infrastructure investments and operational requirements with customer rates. The budget process encourages ideas to be brought forward by all departments with detailed workplans that incorporate the imperatives, goals and workstreams of Blueprint 2.0. The strategic plan serves as the primary lens through which budget requests are evaluated against established prioritization criteria and final budget decisions are made. The budget proposals are reviewed with the various Board Committees and subsequently adopted by the full Board of Directors.



The budget submissions are reviewed and prioritized to balance what we ask from our customers with the Board-adopted multi-year retail rates. In an effort to align the budget with the imperatives and goals of the strategic plan, all budget requests for existing and new programs were evaluated and scored against established prioritization criteria. These criteria include regulatory requirements/mandates, health and safety, Board policy, process improvements and new revenue generation. This provides consideration for various projects to ensure a sustainable operating and delivery model, and efficient use of economic resources.

Below are some of the major programs included in DC Water’s operating and capital budgets and how they align with the various connected imperatives of Blueprint 2.0.

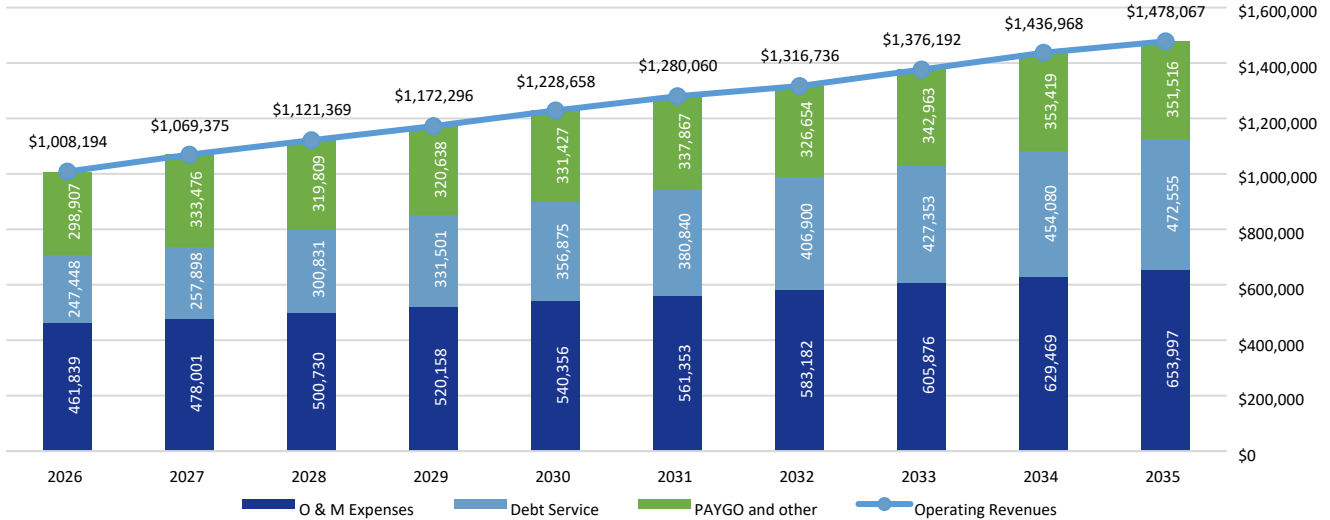
Blueprint 2.0 Imperatives	Program Description
	<p>Complete the Clean Rivers Program to reduce Combined Sewer Overflows (CSO) and meet the District’s water quality standard. Achieve 96 percent system-wide capture mandate for removal of trash, debris etc. from the Anacostia and Potomac Rivers and Rock Creek.</p>
	<p>Advance the Lead Free DC program to remove all lead lines in the District.</p>
	<p>Expand training and learning opportunities for operational crews including “Hazard Awareness Training” and “Hands on Drills” etc. Continue the Apprenticeship Program to provide learning and job opportunities to residents in the metro region.</p>
	<p>Continue proactive and predictive maintenance programs to assure equipment availability and value-driven Asset Management Operator Driven Reliability program.</p>
	<p>Increase collaborative efforts between operations and engineering departments to ensure process enhancements and support the delivery of capital projects.</p>
	<p>Safeguard the resilience of water supply, secure the assets of DC Water and prepare for and learn from emergency responses and adapt to the impacts of climate change.</p>
	<p>Support development of high performing teams to increase resiliency and ensure safety of the operational crews that provide water and wastewater treatment services.</p>
	<p>Enhance preparedness for tackling contaminants of emerging concern through research and (regulatory driven) monitoring.</p>
	<p>Increase sales volume and revenue for both Bloom and renewable energy credits (RECs) and seek other non rate revenue sources.</p>
<p>Legend: Healthy, Safe and Well Reliable Resilient Equitable Sustainable</p>	



Ten-Year Financial Outlook / Debt Management

DC Water’s ten-year financial plan provides a strong financial framework to support implementation of the Board strategic plan, policies, priorities, and guidance in several key financial areas. This financial plan serves as one of management’s key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. Given DC Water’s substantial borrowing needs over the next ten years, adherence to these Board policies is crucial to cost-effectively access the capital markets and retain our credibility with customers and regulators. The ten-year financial plan encompasses annual projected revenue requirements, operating expenditures, debt service costs, coverage ratios for indenture requirements, and sufficient liquidity to meet all the Authority’s financial obligations.

FY 2026 - FY 2035 Financial Plan (\$ in Thousands)



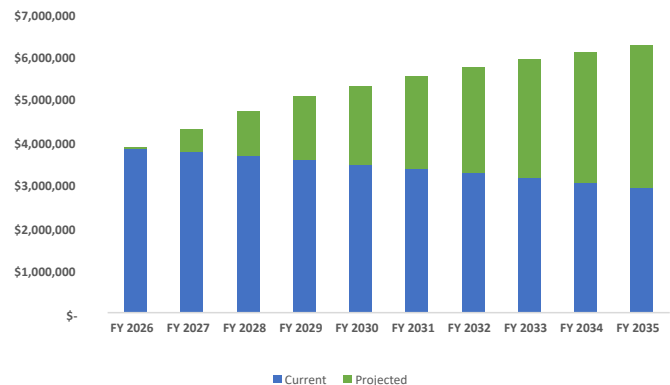
Debt Management

DC Water continues to maintain strong financial performance and bond ratings. In February 2026, the credit ratings on our senior lien bonds were reaffirmed at AAA/Aa1/AA+ by Standard and Poor’s Ratings Services, Moody’s Investors Services and Fitch Ratings, respectively. High bond ratings will allow DC Water to have lower borrowing costs, which in turn reduces ratepayer costs in the long run. These notable results are due to the Authority’s solid financing team, outstanding financial performance, and management of our capital program. Additional information for current and future investors is available at www.dewater.com

The Authority uses debt to finance its capital program and refund existing debt in the best interest of DC Water to obtain debt service savings. Debt management consists of managing funds borrowed through revenue bonds, commercial paper, and other short-term notes. Currently, debt financing represents approximately 41.7 percent of the funding in the ten-year financial plan and 31.7 percent of the FY 2027 operating budget. In FY 2023, DC Water began to draw on the 2021 Federal loan under the Water Infrastructure and Finance Innovation Act (WIFIA).

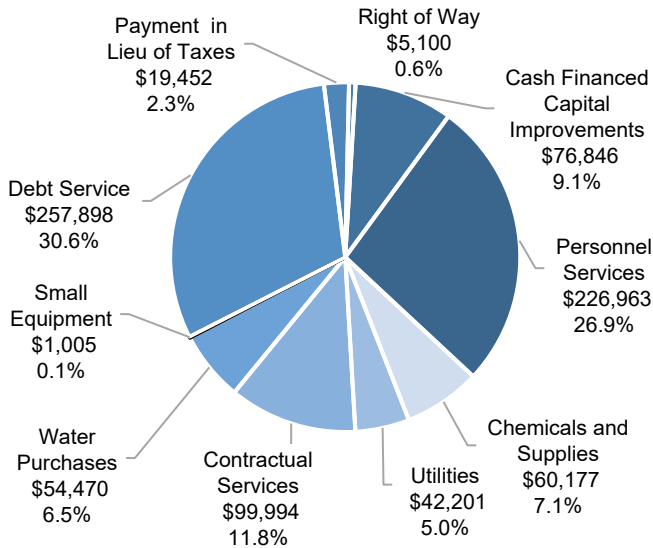
As of December 31, 2025, DC Water had an outstanding WIFIA loan amount of \$104.3 million. The Authority’s total long-term debt, including current maturities, was \$3.6 billion at the end of FY 2025, and is projected to increase over the next ten years primarily due to continuous investment in our aging infrastructure.

FY 2026 - FY 2035 Current and Projected Debt (\$ in Thousands)



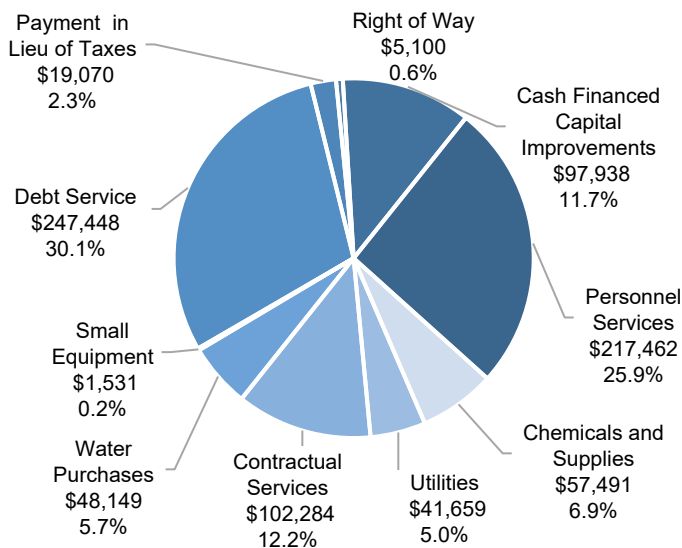
Approved FY 2027 Budget - \$844.1 Million

(\$ in Thousands)



Revised FY 2026 Budget - \$838.1 Million

(\$ in Thousands)



DC Water's Approved FY 2027 Operating Budget

DC Water's annual operating budgets provide the resources necessary to sustain a multi-billion-dollar water distribution, sewage collection, and treatment system. The Authority continues to deliver clean water, collect, and treat the sewage before returning clean water to the local waterways, and repair water main and sewer breaks as needed. This budget reflects management's focus on supporting the most important asset with core values of reflecting people, pay, and place while maintaining customer affordability and providing a high level of customer service.

The approved FY 2027 budget totals \$844.1 million, reflecting a \$5.9 million increase (0.7 percent) from the revised FY 2026 budget. This increase is driven by operations and maintenance (O&M) costs, debt service, and Pay-Go financing to support the Authority's Capital Improvement Program.

The budget includes the following:

- **Personnel (\$9.5 million increase)** reflects adjustments for salaries, increased overtime, and employee health benefits. The authorized headcount remains at 1283 FTEs and reflects the reallocation of existing vacancies to support key initiatives
- **Chemicals (\$1.4 million increase)** reflects projected unit price increases for major chemicals used at the plant and other odor control facilities throughout the Authority
- **Supplies (\$1.2 million increase)** reflects inflationary cost pressures for critical parts and custodial materials
- **Utilities (\$0.5 million net increase)** higher electricity costs offset in part by reduced water usage in treatment activities and repaired leakages
- **Water Purchase (\$6.3 million increase)** driven by operating cost increases for the purchase of drinking water from the Washington Aqueduct
- **Contractual Services (\$2.3 million decrease)** reflects reallocation of Subscription-Based Information Technology Arrangement (SBITA) costs to capital equipment budget; offset by increase in various professional services
- **Small Equipment (\$0.5 million decrease)** reflects reduced rental of crane equipment
- **Debt Service (\$10.5 million increase)** for planned debt coverage between the projected senior and subordinate bond series
- **Cash Financed Capital Improvements (\$21.1 million decrease)** for PAYGO funding to reduce future borrowing costs
- **PILOT & ROW (\$0.4 million increase)** mainly for the PILOT payments to the District. ROW payment remains at the same level

Detailed descriptions of the Revised FY 2026 and Approved FY 2027 operating budgets are available online at www.dewater.com.



Operating Budget (continued)

DC Water's organizational structure is a key tool for ensuring that the organizational mission is achieved. The structure consists of various departments that are defined primarily along functional roles and further grouped along service lines (Operational or Administrative) or reporting clusters of authority to ensure accountability and to enhance efficiency and delivery of various services.

Authorized Headcount and Budget by Department (\$ Thousands)

Authorized Headcount	FY 2026 Revised Budget	Department	FY 2027 Approved Budget	Authorized Headcount
3	\$1,033	Secretary to the Board	\$1,055	3
4	2,696	Office of the CEO	1,311	3
0	818	Internal Audit	864	0
7	\$4,547	Independent Offices	\$3,231	6
5	1,325	Office of the Chief Administration Officer	2,644	4
7	1,801	Office of Emergency Management	1,976	7
7	7,543	Fleet Management	9,891	8
14	3,370	Occupational Safety and Health	3,435	14
52	13,807	Facilities Management	13,484	52
9	10,866	Security	12,936	8
20	4,850	Marketing and Communications	5,255	20
83	17,130	Customer Care	15,071	83
197	\$60,694	Administration	\$64,692	196
37	\$12,155	Information Technology	\$12,345	36
115	\$38,084	Finance, Procurement and Compliance	\$37,436	115
31	\$10,262	People and Talent	\$11,051	31
14	\$8,369	Government and Legal Affairs	\$8,045	14
10	\$3,244	Strategy and Performance	\$4,044	10
0	21,382	Engineering and Technical Services	-	0
0	4,530	CIP Infrastructure Management	-	0
38	4,862	Wastewater Engineering	8,960	38
57	5,399	Permit Operations	8,902	47
9	3,974	Clean Rivers	4,118	9
65	-	Shared Services and Asset Management	15,075	76
11	-	Water Program and Lead Free DC	3,361	10
180	\$40,148	Engineering	\$40,416	180
3	2,059	Office of the Chief Operating Officer	1,350	3
259	150,613	Operations	153,752	260
251	92,346	Water Operations	101,798	253
179	46,056	Pumping and Sewer Operations	46,651	179
692	\$291,074	Operations	\$303,550	695
1283	\$468,576	Total Operations and Maintenance	\$484,810	1283
	247,448	Debt Service	257,898	
	24,170	PILOT and ROW	24,552	
	97,938	Cash Financed Capital Improvements	76,846	
	\$369,557	Total Debt Service, PILOT and ROW, CFCI	\$359,295	
1283	\$838,133	Total Operating Expenditure	\$844,105	1283
	(30,907)	Less: Capital Labor	(31,360)	
	\$807,226	TOTAL NET OPERATING EXPENDITURE	\$812,745	

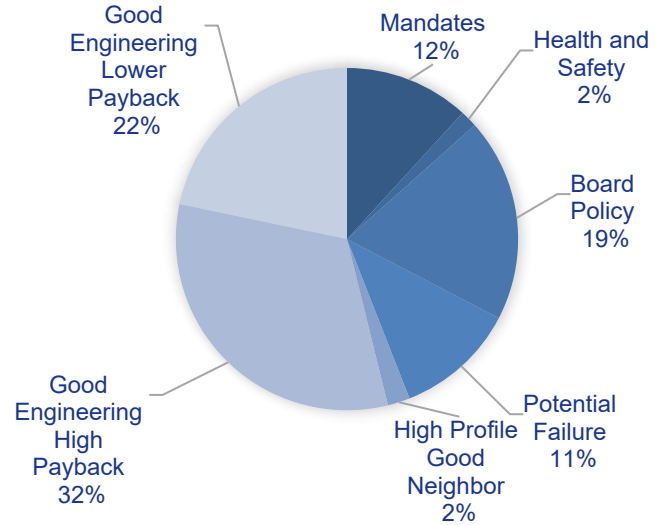


Capital Improvement Program (CIP)

FY 2026 – FY 2035 Capital Improvement Program (\$ in Thousands)

Service Area	Ten-Year Disbursement Plan	Total Lifetime Budget
Non-Process Facilities	\$243,392	\$412,191
Wastewater Treatment	1,594,492	2,670,477
DC Clean Rivers Program	1,148,507	3,560,771
Combined Sewer Overflow	166,059	201,679
Stormwater	127,426	190,536
Sanitary Sewer	2,697,126	4,215,274
Water	2,783,392	4,844,619
Capital Projects	\$8,760,394	\$16,095,547
Capital Equipment	415,398	415,398
Washington Aqueduct	514,490	514,490
Additional Capital Programs	\$929,888	\$929,888
Labor		415,976
Total Capital Budgets	\$9,690,281	\$17,441,411

MEASURE OF PRIORITY



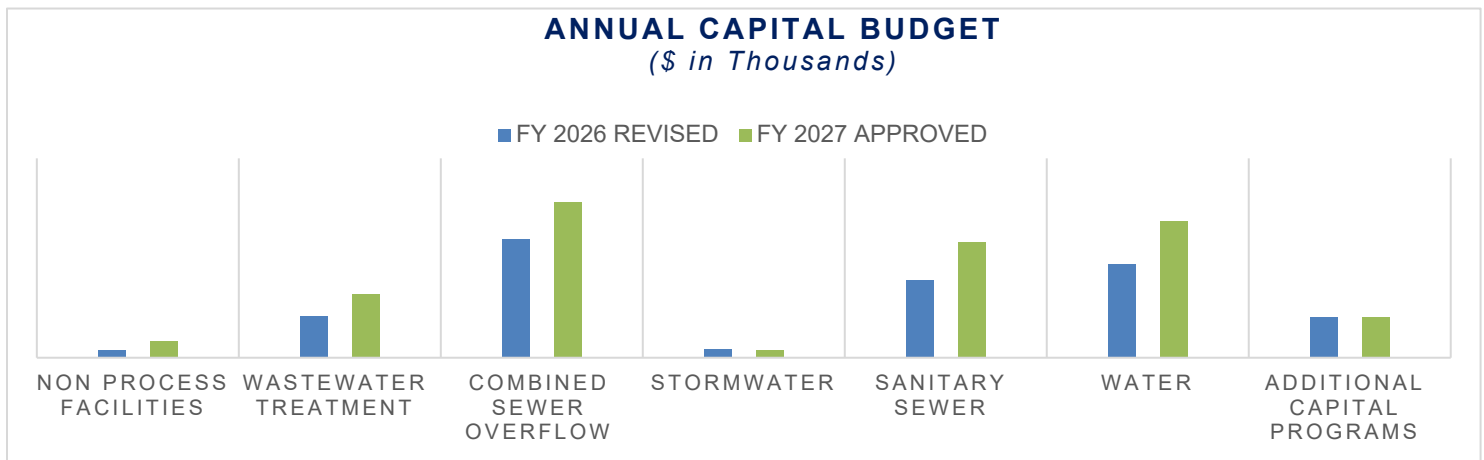
DC Water’s ten-year Capital Improvement Program (CIP) provides the framework for the development, prioritization, implementation, and measurement of the capital projects undertaken. The Board-approved FY 2026 – FY 2035 CIP disbursement budget of \$9.69 billion decreased by approximately \$66.7 million compared to the previous plan. The lifetime budget is \$17.44 billion covering total commitments including labor for active projects prior to, during, and beyond the ten-year window.

The budget fully funds the Clean Rivers Program to meet the consent decree requirements and advances the Lead Free DC program goals. This budget also funds the full rehabilitation of the Potomac Inceptor, major rehabilitation and upgrades at Blue Plains, DC Water’s share of the Washington Aqueduct’s infrastructure program, and capital equipment purchases for vehicles, heavy-duty fleet equipment, meters, pumps, and information technology systems.

The overall ten-year CIP continues DC Water’s commitment to increase investments in its aging water and sewer infrastructure to ensure continued system reliability. This plan includes the ramp up of the small diameter water mains replacements to 1.75 percent per year in FY 2028 and beyond and 1.5% rehabilitation for small sewer lines per year in FY 2026 and beyond.

The FY 2026 and FY 2027 capital budgets total \$776.8 million and \$1.07 billion, respectively (cash disbursement basis). Detailed descriptions of major CIP changes and program details can be found in Section V – Capital Improvement Program of the budget book and online at www.dewater.com.

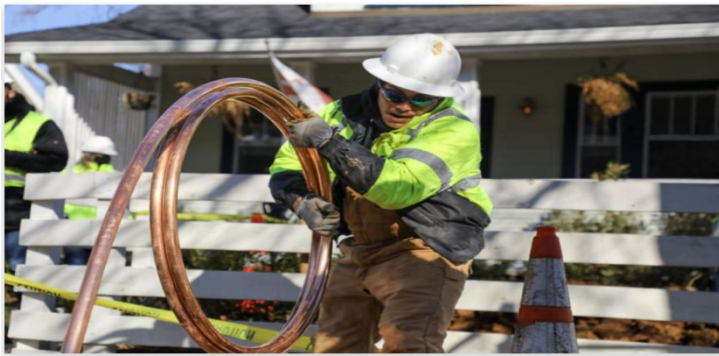
ANNUAL CAPITAL BUDGET (\$ in Thousands)



Major Capital Investments

LEAD FREE DC

The Lead Free DC program remains one of the Authority's largest systemwide investments, focused on removing all lead service lines across the District. The program includes block-by-block replacements, water main renewals, and private-property replacements through the Lead Pipe Replacement Assistance Program (LPRAP) and Voluntary Full Replacement Program (VFRP).



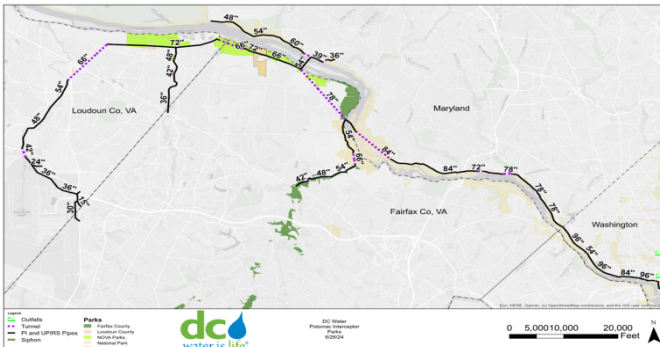
DC CLEAN RIVERS

The Potomac River Tunnel construction continues as the next major component of the Clean Rivers Program. This tunnel system, built from 2006–2030, will capture and store combined sewer overflows, reducing discharges to the Potomac River by 93 percent during a typical rainfall year. Clean Rivers remains a major portion of the FY 2027 CIP, even as its share of the total program gradually declines as tunnels approach completion.



POTOMAC INTERCEPTOR

The Potomac Interceptor (PI), which conveys approximately 60 million gallons per day of wastewater from Dulles International Airport to the Potomac Pump Station, continues to undergo major rehabilitation. The ten-year CIP includes repairs to deteriorated pipe segments, improvements to structural integrity, and upgrades that ensure reliable conveyance to Blue Plains. These investments reduce overflow risks, extend system life, and support regional wastewater capacity.



COMBINED SEWER SYSTEM

Combined sewer systems collect both stormwater runoff and sanitary wastewater from homes and businesses in a single pipeline. During dry weather conditions, sanitary wastewater is conveyed to the Blue Plains Advanced Wastewater Treatment Plant for treatment. During wet weather, stormwater also enters the system and, when conveyance capacity is exceeded, excess flows are discharged into the District's waterways to prevent surface flooding and basement backups. These discharges are known as Combined Sewer Overflows (CSOs).





Operating Revenues, Rates, Fees & Charges

Operating Revenues

To provide continuous delivery of water and wastewater services, it is vital that DC water has a consistent revenue stream to cover operating and maintenance (O&M) costs, debt service, and other liquidity requirements. DC Water has a diverse customer base and receives revenues from a variety of sources. Retail rates are charges for water, sewer and other services to DC Water's customers. Wholesale revenues are received from suburban water and sewer authorities for their share of the O&M costs of the Blue Plains Advanced Wastewater Treatment Plant.

DC Water maintains a combination of fixed and variable fees. Fixed fees are charged regardless of water usage, and include the Metering Fee, Water System Replacement Fee and the Clean Rivers Impervious Area Charge (CRIAC). Variable fees are based on water usage and include the water and sewer fees. DC Water conducts a Cost of Service Study (COS) to help ensure that costs are appropriately allocated. For example, the cost of delivering water to our customers is reflected in the water rate, and the cost of wastewater treatment is part of the sewer rate.

Independent Review of Rate Structure and Customer Assistance Programs

In FY 2020, independent consultants conducted a review of our rate structure, FY 2021 rates and Customer Assistance Programs (CAP) and performed analysis of rates and CAP for comparable jurisdictions (e.g., benchmarking). The findings of the study concurred that DC Water's current rate structure, customer classes, monthly water lifeline threshold of four Ccf, ERU basis for recovering the CRIAC charge, CAP bill discount and temporary assistance programs are consistent with industry standards. In response to recommendations in the review, DC Water expanded benefits for CAP customers.

2025 Cost of Service Study

In FY 2025, DC Water conducted a Cost of Service Study (COS) to align the cost of providing service to the customers with the multi-year rate proposals. The COS consisted of three components: i) Revenue Sufficiency Analysis – Do the proposed rates recover adequate revenue to meet expenditures? ii) Cost of Service Analysis – Are proposed rates equitably recovering the costs of providing service to customers? and iii) Alternative Rate Structure Analysis – Are there alternative rate structures that may more effectively meet DC Water's highest priority pricing objectives? This study will be conducted every two years as part of the ratemaking process.

Multi-Year Rates

DC Water's Board approved its sixth multi-year rate proposal covering the periods of FY 2027 and FY 2028. The FY 2027 rates become effective October 1, 2026. The benefits of multi-year rates include greater revenue certainty, increased budget discipline and better alignment between revenues and expenditures.

Because of efforts to reduce the growth of operating costs, the overall charges for average household customer for FY 2027 is 6.6 percent as compared to 6.7 percent in the previous forecast and for FY 2028, it is 5.3 percent as compared to 5.7 percent in the previous forecast.

Operating Revenues (\$ in Thousands)

Category	FY 2026 Revised	FY 2027 Proposed
Residential	\$156,396	\$163,912
Commercial	242,767	254,435
Multi-family	183,802	192,668
Federal Government	99,339	106,618
Municipal & Housing	42,435	44,543
Water System Replacement Fee	42,717	42,717
Metering Fee	24,400	24,400
Wholesale	124,219	134,090
Rate Stabilization Fund	-	-
Other Revenue	92,119	105,991
Total Operating Revenue	\$1,008,194	\$1,069,375

Operating Revenues, Rates, Fees & Charges (continued)

FY 2026 - FY 2028 Retail Rates and Fees

Description of Fees	Units	FY 2026	FY 2027	FY 2028	FY 2026 vs FY 2027		FY 2027 vs FY 2028	
		Current	Proposed	Proposed	Incr. /(Decr.)		Incr. /(Decr.)	
DC Water Retail Rates – Water:		\$	\$	\$	\$	%	\$	%
Residential – Lifeline (0- 4 Ccf)	Ccf	\$5.78	\$6.49	\$7.11	\$0.71	12.28%	\$0.62	9.55%
Residential – (> 4 Ccf)	Ccf	7.60	8.40	9.40	0.80	10.53%	1.00	11.90%
Multi-family	Ccf	6.47	7.21	7.98	0.74	11.44%	0.77	10.68%
Non-Residential	Ccf	7.84	8.66	9.71	0.82	10.46%	1.05	12.12%
DC Water Retail Rates – Sewer	Ccf	12.52	12.91	13.39	0.39	3.12%	0.48	3.72%
Groundwater	Ccf	3.76	3.90	3.90	0.14	3.72%	0.00	0.00%
High-Flow Filter Backwash	Ccf	3.54	3.54	3.54	0.00	0.00%	0.00	0.00%
DC Water Clean Rivers IAC	ERU	24.23	25.50	27.22	1.27	5.24%	1.72	6.75%
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75	0.00	0.00%	0.00	0.00%
DC Water System Replacement Fee	5/8"	6.30	6.30	6.30	0.00	0.00%	0.00	0.00%
District of Columbia PILOT Fee	Ccf	0.62	0.62	0.63	0.00	0.00%	0.01	1.61%
District of Columbia Right of Way Fee	Ccf	0.20	0.20	0.20	0.00	0.00%	0.00	0.00%
District of Columbia Inconvenience Fee ¹	Ccf	0.00	0.42	0.42	0.42	-	0.00	0.00%
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	0.00	0.00%	0.00	0.00%

*Rate impact in FY 2027 is 6.0% and 6.0% in FY 2028 and that has bill impact of 6.6% in FY 2027 and 5.3% in FY 2028. The shift in the balance between water and sewer rates has been determined by the recent cost of service study.

⁽¹⁾ Public Inconvenience Fee of \$0.42 effective October 1, 2026

Clean Rivers Impervious Area Charge (CRIAC)

The CRIAC is a separate sewer service fee established in FY 2009 to recover the \$3.56 billion cost of implementing the DC Clean Rivers Project (the District's CSO-Long Term Control Program). The proposed monthly CRIAC ranges from \$24.23 per Equivalent Residential Unit (ERU) in FY 2026 to \$28.11 per ERU in FY 2035. From 2011 until 2025, all funds for the Clean Rivers program were from the CRIAC, which is assessed for all customers based on the amount of impervious surface on each property. The ten-year plan assumes no external funding outside the current year Congressional appropriation. DC Water has received \$311.5 million through Federal appropriations as of the end of March 2026.

Based on an assessment, on average, 37 percent of the volume in the new tunnels is from wastewater. Therefore, 37 percent of Clean Rivers costs are in the sewer volumetric rate. In FY 2020, the CRIAC discount increased from four percent to 20 percent for customers who implement Stormwater Best Management Practices.



Customer Assistance & Regional Demographics

Customer Affordability

DC Water offers some of the most robust customer assistance programs in the nation. In the District of Columbia, one-fourth of the residents live below the poverty line, thus rate affordability is of the utmost concern in the planning process. DC Water seeks to balance its operating and financial needs with consideration to the financial impact upon its customers. EPA guidelines suggest that fees and charges should be within four percent of the median household income to be considered affordable (two percent for water and two percent for sewer). Using the last available data (2025), DC Water's rates are well under that target, and they are comparable with similar water and wastewater utilities.

DC Water, in partnership with the District, supports the following programs to assist low-income customers in paying their water bills:

DC WATER CARES

CAP
Provides monthly discounts to residential customers with household incomes less than \$163,900 (family of four)

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

One-Time Assistance
SPLASH provides one-time emergency assistance to customers

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

Leak Assessment Program
DC Water offers resources to CAP+, CAP and CAP2 customers leak assessment to help them identify the source of leaks and high usage

DC WATER CARES

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

Program	Income Threshold (family of 4)	Discount Description	Monthly Discount
CAP+	\$39,642 (20% MFI)	Discount on the first 600 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver	\$130.68/month discount
CAP	\$118,926 (60% SMI)	Discount on the first 400 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver	\$100.95/month discount
CAP2	\$131,100 (80% MFI)	Discount on the first 300 cubic ft. of water and sewer services + 50% reduction in the monthly CRIAC fee	\$67.02/month discount
CAP3	\$163,900 (100% MFI)	Discount of 75% off the monthly CRIAC fee	\$18.17/month discount

Regional Economy

DC Water's service area has historically been resilient, even during fluctuations in nationwide economic conditions. Employment at the U.S. government and all of the professional and service industry firms that support the federal government have been a steadying force through various economic cycles.

Starting in 2025, the federal government has embarked on a major downsizing of the federal workforce, which has significant ramifications for the District's economy and finances. In April 2025, the District's Office of Revenue Analysis forecasted a loss of 40,000 federal jobs and a total of 32,000 jobs in the District over the next four years. The potential impact of these workforce reductions on DC Water's annual revenues is not material. The population of the District grew by more than 100,000 people from 2010 to 2024. Per capita incomes within the district and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have remained relatively high during a period of unprecedented challenges while retail vacancy rates dipped below national average in 2025. The strengths of the District are complimented by its highly rated partners: the federal government and wholesale wastewater users. Select demographic charts that follow support the overall positive outlook for the Washington Metropolitan region and its economy.

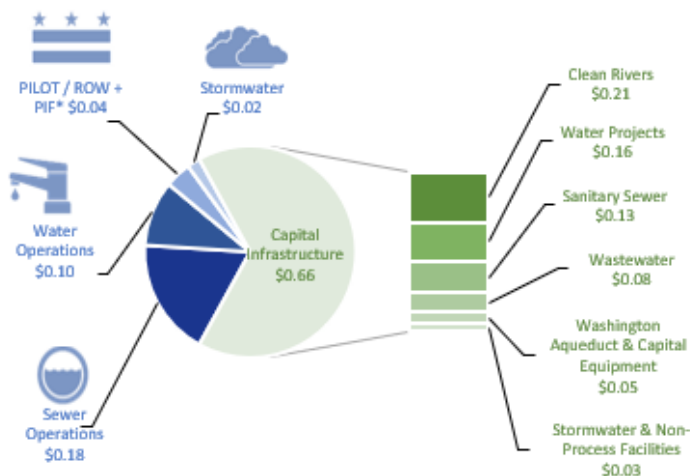
FY 2026 - FY 2028 Average Residential Customer Monthly Bill

DC WATER RATES AND FEES	Current FY 2026	Proposed FY 2027	Proposed FY 2028
DC Water Water and Sewer Retail Rates ⁽¹⁾	\$101.77	\$107.86	\$114.36
DC Water Clean Rivers IAC ⁽²⁾	24.23	25.50	27.22
DC Water Customer Metering Fee	7.75	7.75	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	6.30	6.30	6.30
Subtotal DC Water Rates & Charges	\$140.05	\$147.41	\$155.63
DISTRICT OF COLUMBIA CHARGES			
District of Columbia PILOT Fee ⁽¹⁾	\$3.36	\$3.36	\$3.41
District of Columbia Right-of-Way Fee ⁽¹⁾	1.08	1.08	1.08
District of Columbia Public Inconvenience Fee ⁽⁵⁾	-	2.28	2.28
District of Columbia Stormwater Fee ⁽³⁾	2.67	2.67	2.67
Subtotal District of Columbia Charges	\$7.11	\$9.39	\$9.44
Total Amount Appearing on DC Water Bill	\$147.16	\$156.80	\$165.07
Percent Increase in Total Bill	6.5%	6.6%	5.3%

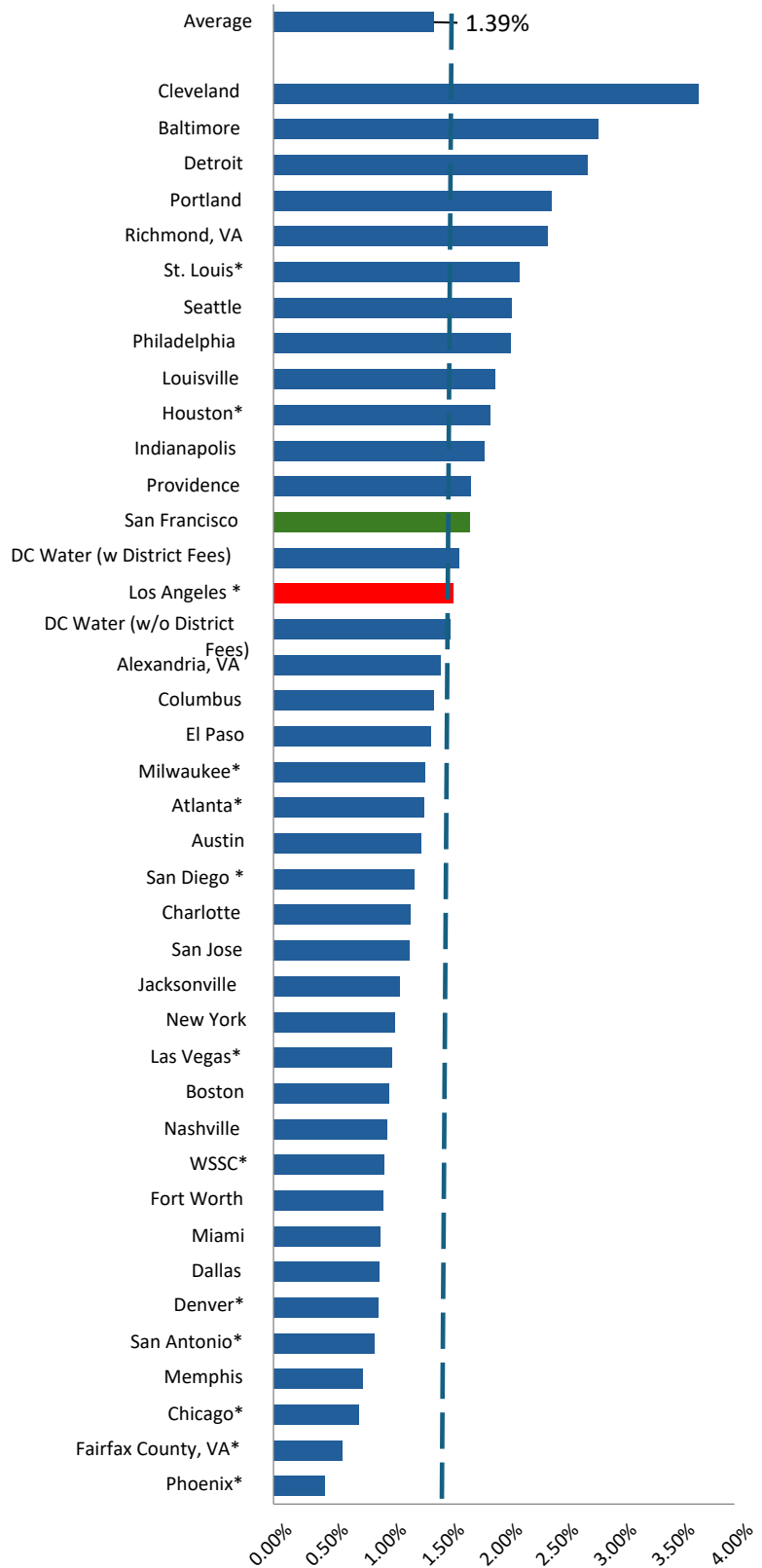
- ⁽¹⁾ Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)
- ⁽²⁾ Assumes average 1 Equivalent Residential Unit (ERU)
- ⁽³⁾ District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010
- ⁽⁴⁾ "Water System Replacement Fee " of \$6.30 for 5/8" meter size effective October 1, 2015
- ⁽⁵⁾ Public Inconvenience Fee of \$0.42 effective October 1, 2026

FY 2027: Where Does Your Money Go?

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



Comparative User Charges as % of Median Household Income Large National & Regional Utilities



*Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services. In such situations, the user charge will not reflect the full cost of water, wastewater, or stormwater services.



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