

## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### Board of Directors

#### *Retail Rates Committee*

*Tuesday November 22, 2011*

9:30am

1. **Call to Order** ..... Howard Gibbs, Chairman
2. **Monthly Update (Attachment A)** ..... Randy Hayman
  - Howard University
  - Soldier's Home
  - Town of Vienna
3. **FY 2013 Retail Rates Proposal (Attachment B)** ..... Olu Adebo
4. **Update on DDOE Stormwater Discount Program** ..... Yvette Downs
5. **Retail Rates Committee Workplan** ..... Olu Adebo
  - **FY 2012 Retail Rates Committee Proposed Workplan (Attachment C)**
6. **Emerging Issues/Other Business** ..... Olu Adebo
  - Discussion of 2012 committee dates and times
7. **Agenda for December 27, 2011 Committee Meeting (Attachment D)** ..... Howard Gibbs, Chairman
8. **Adjournment**

#### ***FOLLOW-UP ITEMS – Retail Rates Committee Meeting (September 27, 2011)***

1. Provide an example of the updating required and quality controls available to reconcile non-residential data found in the DCGIS 2005 flyover information and a more recent update to the flyover data. This example should be provided at a future Retail Rates Committee meeting (Mr. Bardin) Status: On hold pending availability of updated data from OCTO.
2. Review of the Potomac Interceptor contracts to see if there are opportunities to modify contracts to be similar to the IMA contracts (Mr. Bardin) Status: January 2012

3. Provide a list of customers names in water only category (Nancoo) Status: December 2011
4. Provide a copy of the 2011 rate setting policy (Howard Gibbs) Status: See Attached (Attachment E)
5. Provide summary of DC municipal regulations regarding DC Water's activities on private fire hydrants in the District of Columbia (Howard Gibbs) Status: December 2011

**November 2011 Update on Howard University and Soldiers' Home Delinquent  
Accounts and Town of Vienna Settlement Agreement**

**Howard University**

Without waiving rights to contest, Howard accepted terms of agreement under which they would begin making payments on current bills on the "Exempt Accounts". A meeting has been scheduled for December 1, 2011 to discuss progress in Howard confirming whether they have resolved issues regarding the deeds we provided to them documenting purchase of land for McMillan Reservoir for consideration, without including free services in perpetuity, and to discuss payment of the claimed arrearages which total \$5,447,494.00. Howard has been paying current billings since June 2011. Effective Oct. 1, 2011, DC Water began billing Howard for water as well as sewer services on accounts.

**NEXT STEPS**

1. Howard provided list of street addresses of its properties regarding the buildings serviced by what was historically referred to as the "exempt accounts" to update our records tying meters to properties served; we have not received that information for Howard properties outside that referenced group of accounts.
2. Provided the parties work in good faith to diligently pursue resolution, DC Water will forbear any further enforcement action.
3. If Howard fails to perform, DC Water's GM shall send notification of intent to lien to HU president.
4. DC Water will place liens on affected HU assets.
5. DC Water will pursue legal remedies to enforce collection against HU.

**Soldiers' Home**

The Office of the General Counsel is preparing a legal opinion regarding sewer services, which were not referenced in the 1938 agreement providing for perpetual free water service. The opinion is anticipated to be available by the December Board Meeting to permit sufficient time to complete research on the expansion of services since the date of the original agreement.

**NEXT STEPS**

1. Preliminary pricing for professional appraisal of the value of the Reservoir site (both current and proposed facilities) was considerably higher than anticipated.

2. Discussion has now occurred proposing additional sites for consideration which are located on private property as an alternative to the Soldiers' Home site. The alternative sites also raise issues of whether we should proceed with a single 5 million gallon tank, or one or two elevated tanks, which are limited to a maximum capacity of 3 million gallons, and a possible reconfiguration of the intended service area. A proposal was received by DC Water on September 19, 2011 for consideration and is under review. Another meeting will be scheduled by the end of October.
3. Engage Soldiers' Home in discussions to determine baseline for negotiations including:
  - a. Footprint for planned development
  - b. Metering to track current usage, as well as possible sub-metering to track usage for new facilities brought online through expanded development
4. Write letter from GM to the Soldiers' Home
  - a. Identify issues (reference new OGC legal opinion and Board Resolution 96-27)
  - b. Confirm Soldiers' Home's interest to renegotiate agreement equitably
  - c. Discuss next steps
  - d. Confirm identity of person authorized to negotiate on behalf of the Home

### **Town of Vienna**

The parties have agreed upon a settlement amount of \$250,000. The written agreement memorializing the terms and conditions of the settlement was prepared by the Office of the General Counsel, in conjunction with the Chief Financial Officer and transmitted to the Vienna for review.



## Attachment B

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### District of Columbia Water and Sewer Authority

### Presentation To The Retail Rates Committee

November 22, 2011

#### **BUDGET IN SYNC:**

ENVIRONMENT,  
INNOVATION,  
SERVICE and  
ACCOUNTABILITY



# General Manager's Budget Proposal



Revised FY 2012 operating budget totals \$415.4 million

- As approved by Board in July 2011
  - \$7.0 million below the Board-approved FY 2012 budget



Proposed FY 2013 operating budget totals \$456.8 million

- \$41.4 million increase from revised FY 2012 budget
- In line with the Board-approved ten-year financial plan



Capital Budget

- Lifetime Budget totals \$8.0 billion<sup>1</sup>
- Disbursements Budget totals \$3.8 billion (FY 2011 – 2020)<sup>2</sup>
- Authority Request totals \$606.1 million<sup>3</sup>



Additional FY 2013 revenue requirement would be funded through:

- Retail Revenue – increase of \$28.3 million
  - Proposed FY 2013 combined water and sewer rate increase of \$0.47 per Ccf {\$0.63 per 1,000 gallons}
  - Proposed FY 2013 monthly Clean Rivers Impervious Area Charge (IAC) increase of \$3.09 per ERU
  - Proposed FY 2013 PILOT fee increase of \$0.03 per Ccf {\$0.04 per 1,000 gallons}
  - Proposed FY 2013 ROW fee increase of \$0.01 per Ccf {\$0.01 per 1,000 gallons}
- Wholesale Revenue – increase of \$3.1 million
- Other Revenue – increase of \$2.3 million

<sup>1</sup>Lifetime budget includes total budgeted costs for all activities planned from the inception of the project until its completion; this includes all activities whether they pre-date, or extend beyond the current 10-year CIP.

<sup>2</sup>Capital Improvement Program (CIP) Disbursements Budget projects disbursements for various projects by fiscal year. Includes estimates for FY 2011 and may be adjusted slightly once year-end data is available.

<sup>3</sup>Appropriations Authority – As part of DC Water's enabling legislation, Congressional appropriation authority is required before any capital design or construction contract can be entered into.

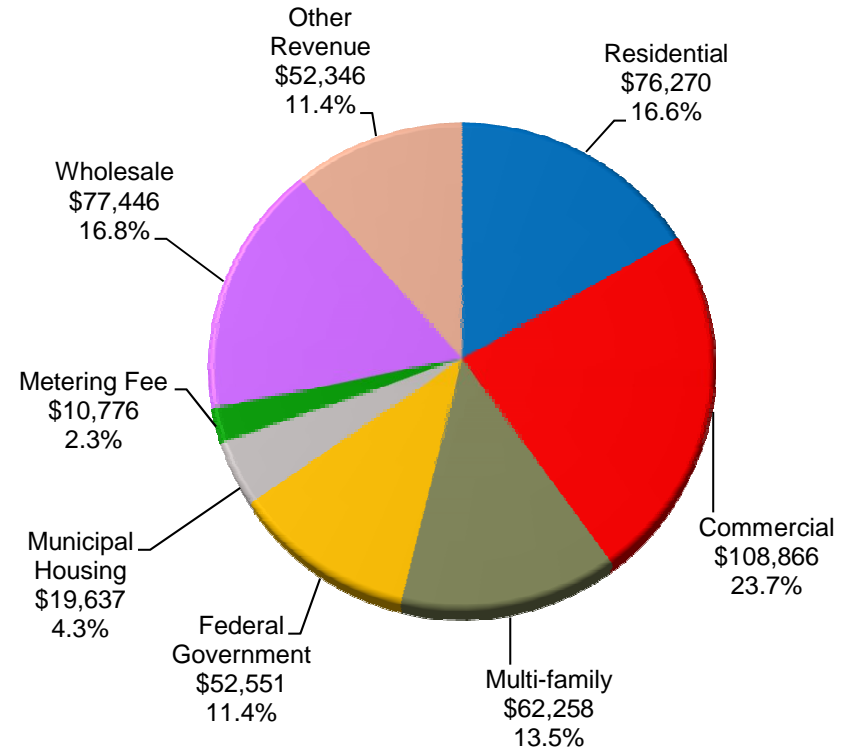
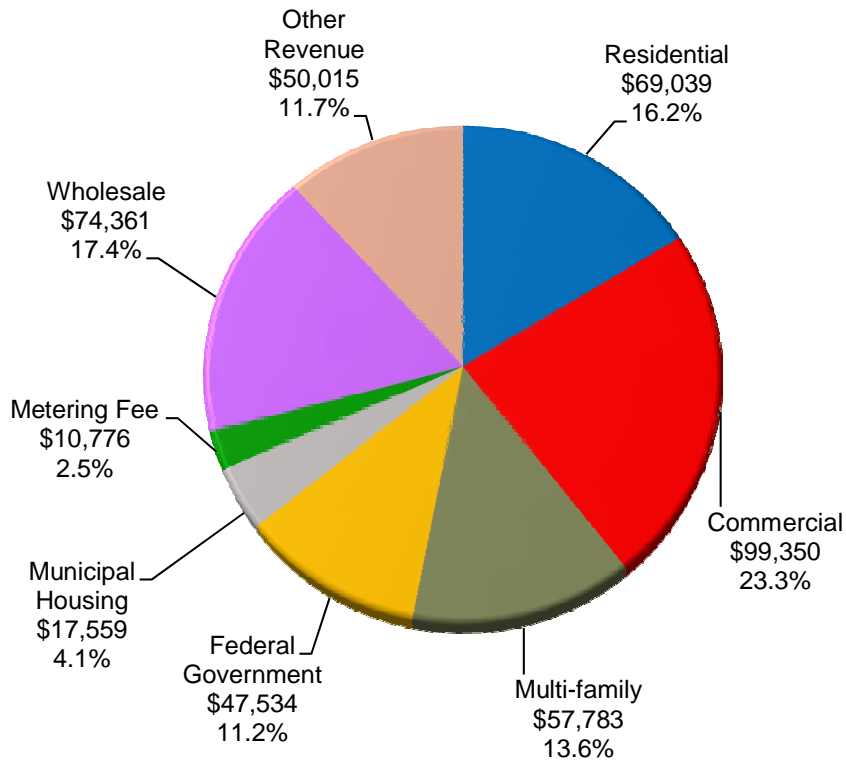


# Operating Revenues

**Revised FY 2012**  
**\$426,417**

(\$000's)

**Proposed FY 2013**  
**\$460,150**



*Note: Detailed discussion can be found in Section IV of the operating budget book*

# Major Budget Development Revenues Assumptions

## FY 2013



### Fire Protection Fee

- Assumes current rate of \$680.48 per fire hydrant



### Interest Rate (Investments)

- 0.8 percent in FY 2013



### Rate Stabilization Fund

- \$6.5 million utilization

## 10-Year Plan



### Board Financial Policies

- Rate setting – reliable, predictable and transparent
- Debt coverage – 140 percent senior debt coverage
- Operating Reserves – target \$125.5 million

## 10-Year Plan cont.



### Consumption reduced by 1 percent annually due to conservation



### PILOT & ROW

- Consistent with conditions in the current MOU (FY 2013 – FY 2020)



### Interest Rate (Investments)

- 3 percent in FY 2014
- 4 percent in FY 2015
- 5 percent in FY 2016 through FY 2020




### Rate Stabilization Fund




- Full utilization in FY 2020



# Proposed Retail Rates & Fees

-  FY 2013 combined Water and Sewer rate increase of \$0.47 per Ccf or \$6.50 per month for the average residential customer {\$0.63 per 1,000 gallons}
- Water rate increase of \$0.21 per Ccf to \$3.45 per Ccf {increase of \$0.28 to \$4.61 per 1,000 gallons}
  - Sewer rate increase of \$0.26 per Ccf to \$4.22 per Ccf {increase of \$0.35 to \$5.64 per 1,000 gallons}

*About \$0.01  
per gallon of water*

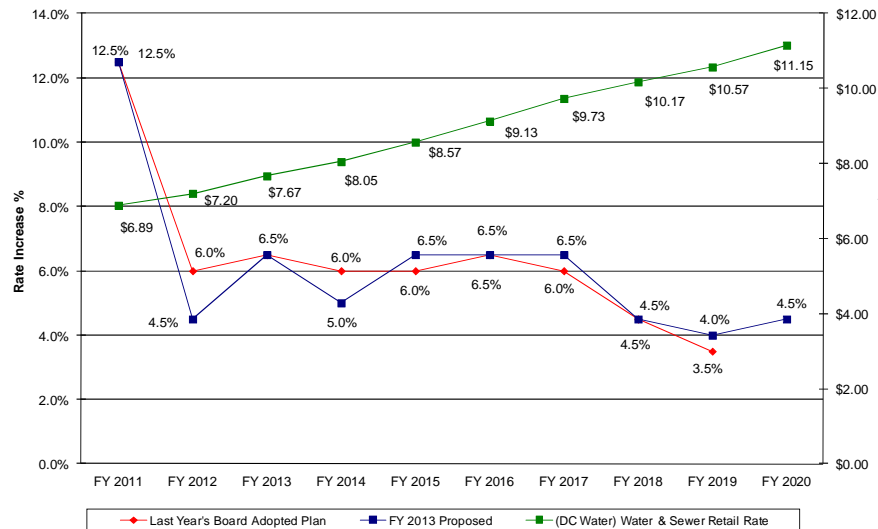
-  FY 2013 monthly Clean Rivers Impervious Area Charge increase of \$3.09 to \$9.73 per ERU to recover the costs of the DC Clean Rivers Project
-  FY 2013 PILOT fee increase of \$0.03 per Ccf to \$0.52 per Ccf {increase of \$0.04 to \$0.70 per 1,000 gallons}
-  FY 2013 ROW increase of \$0.01 per Ccf to \$0.16 per Ccf {increase of \$0.01 to \$0.21 per 1,000 gallons} to recover full cost of District charge per current MOU

# Proposed Retail Rates & Fees

|                                       | Units |    | Actual<br>FY 2012 | Proposed<br>FY 2013 |
|---------------------------------------|-------|----|-------------------|---------------------|
| DC Water Retail Rates Water           | Ccf   | \$ | 3.24              | \$ 3.45             |
| DC Water Retail Rates Sewer           | Ccf   | \$ | 3.96              | \$ 4.22             |
| DC Water Clean Rivers IAC             | ERU   | \$ | 6.64              | \$ 9.73             |
| DC Water Customer Metering Fee        | 5/8"  | \$ | 3.86              | \$ 3.86             |
| District of Columbia PILOT Fee        | Ccf   | \$ | 0.49              | \$ 0.52             |
| District of Columbia Right of Way Fee | Ccf   | \$ | 0.15              | \$ 0.16             |
| District of Columbia Stormwater Fee   | ERU   | \$ | 2.67              | \$ 2.67             |

# FY 2013 Proposed Retail Rate Changes

## Water & Sewer Rates



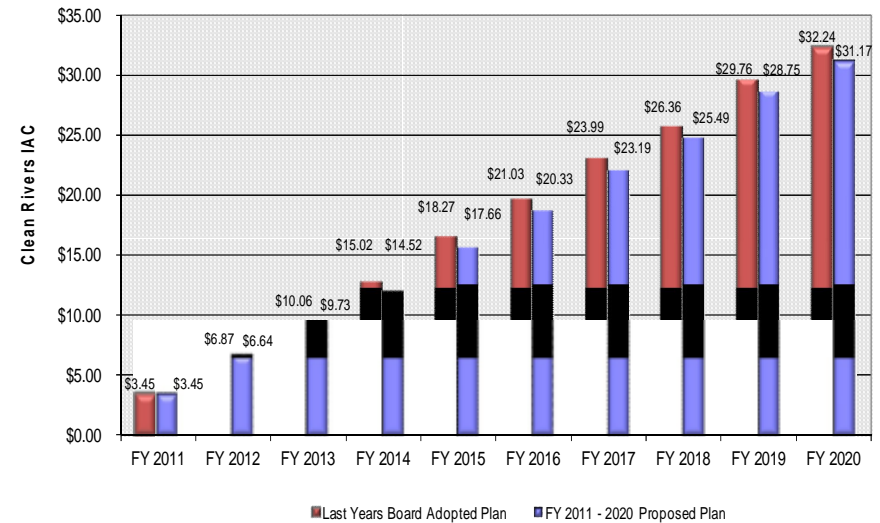
 Proposed \$0.47 increase per Ccf, {\$0.63 per 1,000 gallons} in FY 2013

- Combined Water and Sewer rate of \$7.67 per Ccf

 Rate increase ranging from 4.0% to 12.5%



## Clean Rivers IAC



Proposed Clean Rivers IAC range rate increases from \$3.45 to \$31.17 per ERU

- Annual revenues ranging from \$15.7 million to \$145.0 million



Proposed PILOT increase of \$0.03 per Ccf (\$0.04 per 1,000 gallons)



Proposed ROW increase of \$0.01 per Ccf (\$0.01 per 1,000 gallons)

# Average Residential Monthly Bill (FY 2011 – 2013)

|  | Units | FY 2011         | FY 2012         | FY 2013         |
|--|-------|-----------------|-----------------|-----------------|
| DC Water Retail Rates (1)                      | Ccf   | \$ 46.09        | \$ 48.17        | \$ 51.31        |
| DC Water Clean Rivers IAC                      | ERU   | 3.45            | 6.64            | 9.73            |
| DC Water Customer Metering Fee                 |       | 3.86            | 3.86            | 3.86            |
| <b>Subtotal DC Water Rates &amp; Charges</b>   |       | <b>\$ 53.40</b> | <b>\$ 58.67</b> | <b>\$ 64.90</b> |
| Increase / Decrease                            |       | \$ 8.25         | \$ 5.27         | \$ 6.23         |
| District of Columbia PILOT (1)                 | Ccf   | \$ 3.28         | \$ 3.28         | \$ 3.48         |
| District of Columbia Right of Way Fee (1)      | Ccf   | 0.94            | 1.00            | 1.07            |
| District of Columbia Stormwater Fee (2)        | ERU   | 2.67            | 2.67            | 2.67            |
| <b>Subtotal District of Columbia Charges</b>   |       | <b>\$ 6.89</b>  | <b>\$ 6.95</b>  | <b>\$ 7.22</b>  |
| <b>Total Amount Appearing on DC Water Bill</b> |       | <b>\$ 60.29</b> | <b>\$ 65.62</b> | <b>\$ 72.12</b> |
| Increase / Decrease Over Prior Year            |       | \$ 8.76         | \$ 5.33         | \$ 6.50         |
| <b>Percent Increase in Total Bill</b>          |       | <b>17.0%</b>    | <b>8.8%</b>     | <b>9.9%</b>     |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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



# Average CAP Residential Monthly Bill (FY 2011 – 2013)

|   | Units | FY 2011         | FY 2012         | FY 2013         |
|---|-------|-----------------|-----------------|-----------------|
| DC Water Retail Rates (1)                               | Ccf   | 46.09           | 48.17           | 51.31           |
| DC Water Clean Rivers IAC                               | ERU   | 3.45            | 6.64            | 9.73            |
| DC Water Customer Metering Fee                          |       | 3.86            | 3.86            | 3.86            |
| <b>Subtotal DC Water Rates &amp; Charges</b>            |       | <b>\$ 53.40</b> | <b>\$ 58.67</b> | <b>\$ 64.90</b> |
| Increase / Decrease                                     |       | \$ 8.25         | \$ 5.27         | \$ 6.23         |
| District of Columbia PILOT (1)                          | Ccf   | \$ 3.28         | \$ 3.28         | \$ 3.48         |
| District of Columbia Right of Way Fee (1)               | Ccf   | \$ 0.94         | \$ 1.00         | \$ 1.07         |
| District of Columbia Stormwater Fee (3)                 | ERU   | 2.67            | 2.67            | 2.67            |
| <b>Subtotal District of Columbia Charges</b>            |       | <b>\$ 6.89</b>  | <b>\$ 6.95</b>  | <b>\$ 7.22</b>  |
| Total Amount  |       | <b>\$ 60.29</b> | <b>\$ 65.62</b> | <b>\$ 72.12</b> |
| Less: CAP Discount (4 Ccf per month) (1), (2)           |       | (30.08)         | (31.36)         | (33.40)         |
| <b>Total Amount Appearing on DC Water Bill</b>          |       | <b>\$ 30.21</b> | <b>\$ 34.26</b> | <b>\$ 38.72</b> |
| Increase / Decrease Over Prior Year                     |       | \$ 3.16         | \$ 4.05         | \$ 4.46         |
| <b>CAP Customer Discount as a Percent of Total Bill</b> |       | <b>-49.9%</b>   | <b>-47.8%</b>   | <b>-46.3%</b>   |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

(2) Extension of CAP program to first 4 Ccf of PILOT and ROW

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

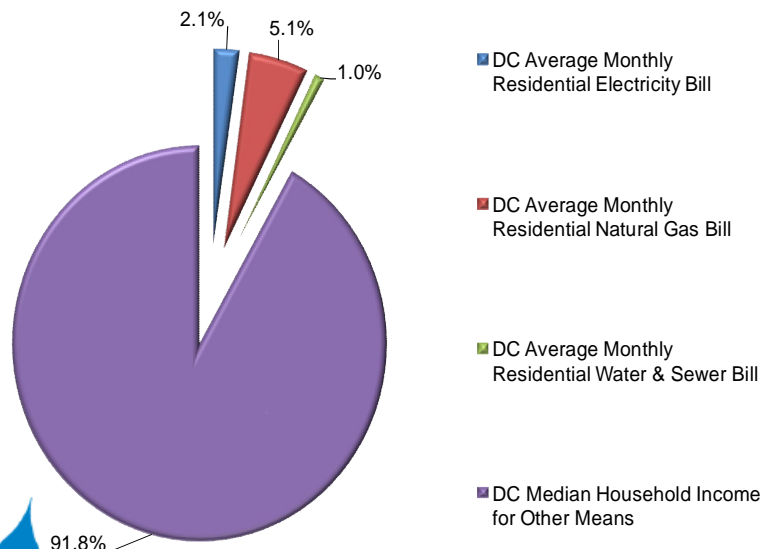


# Charges Are Competitive With Other Major Cities In Terms Of Affordability

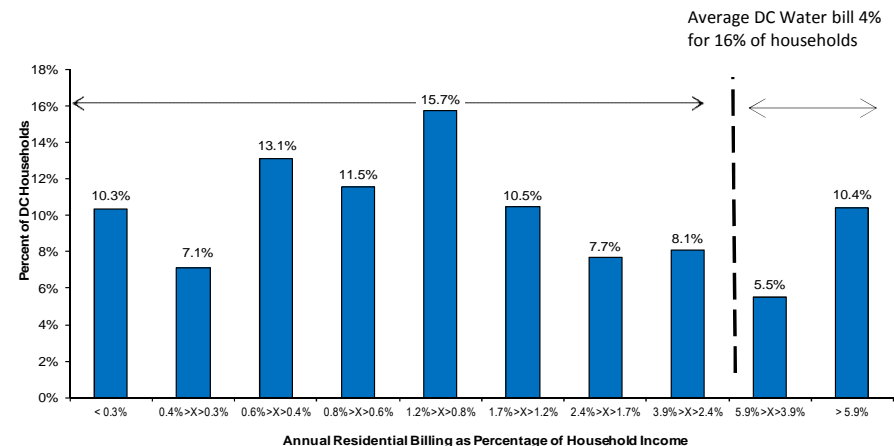
- Median household income\*:** The average DC Water charges are less than 4% of income for 84% of the households in the District of Columbia. US EPA guidelines suggest that charges greater than 4% of median household income are typically viewed as a strain on household budgets (2% water + 2% sewer)
- Typical DC Water residential bill as a percentage of income is about average when compared to other utilities of similar size.**
- CAP and SPLASH program:** Assists customers whose water / sewer bills are a high percentage of income

\*US EPA – Median income of 2% for sewer is an established policy but the 2.5% has been raised by USEPA in connection with small community water systems.

## 2010 MONTHLY DC MEDIAN HOUSEHOLD INCOME



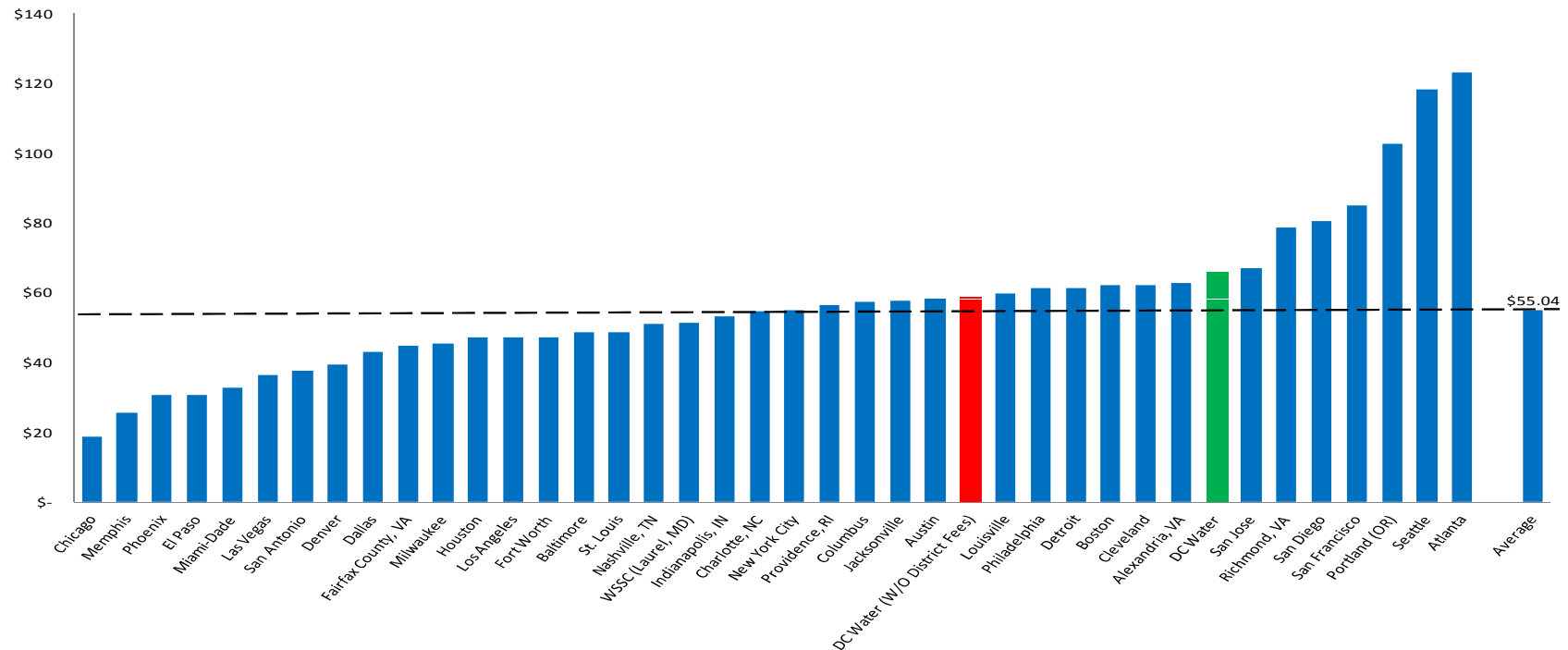
## MOST RESIDENTS PAY LESS THAN 4% OF INCOME





# DC Water Retail Rates Compared to Other Large Utilities

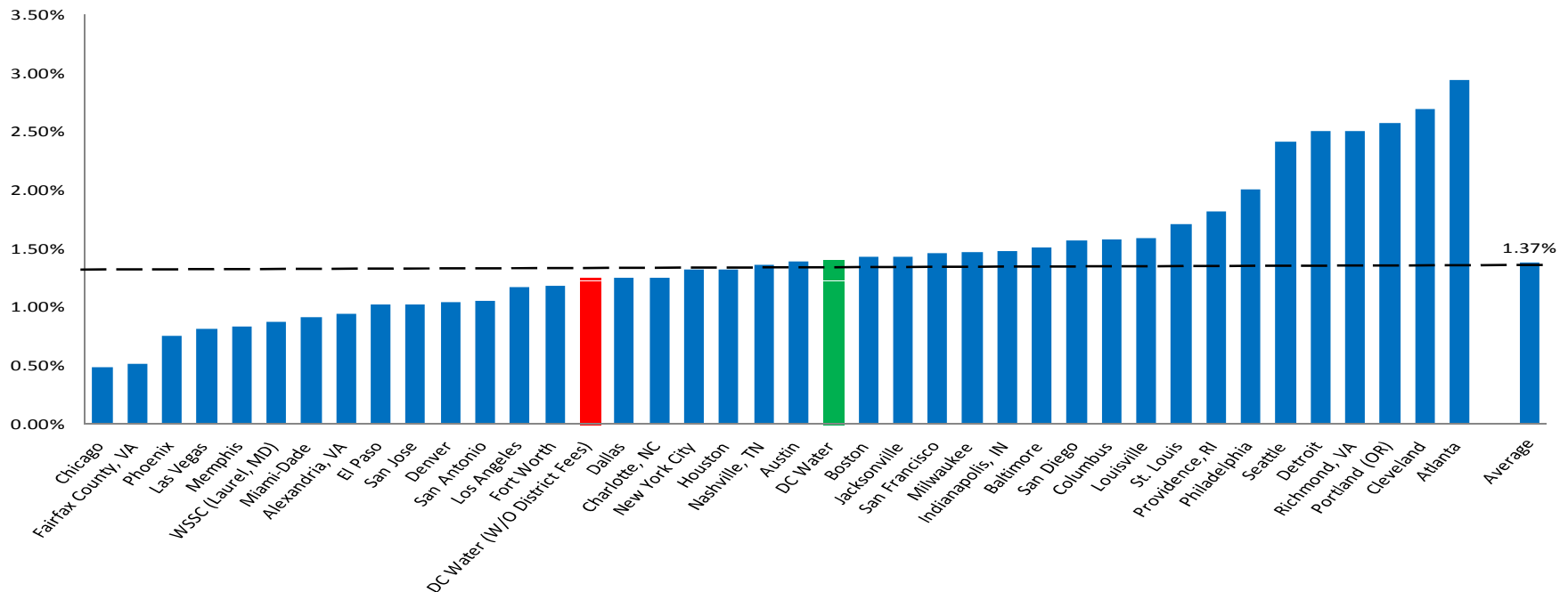
Single Family Residential (SFR) Average Monthly Bill  
(Based on Rates in effect Fall 2011)



- (1) Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects DC Water's rate and fee changes in FY 2012. Excludes the District PILOT/ROW and stormwater fees.

# Average Utility Bill as a Percent of Median Income

*Single Family Residential (SFR) Monthly Bill as %  
of Median Household Income - Large National Utilities  
(Based on Rates in effect Fall 2011)*



The results of a recent AWWA survey of large utilities shows that DC Water's charges for water service and for wastewater service as a percentage of median household income are comparable to the median percentages for other large water and wastewater utilities.

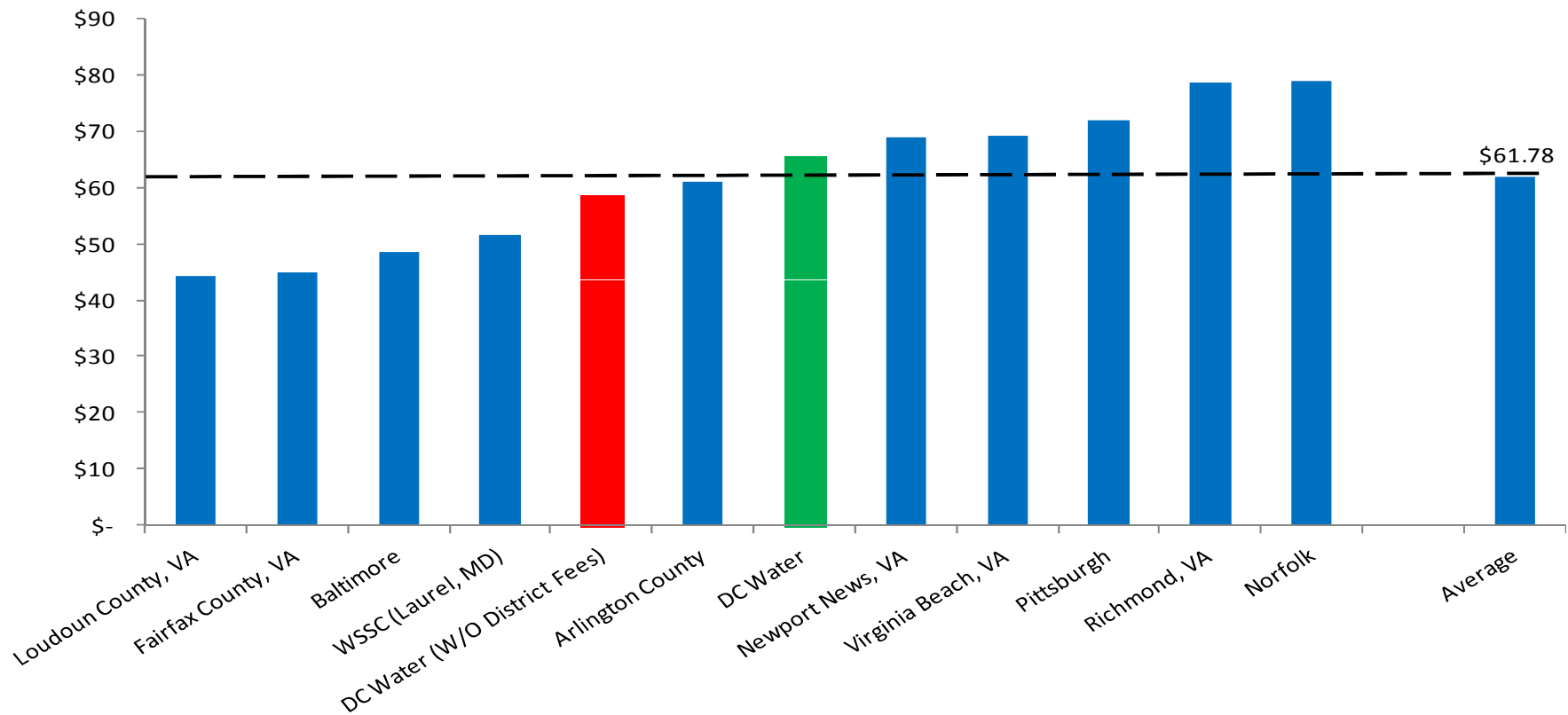


In the chart above DC Water charges rank slightly above the median for bill comparison purposes for water and wastewater services compared to a select group of large, regional and CSO utilities.



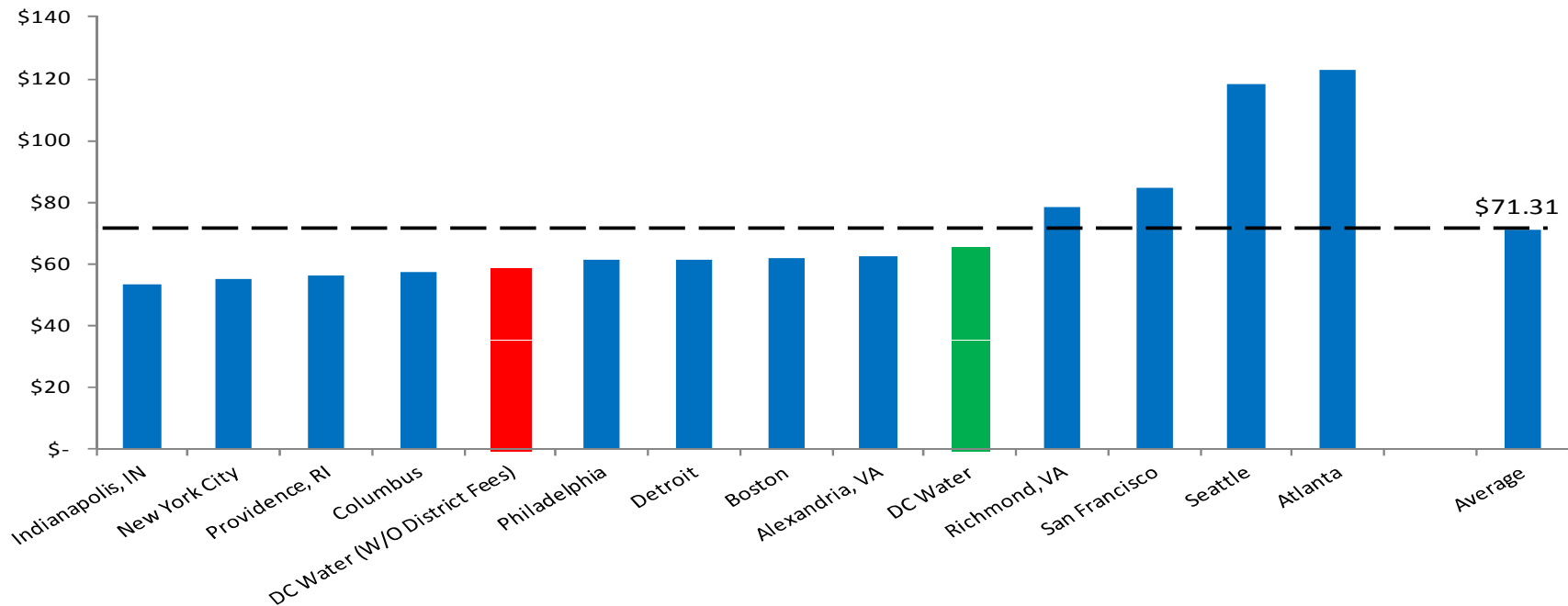
# DC Water Compared to Local and Regional Utilities

Single Family Residential (SFR) Average Monthly Bill  
(Based on Rates in effect Fall 2011)



# Water & Sewer Rate Comparison to Other Large CSO Utilities

Single Family Residential (SFR) Average Monthly Bill  
(Based on Rates in effect Fall 2011)

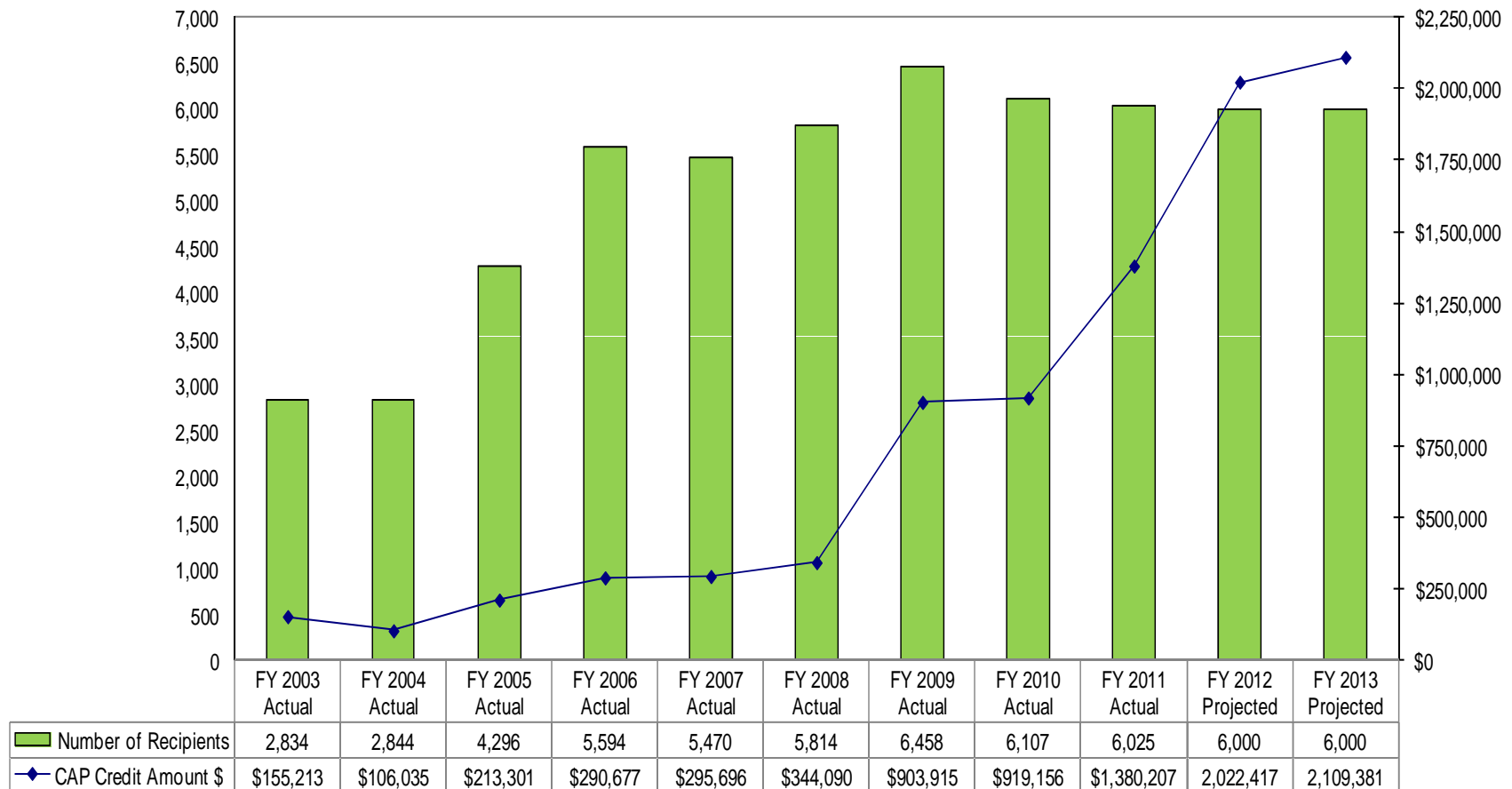


- Most CSO communities have implemented double digit rate increases to recover CSO LTCP costs.
- Increases do not reflect other available dedicated taxes or state funding potentially available to some agencies.
- Chicago and Milwaukee both receive tax subsidies and are therefore not included in the chart above

# *APPENDIX*

# Customer Assistance Program (CAP): Actual and Projected Customer Assistance

Customer Assistance Program





# Ten-Year Financial Plan

(\$000's)

| OPERATING                                | FY 2011     | FY 2012      | FY 2013      | FY 2014      | FY 2015      | FY 2016      | FY 2017      | FY 2018      | FY 2019      | FY 2020      |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Retail*                                  | 301,342     | 324,549      | 354,672      | 388,824      | 420,300      | 450,482      | 482,549      | 505,885      | 532,324      | 557,097      |
| Wholesale*                               | 68,990      | 74,361       | 77,446       | 72,521       | 67,091       | 69,008       | 70,929       | 72,955       | 75,036       | 77,810       |
| Other                                    | 24,454      | 21,006       | 21,531       | 24,429       | 27,857       | 31,137       | 33,153       | 34,294       | 35,166       | 35,931       |
| RSF                                      | 9,500       | 6,500        | 6,500        | -            | 2,950        | 4,000        | 5,000        | 2,000        | -            | 2,000        |
| Operating Receipts (1)                   | \$ 404,286  | \$ 426,416   | \$ 460,150   | \$ 485,774   | \$ 518,198   | \$ 554,627   | \$ 591,630   | \$ 615,134   | \$ 642,526   | \$ 672,837   |
| Operating Expenses                       | (270,659)   | (299,130)    | (310,692)    | (309,473)    | (304,762)    | (314,230)    | (323,932)    | (333,578)    | (343,392)    | (356,362)    |
| Debt Service                             | \$ (92,068) | \$ (100,776) | \$ (127,627) | \$ (150,387) | \$ (185,068) | \$ (208,249) | \$ (228,457) | \$ (239,779) | \$ (249,308) | \$ (266,784) |
| Net Revenues After Debt Service          | \$ 41,559   | \$ 26,511    | \$ 21,830    | \$ 25,914    | \$ 28,368    | \$ 32,148    | \$ 39,241    | \$ 41,777    | \$ 49,826    | \$ 49,691    |
| Operating Reserve-Beg Balance            | 131,996     | 149,617      | 125,500      | 125,500      | 125,500      | 125,500      | 125,500      | 125,500      | 125,500      | 125,500      |
| Other Misc (Disbursements)/Receipts      |             |              |              |              |              |              |              |              |              |              |
| Wholesale/Federal True Up                | (2,191)     | (6,250)      | (8,105)      | (2,791)      | -            | -            | -            | -            | -            | -            |
| Transfers To RSF                         | (9,500)     | (12,250)     |              |              |              |              |              |              |              |              |
| Transfers To DC PILOT Fund               | (10,000)    |              |              |              |              |              |              |              |              |              |
| Pay-Go Financing                         | (2,247)     | (32,128)     | (13,725)     | (23,123)     | (28,368)     | (32,148)     | (39,241)     | (41,777)     | (49,826)     | (49,691)     |
| Operating Reserve - Ending Balance       | \$ 149,617  | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   | \$ 125,500   |
| Rate Stabilization Fund Balance RSF (2)  | \$ (16,700) | \$ (22,450)  | \$ (15,950)  | \$ (15,950)  | \$ (13,000)  | \$ (9,000)   | \$ (4,000)   | \$ (2,000)   | \$ (2,000)   | \$ -         |
| Senior Debt Service Coverage             | 319%        | 278%         | 232%         | 220%         | 199%         | 188%         | 182%         | 177%         | 176%         | 173%         |
| Combined Debt Service Coverage           | 144%        | 130%         | 130%         | 132%         | 130%         | 129%         | 130%         | 130%         | 133%         | 131%         |
| Proposed Water/Sewer Rate Increases      | 12.5%       | 4.5%         | 6.5%         | 5.0%         | 6.5%         | 6.5%         | 6.5%         | 4.5%         | 4.0%         | 4.5%         |
| Operating Receipts \$ Increase/Decrease* |             |              |              |              |              |              |              |              |              |              |
| Retail                                   | 39,108      | 23,206       | 30,122       | 34,151       | 31,474       | 30,181       | 32,065       | 23,335       | 26,438       | 24,772       |
| Wholesale                                | 1,518       | 5,370        | 3,085        | (4,927)      | (5,430)      | 1,915        | 1,920        | 2,024        | 2,080        | 2,773        |
| Operating Receipts % Increase/Decrease*  |             |              |              |              |              |              |              |              |              |              |
| Retail                                   | 14.9%       | 7.7%         | 9.3%         | 9.6%         | 8.1%         | 7.2%         | 7.1%         | 4.8%         | 5.2%         | 4.7%         |
| Wholesale                                | 2.3%        | 7.8%         | 4.1%         | -6.4%        | -7.5%        | 2.9%         | 2.8%         | 2.9%         | 2.9%         | 3.7%         |

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

(2) FY 2011 Rate Stabilization Fund utilization brought the total fund balance to \$16.7 million

# FY 2011 – FY 2020 Projected Average Residential Monthly Bill

|  | Units | FY 2011         | FY 2012         | Proposed<br>FY 2013 | FY 2014         | FY 2015         | FY 2016         | FY 2017          | FY 2018          | FY 2019          | FY 2020          |
|--|-------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| DC Water Retail Rates (1)                      | Ccf   | \$ 46.09        | \$ 48.17        | \$ 51.31            | \$ 53.85        | \$ 57.33        | \$ 61.08        | \$ 65.09         | \$ 68.04         | \$ 70.71         | \$ 74.59         |
| DC Water Clean Rivers IAC                      | ERU   | 3.45            | 6.64            | 9.73                | 14.52           | 17.66           | 20.33           | 23.19            | 25.49            | 28.75            | 31.17            |
| DC Water Customer Metering Fee                 |       | 3.86            | 3.86            | 3.86                | 3.86            | 3.86            | 3.86            | 3.86             | 3.86             | 3.86             | 3.86             |
| <b>Subtotal DC Water Rates &amp; Charges</b>   |       | <b>\$ 53.40</b> | <b>\$ 58.67</b> | <b>\$ 64.90</b>     | <b>\$ 72.23</b> | <b>\$ 78.85</b> | <b>\$ 85.27</b> | <b>\$ 92.14</b>  | <b>\$ 97.39</b>  | <b>\$ 103.32</b> | <b>\$ 109.62</b> |
| Increase / Decrease                            |       | \$ 8.25         | \$ 5.27         | \$ 6.23             | \$ 7.33         | \$ 6.62         | \$ 6.43         | \$ 6.86          | \$ 5.25          | \$ 5.94          | \$ 6.30          |
| District of Columbia PILOT (1)                 | Ccf   | \$ 3.28         | \$ 3.28         | \$ 3.48             | \$ 3.68         | \$ 3.95         | \$ 4.21         | \$ 4.48          | \$ 4.68          | \$ 4.88          | \$ 5.15          |
| District of Columbia Right of Way Fee (1)      | Ccf   | 0.94            | 1.00            | 1.07                | 1.14            | 1.20            | 1.27            | 1.34             | 1.40             | 1.47             | 1.54             |
| District of Columbia PILOT/ROW Fee             |       | 4.22            | 4.28            | 4.55                | 4.82            | 5.15            | 5.48            | 5.82             | 6.08             | 6.35             | 6.69             |
| District of Columbia Stormwater Fee (2)        | ERU   | 2.67            | 2.67            | 2.67                | 2.67            | 2.67            | 2.67            | 2.67             | 2.67             | 2.67             | 2.67             |
| <b>Subtotal District of Columbia Charges</b>   |       | <b>\$ 6.89</b>  | <b>\$ 6.95</b>  | <b>\$ 7.22</b>      | <b>\$ 7.49</b>  | <b>\$ 7.82</b>  | <b>\$ 8.15</b>  | <b>\$ 8.49</b>   | <b>\$ 8.75</b>   | <b>\$ 9.02</b>   | <b>\$ 9.36</b>   |
| <b>Total Amount Appearing on DC Water Bill</b> |       | <b>\$ 60.29</b> | <b>\$ 65.62</b> | <b>\$ 72.12</b>     | <b>\$ 79.72</b> | <b>\$ 86.67</b> | <b>\$ 93.42</b> | <b>\$ 100.63</b> | <b>\$ 106.14</b> | <b>\$ 112.34</b> | <b>\$ 118.98</b> |
| Increase / Decrease Over Prior Year            |       | \$ 8.76         | \$ 5.33         | \$ 6.50             | \$ 7.60         | \$ 6.95         | \$ 6.75         | \$ 7.21          | \$ 5.51          | \$ 6.20          | \$ 6.64          |
| <b>Percent Increase in Total Bill</b>          |       | <b>17.0%</b>    | <b>8.8%</b>     | <b>9.9%</b>         | <b>10.5%</b>    | <b>8.7%</b>     | <b>7.8%</b>     | <b>7.7%</b>      | <b>5.5%</b>      | <b>5.8%</b>      | <b>5.9%</b>      |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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



# FY 2011 – FY 2020 Projected Retail Rates and Fee Changes

|                                       |       | Proposed |         |         |          |          |          |          |          |          |          |
|---------------------------------------|-------|----------|---------|---------|----------|----------|----------|----------|----------|----------|----------|
|                                       | Units | FY 2011  | FY 2012 | FY 2013 | FY 2014  | FY 2015  | FY 2016  | FY 2017  | FY 2018  | FY 2019  | FY 2020  |
| DC Water Retail Rates Water           | Ccf   | \$ 3.10  | \$ 3.24 | \$ 3.45 | \$ 3.62  | \$ 3.85  | \$ 4.10  | \$ 4.37  | \$ 4.57  | \$ 4.75  | \$ 5.01  |
| DC Water Retail Rates Sewer           | Ccf   | \$ 3.79  | \$ 3.96 | \$ 4.22 | \$ 4.43  | \$ 4.72  | \$ 5.03  | \$ 5.36  | \$ 5.60  | \$ 5.82  | \$ 6.14  |
| DC Water Clean Rivers IAC             | ERU   | \$ 3.45  | \$ 6.64 | \$ 9.73 | \$ 14.52 | \$ 17.66 | \$ 20.33 | \$ 23.19 | \$ 25.49 | \$ 28.75 | \$ 31.17 |
| DC Water Customer Metering Fee        |       | \$ 3.86  | \$ 3.86 | \$ 3.86 | \$ 3.86  | \$ 3.86  | \$ 3.86  | \$ 3.86  | \$ 3.86  | \$ 3.86  | \$ 3.86  |
| District of Columbia PILOT Fee        | Ccf   | \$ 0.49  | \$ 0.49 | \$ 0.52 | \$ 0.55  | \$ 0.59  | \$ 0.63  | \$ 0.67  | \$ 0.70  | \$ 0.73  | \$ 0.77  |
| District of Columbia Right of Way Fee | Ccf   | \$ 0.14  | \$ 0.15 | \$ 0.16 | \$ 0.17  | \$ 0.18  | \$ 0.19  | \$ 0.20  | \$ 0.21  | \$ 0.22  | \$ 0.23  |

# Comparative Operating Revenues Budgets

(\$000's)

|                         | <b>FY 2011<br/>Projections</b> | <b>FY 2012<br/>Revised</b> | <b>FY 2013<br/>Proposed</b> | <b>FY 2013 vs FY 2012</b> |             |
|-------------------------|--------------------------------|----------------------------|-----------------------------|---------------------------|-------------|
|                         |                                |                            |                             | <b>\$</b>                 | <b>%</b>    |
|                         |                                |                            |                             | <i>Incr./ (Decr.)</i>     |             |
| Retail Revenue          | \$279,069                      | \$302,041                  | \$330,358                   | \$28,317                  | 9.4%        |
| Wholesale Revenue       |                                |                            |                             |                           |             |
| PI                      | 2,134                          | 2,183                      | 2,183                       | -                         | 0.0%        |
| LCSA                    | 5,144                          | 5,388                      | 5,445                       | 57                        | 1.1%        |
| WSSC                    | 49,192                         | 53,309                     | 55,881                      | 2,572                     | 4.8%        |
| Fairfax County          | 12,520                         | 13,481                     | 13,937                      | 456                       | 3.4%        |
| Total Wholesale Revenue | 68,990                         | 74,361                     | 77,446                      | 3,085                     | 4.1%        |
| Other Revenue           | 46,726                         | 43,515                     | 45,846                      | 2,331                     | 5.4%        |
| Rate Stabilization Fund | 9,500                          | 6,500                      | 6,500                       | -                         | 0%          |
| <b>TOTAL REVENUE</b>    | <b>\$404,286</b>               | <b>\$426,417</b>           | <b>\$460,150</b>            | <b>\$33,733</b>           | <b>7.9%</b> |

## Attachment – C

**FY 2012 Retail Rates Committee Proposed Workplan**

| Committee Activity   | Committee Calendar  | Completed |
|--|---|-----------|
| 1. FY 2013 Retail Rate Activities <ul style="list-style-type: none"> <li>a. Rate Proposal to committee</li> <li>b. Committee recommendation</li> <li>c. Public Outreach</li> <li>d. Public Hearing</li> <li>e. Committee recommendation on FY 2013 rates</li> </ul>  | October 2011<br>December 2011<br>March/April 2012<br>May 2012<br>June 2012  | √         |
| 2. Implement LID Incentive Program for customers who utilize Best Management Practice in conjunction with DDOE <ul style="list-style-type: none"> <li>a. Legal evaluation of the DDOE proposed program; and</li> <li>b. Evaluate alternatives for the Clean Rivers IAC discounts</li> <li>c. Prepare revenue impact analysis</li> <li>d. Propose IAC Discount Program               <ul style="list-style-type: none"> <li>i. IAC Discount Program Proposal to committee</li> <li>ii. Committee recommendation</li> <li>iii. Public Outreach</li> <li>iv. Public Hearing</li> <li>v. Committee recommendation on FY 2013 IAC Discount Program</li> </ul> </li> </ul> | Ongoing-Coordinating with DDOE on program planning – <i>On hold pending DDOE publication of revised regulation proposal</i><br><br>TBD<br>TBD<br>TBD<br>TBD |           |
| 3. Review and Update Committee on long-range rate issues, including follow-up on FY 2009 Cost of Service Study results, prior to next cost of service study <ul style="list-style-type: none"> <li>a. Consider Implementation of Developer/Impact Fees</li> <li>b. Revisit CAP program and possible modifications (Expansion and or methodology)</li> </ul>  | FY 2012<br><br>FY 2012  |           |

## Attachment – C

|  |   |  |
|--|---|--|
| 4. FY 2012 Cost of Service Study <ul style="list-style-type: none"> <li>i. Notice to Proceed</li> <li>ii. Receive Draft Report</li> <li>iii. Present to the Retail Rates Committee</li> <li>iv. Final Report</li> </ul>  | November 2011<br>February 2012<br>March 2012<br>April 2012<br>July 2012         |  |
| 5. Review of charges/rates for specific customers <ul style="list-style-type: none"> <li>a. Howard University, Soldier's Home Negotiations and Town of Vienna Update</li> </ul>  | Monthly   |  |
| 6. "PILOT" evaluation – In coordination with District Government Review and Propose replacement for assessing PILOT and related issues.  | To be determined  |  |
| 7. IAC Program Evaluation  | February 2012   |  |
| 8. Fire Protection Fee Cost of Service Study <ul style="list-style-type: none"> <li>a. Present Draft Fire Cost of Service Study to Retail Rates</li> <li>b. Submit copy of report to DCCFO &amp; DC City Administrator for review</li> <li>c. Rate proposal to Committee</li> <li>d. Public Hearing</li> <li>e. Committee recommendation on revised fee</li> </ul> | December 2011<br><br>December 2011<br><br>January 2011<br>May 2011<br>June 2012 |  |





Attachment D

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

TUESDAY, December 27, 2011; 9:00 a.m.  
AGENDA

|  |                         |
|--|-------------------------|
| <b>Call to Order</b>                                 | Committee Chairman      |
| <b>Monthly Updates</b>                               | Chief Financial Officer |
| <b>Committee Workplan</b>                            | Chief Financial Officer |
| <b>Action Item</b>                                   | Chief Financial Officer |
| <b>Emerging Issues/Other Business</b>                | Chief Financial Officer |
| <b>Agenda for January 2012 Committee Meeting TBD</b> | Chief Financial Officer |
| <b>Adjournment</b>                                   | Committee Chairman      |

\*Detailed agenda can be found on DC Water's website at [www.dewater.com/about/board\\_agendas.cfm](http://www.dewater.com/about/board_agendas.cfm)

**Subject: Approval of Revised Rate Setting Policies**

**#11-10  
RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority, ("Authority"), at its meeting on January 6, 2011, upon consideration of a non-joint use matter decided by a vote of five (5) in favor and none (0) opposed to take the following action with respect to rate setting policies;

**WHEREAS**, on December 4, 1997, the Board approved Resolution #97-124 that established the Authority's rate setting policies; and

**WHEREAS**, during fiscal year 2010 the Retail Rates Committee ("Committee") embarked on a review of the Rate Setting Policy to ensure that the overall Authority objectives continue to be met; and

**WHEREAS**, the review included a comprehensive assessment of the various and sometimes competing objectives the Authority is seeking to accomplish in respect to different policy areas that affect rate setting; and

**WHEREAS**, the Committee sought to identify and prioritize the major objectives, while striving to achieve a reasonable balance between costs, cost allocations, customer impacts and other considerations in reaching rate decisions; and

**WHEREAS**, on December 15, 2010, upon consideration the Retail Rates Committee recommends that the Board adopt a revised rate setting policy, replacing Resolution #97-124;

**NOW THEREFORE BE IT RESOLVED THAT:**

It is the policy of the Board of Directors of DC Water in setting retail rates, including charges and fees, pursuant to its statutory authority to strive to achieve the following:

1. Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board.
2. Rates that yield a reliable and predictable stream of revenues, taking into account trends in costs and in units of service.
3. Rates based on annually updated forecasts of operating and capital budgets.

4. Rate structures that are legally defensible, based on objective criteria, and transparently designed.
5. Rate structures that customers can understand and DC Water can implement efficiently and efficaciously.
6. Rate increases, if required, that are implemented transparently and predictably.

To the extent annual revenues exceed costs, the Board's policy will continue to utilize all available options to mitigate future customer impacts and annual rate increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

This resolution is effective immediately,

  
Secretary to the Board of Directors