



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

DC Retail Water and Sewer Rates Committee

Tuesday November 27, 2012

9:30am

- 1. **Call to Order**Howard Gibbs, Chairman
- 2. **Monthly Update (Attachment A)** Randy Hayman
 - Howard University
 - Soldier's Home
- 3. **Review of FY 2012 Rebate (Attachment B)** Lauren Preston
- 4. **FY 2012 Final Cost of Service Study (Attachment C)**Yvette Downs
- 5. **Discussion of FY 2014 Customer Assistance (Attachment D)**.....Yvette Downs
- 6. **FY 2014 Rate Proposal (Attachment E)**Yvette Downs
- 7. **DC Retail Water and Sewer Rates Committee Workplan (Attachment F)**.....Yvette Downs
- 8. **Other Business**.....Yvette Downs
- 9. **Agenda for December 18, 2012 Committee Meeting (Attachment G)** Howard Gibbs, Chairman
- 10. **Adjournment**

FOLLOW-UP ITEMS – Retail Rates Committee Meeting (September 25, 2012)

- 1. DC Water Staff to provide a comprehensive plan with all the data analysis, and rate proposal. Staff to re-create three (3) Customer Classes, and propose the rates with two options, a blended rate and differentiated rate for presentation to the Committee at their meeting in September or November. (Dr. Cotruvo) Status: November 2012
- 2. Provide legal opinion to the Committee on LID Incentive Program. (Ms. Cahill) Status: Complete
- 3. Follow-up with customer on request to show gallons on the bill. (Ms. Preston) Status: Customer contacted

**November 2012 Update on Howard University and
Soldiers' Home Delinquent Accounts**

Howard University

Howard University (Howard) has been current in payment of its water and sewer service bills since October, 2011. As part of our original negotiation efforts DC Water asserted arrearages on sewer accounts that total \$5,447,494.08, dating back to 2004. Howard has made an offer in full settlement of these arrearages, but that offer was unacceptably low and therefore rejected. DC Water reevaluated its position. DC Water and Howard have entered into a tolling agreement that halts the statute of limitations issues, as presented by Howard University, for 90 days, expiring on November 22, 2012. On November 2, 2012, DC Water issued to Howard individual invoices for both water and sewer services that detail usage for each of the overdue accounts. DC Water's current position is that by accepting Howard's statute of limitation argument for settlement purposes only, Howard owes \$3.1 million for delinquent sewer and water charges. The accompanying letter with these detailed bills requires Howard to respond to DC Water by November 13, 2012.

NEXT STEPS

1. Anticipate Howard's response to the November 2, 2012 overdue invoice submission.
2. If there is agreement by Howard to the amounts used and billed, Howard should pay full value.
3. If there is minor disagreement with certain invoices, but Howard agrees in principal that the arrearages are due and owing, DC Water will negotiate to conclusion. This step could involve extending the tolling agreement another 90 days to allow for negotiation.
4. If there is major disagreement with the invoices, DC Water can file liens on each of the overdue accounts and file a lawsuit.

Soldiers Home

On September 6, 2012, the Chief Financial Officer, General Counsel and a member of Douglas & Boykin met with Steve McManus, the Chief Operating Officer for the Armed Forces Retirement Home (the "Soldiers Home"), to discuss payment for services provided by DC Water. Mr. McManus stated he was willing to work with DC Water to explore payment for sewer services. Mr. McManus noted however, that budgetary authorization issues could delay payment until FY 14. On September 13, 2012, DC Water submitted a tolling agreement to the Soldiers Home in order to toll the running of any alleged statute of limitations while the parties had on-going talks to resolve the billing and payment issues for DC Water services. The

Soldiers Home legal staff questioned the need for it to enter the tolling agreement. Recently, DC Water's General Counsel communicated with Soldiers Home setting forth DC Water's legal authority in requesting arrearages from Soldiers Home and also requesting reconsideration of its denial of a tolling agreement to allow time to negotiate.

NEXT STEPS

1. Negotiation and execution of the tolling agreement.
2. Provided the parties negotiate in good faith, the tolling agreement should allow for a 180 day window to negotiate that is not impacted by the statute of limitations.
3. Soldiers Home's continued refusal to enter tolling agreement, however, will result in DC Water filing for a declaratory judgment in federal court that seeks to void any earlier agreement exempting Soldiers Home for water and sewer service charges.



FY 2012 Revenue Surplus Refund Plan

DC Retail Water and Sewer
Rates Committee
November 27, 2012



Overall Goals

- In its July 5th meeting, the Board approved to use \$4.2m from the Authority's FY 2012 operating surplus. The rebate will be provided as a direct credit on the customers' bill in FY 2013
 - Provide one-time bill credit to customers of surplus revenues
 - Refund cumulative value cannot exceed \$4.2 million
 - Applies to revenues billed in FY 2012
 - Applies to both fixed fee revenue (Clean Rivers Impervious Area Charge) and CCF based revenue



Allocation of \$4.2 million rebate

- Approximately 8,500 retail accounts do not have metered service, yet contributed to the retail revenue surplus.
 - Staff recommends partial allocation of rebate to the Clean Rivers IAC
 - The Clean Rivers IAC is approximately 10 percent of the FY 2012 retail revenues

		Rebate Recommendation
IAC Rebate Budget/Total numbers of ERUs	$(10\% * \$4.20m) / 397,286 = \1.05	\$1/ERU
Budget for consumption rebate/Total FY 2012 Ccfs	$\$3.78m / 37,244,355 \text{ Ccf} = \0.10	\$0.10/Ccf ¹

¹Rebate will apply to water consumption only



Eligibility and Data Processing Considerations

- Applies to net billed revenue (no additional credit for revenues cancelled such as corrections for leaks or estimated meter readings)
- Active customers only
- Apply as bill credit to be used against future consumption, vs. a refund check
- Customer Assistance Plan customers get credit for billed consumption
- No credit to closed accounts in bad debt/non-pay status.
- Excludes DC Water, Washington Aqueduct and 1 Exempt account, but otherwise applies to all other customers



Project steps and timeline

- Provide credit estimates and preliminary data analysis based on known billing data and accounts status – November 2012
- Define eligibility criteria – November 2012
- Confirm general ledger accounting – December 2012
- Create final data file of eligible customers and credit amounts—December 2012
- Develop and produce customer information materials (bill message or insert) – December 2012
- Train customer service staff to explain credit – December 2012
- Process rebates on customer bills and reconcile to general ledger – January 2013



Preliminary Estimate

Preliminary Estimate of Credit Distribution - based on \$1 per ERU and \$0.10 per CCF

Bill Category	ERU component of Credit			CCF Component of Credit			Total Discounts
	# of accounts	ERUs Billed	Credit value at \$1/ERU	# of accounts	Net Usage (CCF)	Credit Value \$0.10 per CCF	
Commercial	12,179	127,881	127,881	10,185	13,152,568	1,315,257	\$ 1,443,138
Federal	1,492	82,296	82,296	339	6,010,524	601,052	\$ 683,348
DC Housing	557	4,902	4,902	1,054	775,046	77,505	\$ 82,407
Municipal	923	29,629	29,629	445	1,193,087	119,309	\$ 148,938
MultiFamily	7,207	43,036	43,036	7,086	7,509,193	750,919	\$ 793,955
Residential	103,758	108,248	108,248	99,955	7,728,992	772,899	\$ 881,147
	126,116	395,992	395,992	119,064	36,369,410	3,636,941	4,032,933



Average Residential Monthly Bill Impact

	Units	FY 2013
DC Water Retail Rates (1)	Ccf	\$ 50.84
DC Water Clean Rivers IAC	ERU	9.57
DC Water Customer Metering Fee		3.86
Subtotal DC Water Rates & Charges		\$ 64.27
Increase / Decrease		\$ 5.60
District of Columbia PILOT (1)	Ccf	3.35
District of Columbia Right of Way Fee (1)	Ccf	1.07
District of Columbia PILOT/ROW Fee	Ccf	4.42
District of Columbia Stormwater Fee (2)	ERU	2.67
Subtotal District of Columbia Charges		\$ 7.09
Total Amount Appearing on DC Water Bill Before Rebate		\$ 71.36
Consumption Rebate = 6.69 Ccf x \$0.10 x 12 months (3)	Ccf	(\$8.03)
CRIAC Rebate = 1 ERU x \$1.00 (3)	ERU	(\$1.00)
Total Amount Appearing on DC Water Bill After Rebate		\$ 62.33

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

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

(3) Assumes consumption rebate of \$0.10 per Ccf and CRIAC rebate of \$1.00 per ERU



Average CAP Customer Monthly Bill Impact

	Units	FY 2013
DC Water Retail Rates (1)	Ccf	50.84
DC Water Clean Rivers IAC	ERU	9.57
DC Water Customer Metering Fee		3.86
Subtotal DC Water Rates & Charges		\$ 64.27
Increase / Decrease		\$ 5.60
District of Columbia PILOT (1)	Ccf	3.35
District of Columbia Right of Way Fee (1)	Ccf	1.07
District of Columbia Stormwater Fee (3)	ERU	2.67
Subtotal District of Columbia Charges		\$ 7.09
Total Amount		\$ 71.36
Less: CAP Discount (4 Ccf per month) (1), (2)		(33.04)
Total Amount Appearing on DC Water Bill Before Rebate		\$ 38.32
Consumption Rebate = 2.69 Ccf x \$0.10 x 12 months (4)	Ccf	(\$3.23)
CRIAC Rebate = 1 ERU x \$1.00 (4)	ERU	(\$1.00)
Total Amount Appearing on DC Water Bill After Rebate		\$ 34.09

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

(2) Extension of CAP program in FY 2011 to first 4 Ccf of PILOT and ROW

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

(4) Assumes consumption rebate of \$0.10 per Ccf and CRIAC rebate of \$1.00 per ERU



Questions?

COST OF SERVICE STUDY

DC RETAIL WATER & SEWER RATES COMMITTEE / NOVEMBER 27, 2012

DC WATER



Attachment C



Background

- DC Water does a Cost of Service (COS) Study every 3 years
- COS Study is done in support of the Rate Setting Policy adopted by the Board
- Raftelis Financial Consultants (RFC) was engaged through a Financial Consulting Services contract to perform the 2012 COS Study

Recap of July COS Study Presentation

- I. Validated revenue sufficiency of the FY 2012 Financial Plan
- II. Reviewed COS-based rate equity for FY 2013
- III. Presented Rate Structure Alternatives
 - Base Charge
 - Water Customer Class Segmentation
 - Wastewater Strength Surcharges

November Update

- RFC updated the COS Study with the proposed Financial Plan to assure revenue sufficiency
 - Propose COS-based rate adjustments for FY 2014
 - Update class-based water rate calculations based on Residential, Multi-family, and Non-Residential classes
 - Introduce the concept of Development/Re-development Fees for new retail customers

I. Revenue Sufficiency Findings

- Revenues under proposed rate increases are sufficient to fund utility cash needs in FY 2014
- Reserve funds can be maintained at target levels
- Debt service coverage is adequate to meet required bond covenants

II. COS Analysis / Rate Equity

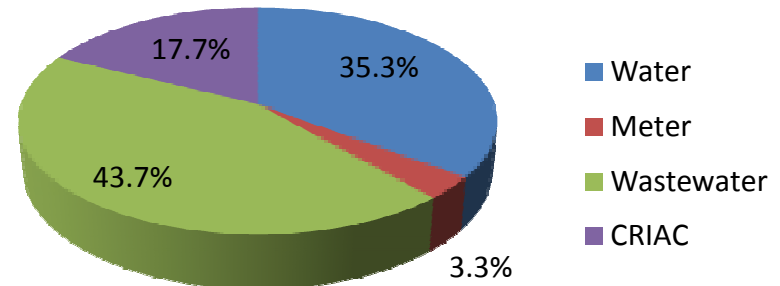
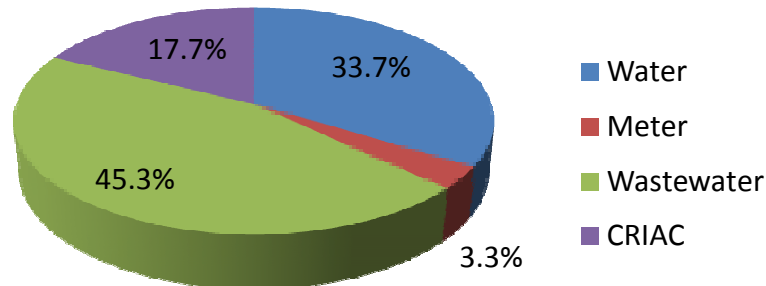
- Retail revenue requirements are allocated among the following recovery buckets within DC Water's existing rate structure
 - Water Volumetric
 - Metering Fee
 - Wastewater Volumetric
 - Impervious Area Charge
- Net revenue requirements are divided by units of service to calculate cost of service-based rates
- COS-based rates are compared to rates developed by applying across-the-board rate increases

II. Rate Comparisons

	Cost of Service			FY 2014 Proposed Rates		
	Unit Cost*	Retail Revenue Requirements	% of Total	Unit Cost*	Retail Revenue Requirements	% of Total
Water	\$ 3.44	\$ 115,907,244	33.7%	\$ 3.61	\$ 121,484,464	35.3%
Meter	3.86	11,383,222	3.3%	3.86	11,383,222	3.3%
Wastewater	4.57	155,682,724	45.3%	4.41	150,062,015	43.7%
CRIAC**	12.77	60,836,280	17.7%	12.77	60,836,280	17.7%

*Rounded to the nearest penny.

**Gross revenue requirements before accounts receivable delinquency.



II. COS Study Findings

- Fire protection revenues have been allocated as an offset to the water volumetric charge causing a shift away from water rate increases to wastewater rate increases.

	Proposed Rates	COS-Based Rates
Meter Fee (5/8" meter)	\$ 3.86	\$ 3.86
Water Volumetric Rate	\$ 3.61	\$ 3.44
Sewer Volumetric Rate	\$ 4.41	\$ 4.57
CRAIC	\$12.77	\$12.77
Avg. Residential Bill*	\$70.28	\$70.22

* based on 6.69 Ccf of monthly consumption

- The CRIAC has been updated to reflect revised Long-Term Combined Sewer Overflow Control Plan cash flow projections

III. Rate Structure Alternatives

- RFC identified opportunities for changes to the water and sewer rate structures that may better fit DC Water's key pricing objectives.
- These rate structure alternatives included:
 - a. Class-Based Volumetric Differentiation – updated based on 3 classes and FY 2014 Financial Plan
 - b. Wastewater High Strength Surcharges – updated based on FY 2014 Financial Plan
 - c. Development/Re-Development Impact Fee – introduction of a new concept for revenue-neutral growth

III(a). Customer Segmentation

- DC Water could develop different water volumetric rates by customer class with differentiation based on class peaking characteristics
- Three customer classes would include:
 - Single-family Residential
 - Multi-family Residential
 - Non-Residential

III(a). Data Analysis Results

- Based on average monthly usage and a review of three years data from FY 2008 – FY 2011, RFC identified three initial categories of water customers which demonstrated consistent peaking characteristics.
- Future differentiation of the non-residential customer classification may be warranted

Customer Class	Base		Max-Month		
	Annual Usage (ccf)	Average Monthly Usage (ccf)	Peaking Factor (1)	Total Monthly Capacity (ccf)	Extra Capacity (ccf)
Single-Family Residential	7,196,670	599,722	1.17	701,675	101,953
Multi-Family Residential (2)	7,889,813	657,484	1.11	729,808	72,323
Non-Residential	18,601,174	1,550,098	1.34	2,077,131	527,033
	33,687,657				701,309

(1) Data taken from the 2011 DC Water Customer Segmentation Study

(2) Includes Public and Private DCHA.

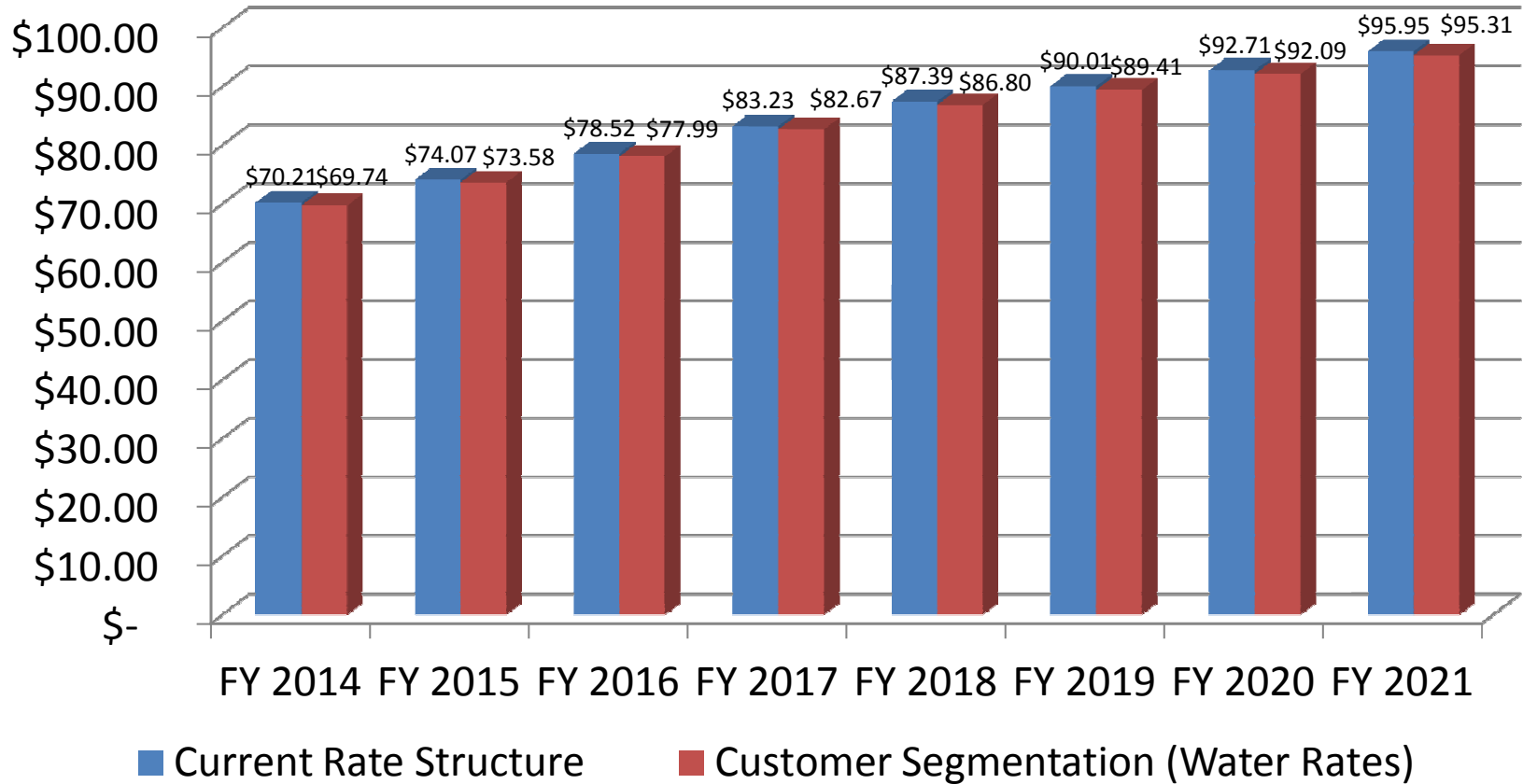
III(a). Water Volumetric Rates

- Separating water volumetric rates into a base usage and peak usage component would allow DC Water to apply a water rate differential among customer classes/categories based on their peaking factors.

Customer Class	Volumetric Revenue Requirements	Annual Usage (ccf)	Class Based Volumetric Rate (per ccf)	Average Volumetric Rate (per ccf)	Delta (per ccf)	Percentage
Single-Family Residential	\$ 24,238,375	7,196,670	\$ 3.37	\$ 3.44	\$ (0.07)	-2.0%
Multi-Family Residential	26,156,783	7,889,813	3.32	3.44	(0.12)	-3.5%
Non-Residential	65,428,245	18,601,174	3.52	3.44	0.08	2.3%
	\$ 115,823,402	33,687,657				

- This change in rate structure would create a \$0.47/month reduction in the average residential bill (\$5.61 or 0.7% annually)

Typical Monthly Bill Comparison*



*Assumes a residential customer using 6.69 ccf per month. Includes the water volumetric charge, wastewater volumetric charge, meter fee, and CRIAC as recommended by this Cost of Service Study.

III(a). Segmentation Implementation Issues

- Additional issues must be considered before these segmentations alternatives could be fully implemented:
 - Data analysis – DC Water must support distinct demand characteristics amongst customer classes.
 - Customer impact and policy consideration – DC Water must perform an analysis of customer impacts related to customer segmentation and rate differentiation to ensure that it fits to the overall policy objectives.
 - Administration – DC Water must assess whether the benefits of this rate structure change outweighs the costs related to billing system changes, bill format changes, customer identification and customer communication outreach
 - Legal and rate making consideration – DC Water must fully assess the legal environment and develop a strategy for implementing the rate
- Staff has already begun looking into implementation issues

III(b). Wastewater High Strength Surcharge

- Strength-based treatment costs were updated with revenue requirements from the FY 2014 Financial Plan

	Strength Concentrations				
	Volume (\$/Ccf)	CBOD (\$/lbs)	TSS (\$/lbs)	TP (\$/lbs)	TKN (\$/lbs)
Allocated Cost	\$ 87,149,227	\$ 23,689,527	\$ 29,396,977	\$ 5,858,726	\$ 33,364,971
Units of Service	143,371,623	191,292,270	222,131,924	3,975,764	37,407,226
Surcharge	<u>\$ 0.608</u>	<u>\$ 0.124</u>	<u>\$ 0.132</u>	<u>\$ 1.474</u>	<u>\$ 0.892</u>

- Data analysis supports further customer segmentation based on strength
- Strength-based rate differentiation may apply to:
 - Monitored, significant industrial users
 - Waste haulers
 - Future non-monitored customer groups

III(b). High Strength Surcharge Implementation Considerations

- Monitored, significant industrial users are already identified but there is not mechanism to bill them
- Waste haulers could be migrated from truck license fees to strength-based fees on actual discharges
- Non-monitored customers would need:
 - identification in the Customer Information System
 - Additional local sampling to supplement industry-accepted discharge strength standards
 - Customer outreach efforts

III(c). Re-Development Impact Fee

- What are development fees?
 - One time charges assessed to new customers to recover the cost of system capacity (growth pays for growth)
- Assets are sized to serve both existing and future demand
- In DC Water’s system, new customers are typically a result of re-development
- Re-development charge would require new customers to “buy-in” to existing surplus capacity

III(c). Preliminary Wastewater Re-Development Fee

	Asset Value (1)
Wastewater Asset Type	
Wastewater Treatment	\$ 2,149,754,378
Combined Sewer - Conveyance (2)	187,055,845
Sanitary Sewer - Conveyance (2)	61,585,818
Unrestricted Reserves	105,970,640
Less:	
Outstanding Principal	(1,224,139,200)
Net Wastewater Assets	\$ 1,280,227,482
Capacity	370
Unit Cost (\$/gallon per day)	\$ 3.46
Equivalent Residential Unit (ERU) - gpd	233.28
Re-Development Fee per ERU	\$ 807.17

(1) Replacement cost new less depreciation.

(2) Includes only infrastructure greater than 18 inches.

III(c).Re-Development Fee Questions

Why don't we show a Water Re-development Fee?

DC Water has secured capacity in Washington Aqueduct source or supply and treatment. However, those assets are not owned by DC Water and have not been included in a fee calculation. Water transmission and distribution assets are, for the most part, fully depreciated and would contribute little to a fee calculation. Given these conditions, RFC projects a Water Re-development Fee below \$100 per ERU

Why are DC Water fees low in relation to our suburban neighbors?

Re-development Fees are typically high in growing suburban systems who spend heavily on new capacity. DC Water's retail service area is largely built out and CIP projects are enhancing existing treatment or recapitalizing aged infrastructure.

III(c). Options for Assessment

- Charge should reflect only cost of incremental capacity
- Common approaches
 - Estimated Usage
 - Equivalent Residential Units
 - Meter Size
- Potential revenue stream will depend on growth and re-development
 - Preliminary revenue estimates: \$500k - \$1M annually
- Implementation and administration issues should be considered carefully

DISCUSSION



Attachment - D

**Presented to the
DC Retail Water and Sewer Rates
Committee**

Customer Assistance Program

November 27, 2012



Program Background



DC Water Customer Assistance Programs (CAP)

- In recognition of the hardship upon low-income residents of any bills and the necessity of water for all while balancing conservation efforts:
 - The Authority implemented the CAP in 2000 providing a discount of 4 Ccf per months of water service for single family residential homeowners that meet income eligibility guidelines.
 - In FY 2004, the Authority expanded the CAP to include tenants who meet the financial eligibility requirements and whose primary residence is separately metered by the Authority.
 - In January 2009, the Authority further expanded the CAP to provide a discount of 4 Ccf per month of sewer services to eligible customers.
 - In FY 2011, the discount was expanded to the first 4 Ccf associated with the PILOT/ROW fee in addition to the current discount provided on water and sewer services.



Review of Customer Assistance Program

- In March 2012, the DC Water Retail Water and Sewer Committee reviewed various options for expansion of the CAP, including potential income-based credits to both the Clean Rivers IAC and the existing volumetric credits and changing the eligibility requirements
- The Committee agreed that any change should be thoughtful and within existing budget expectations and directed staff to continue evaluation of the issue and include a proposal within a future budget cycle



Approval and Eligibility



Approval and Eligibility

- The District Department of the Environment (DDOE) certifies CAP eligibility based on federal low-income guidelines:
 - Applicants must provide proof of income
 - Only one application is required to apply for all utility discounts
 - Participants must certify that they are aware of water conservation measures to participate in the program

- Income eligibility criteria for LIHEAP is established by the federal government
 - Varies from state to state
 - Income eligibility in DC for the LIHEAP is currently set at 60% of median household income



Approval and Eligibility, Cont.

- ❑ The Utility Discount Programs use 150 percent of the federal poverty level as the maximum income level allowed in determining income eligibility:
 - Eligibility for Utility Discount Programs is established through the Public Service Commission for Gas, Electric, and Telephone, and DC Water Board for Water and Sewer

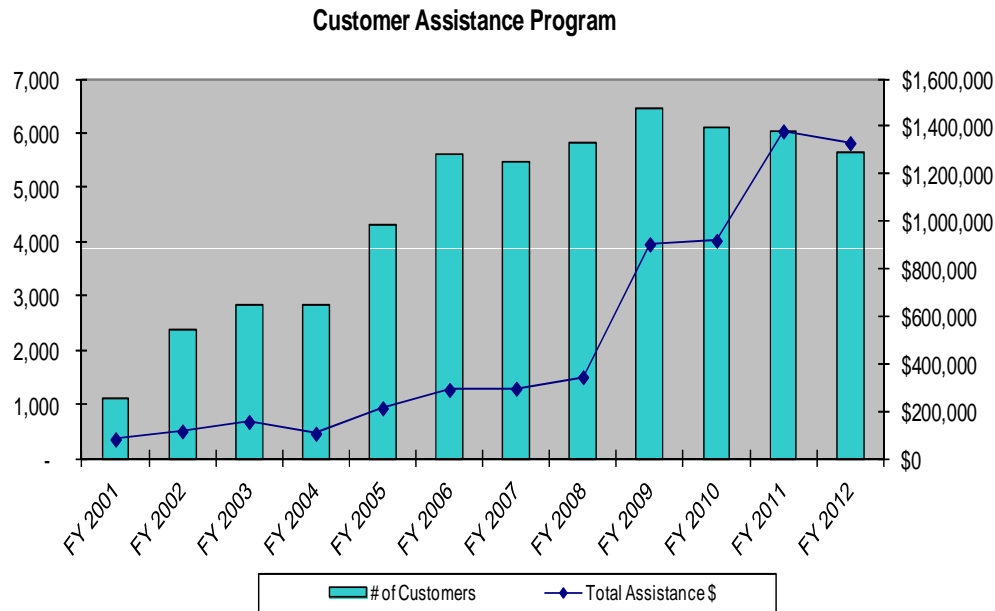
Income Guidelines FY 2013

Household Size	Maximum Annual Income
1	\$23,915
2	\$31,374
3	\$38,632
4	\$45,991
5	\$53,350
6	\$60,708
7	\$68,067
8	\$75,426



CAP Residential Program

- DC Water provides assistance to approximately 6,000 customers every year through the CAP



Total annual maximum discounts available:

- \$336 – Pepco*
- \$276 – Washington Gas
- \$396 – DC Water

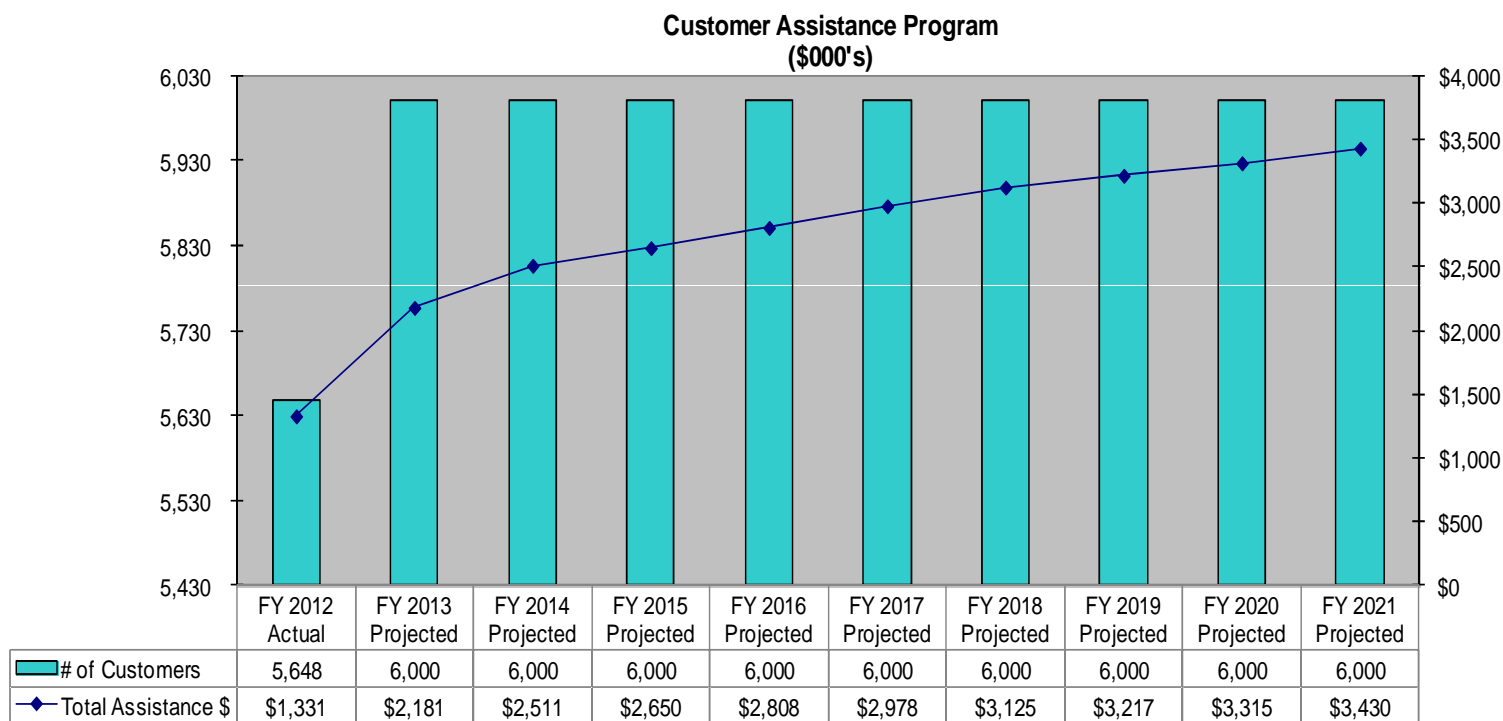
¹ 44 accounts billed in FY 2009 for FY 2008 eligibility year not included

* If heating is electric, maximum is \$528 per DDOE



Projected Costs of Current CAP

- The FY 2012 – 2021 Financial Plan includes the costs associated with the existing Customer Assistance Program.



*Assumes 6,000 CAP customers FY 2013 – 2021

* FY 2012 actual



Customer Assistance Program (CAP) Options



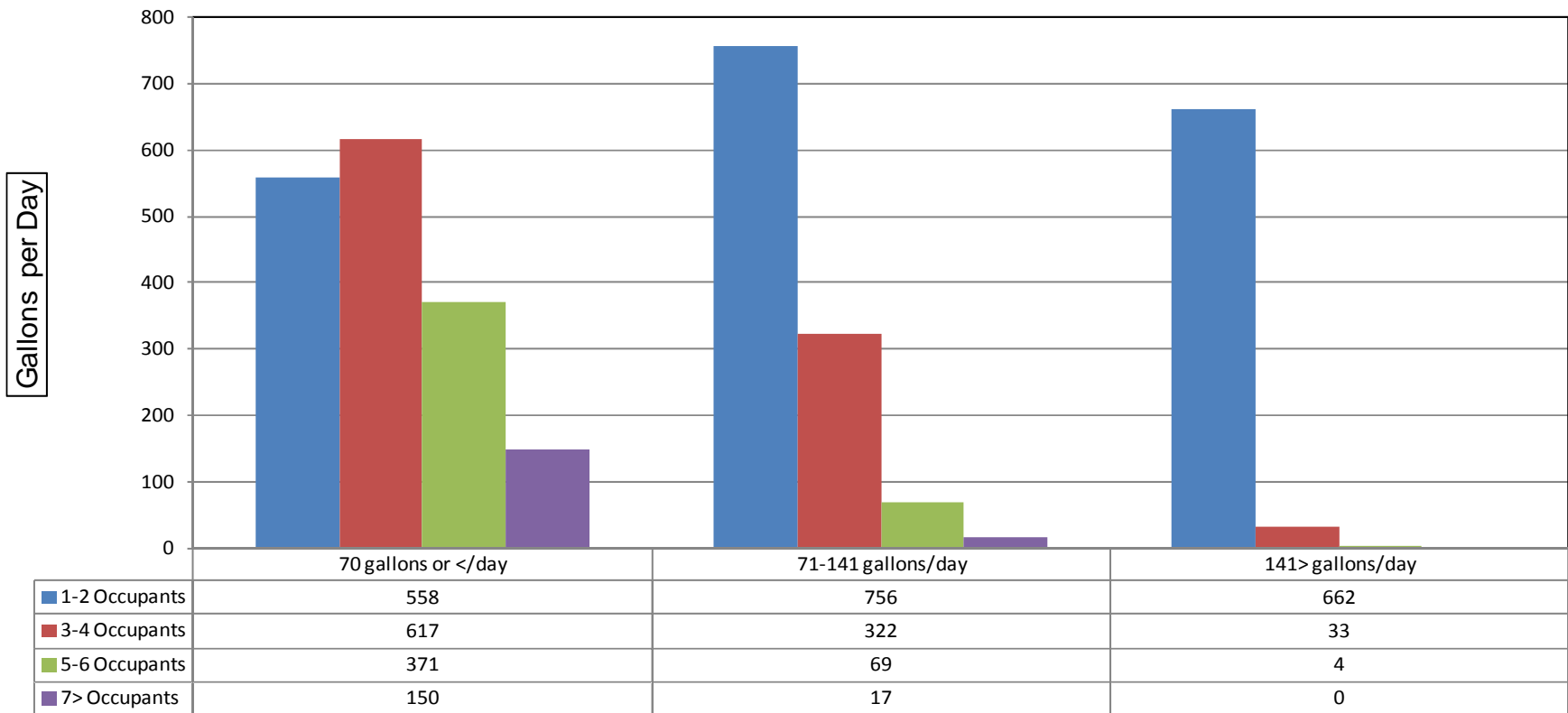
FY 2010 - 2012 Residential CAP Customer Consumption (in Ccf)

Usage	Number of accounts per Range	FY 2012 Annual Usage	Total Monthly Ccf	Mean Usage	Median per Percentile
Usage (0 - 4 ccf per Month)	1,257	36,438	3,037	2.42	2.67
Usage (5 - 7 ccf per Month)	1,582	105,703	8,809	5.57	5.58
Usage (8 - 10 ccf per Month)	1,271	128,534	10,711	8.43	8.42
Usage (11 & Above ccf per Month)	1,538	270,418	22,535	14.65	13.00
Total Usage	5,648	541,093	45,091	7.98	7.00
Usage	Number of accounts per Range	FY 2011 Annual Usage	Total Monthly Ccf	Mean Usage	Median Per Percentile
Usage (0 - 4 ccf per Month)	1,180	35,721	2,977	2.52	2.67
Usage (5 - 7 ccf per Month)	1,604	106,716	8,893	5.54	5.58
Usage (8 - 10 ccf per Month)	1,461	147,680	12,307	8.42	8.33
Usage (11 & Above ccf per Month)	1,780	315,553	26,296	14.77	13.17
Total Usage	6,025	605,670	50,473	8.38	7.42
Usage	Number of accounts per Range	FY 2010 Annual Usage	Total Monthly Ccf	Mean Usage	Median per Percentile
Usage (0 - 4 ccf per Month)	1,444	42,240	3,520	2.44	2.58
Usage (5 - 7 ccf per Month)	1,668	110,400	9,200	5.52	5.50
Usage (8 - 10 ccf per Month)	1,393	140,995	11,750	8.43	8.42
Usage (11 & Above ccf per Month)	1,602	291,567	24,297	15.17	13.25
Total	6,107	585,202	48,767	7.99	6.92



CAP Customers Average Water Usage per Occupant in Household

- A review of DDOE customer data indicates high average water use per person in many CAP households

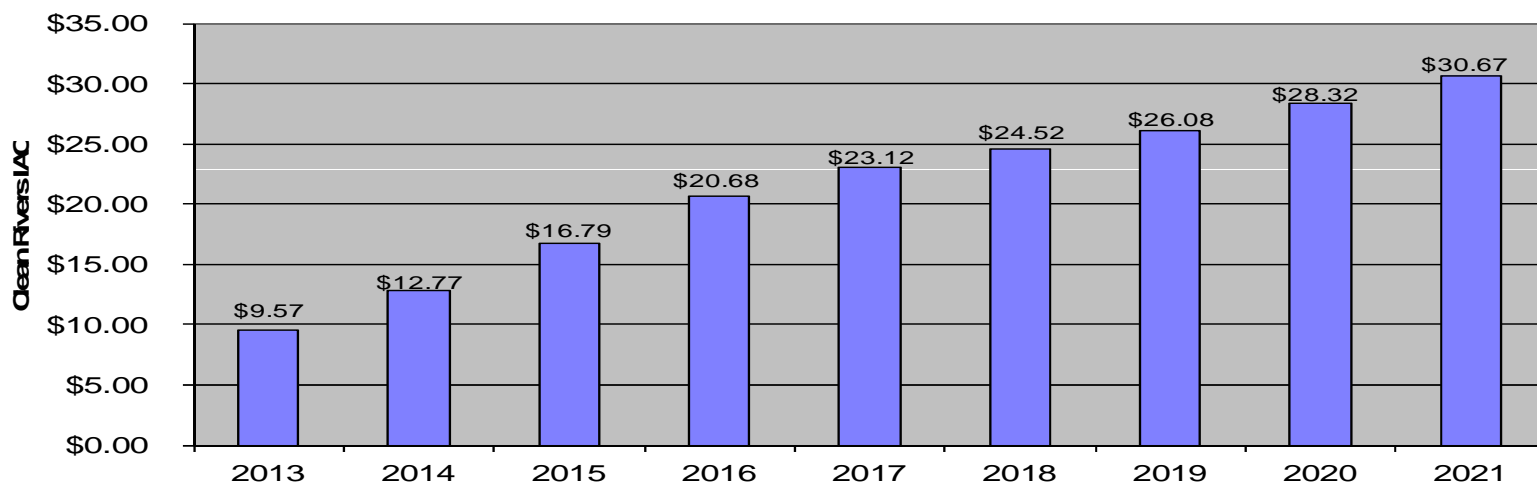


- Data range July 2011 – June 2012



Clean Rivers (IAC) Customer Impacts

- ❑ The current rate proposal assumes that the Clean Rivers IAC monthly rate will increase yearly from the current \$9.57/ERU to \$30.67 by FY 2021



- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the twenty year \$2.6 billion Clean Rivers Project, which includes the federally mandated CSO-LTCP and the nine-minimum controls program.
- The annual Clean Rivers Project IAC costs for the average Tier 2 residential customer (700 – 2,000 sq ft of impervious area) is projected to increase from \$153.24 in FY 2014 to \$368.04 in FY 2021.
- FY 2012 is the actual rate; all other rates are projected



Clean Rivers (IAC) Tier Distribution

- 98% of the FY 2012 approved Customer Assistance Program (CAP) customers were charged 1 ERU a month or less:

Tiers	Size of Impervious Area (Square Feet)	Equivalent Residential Unit (ERU)	# of CAP-eligible customers with this size property
Tier 1	100 - 600	0.6	1365
Tier 2	700 - 2,000	1.0	4147
Tier 3	2,100 - 3,000	2.4	106
Tier 4	3,100 - 7,000	3.8	15
Tier 5	7,100 - 11,000	8.6	0
Tier 6	11,100 and more	13.5	4



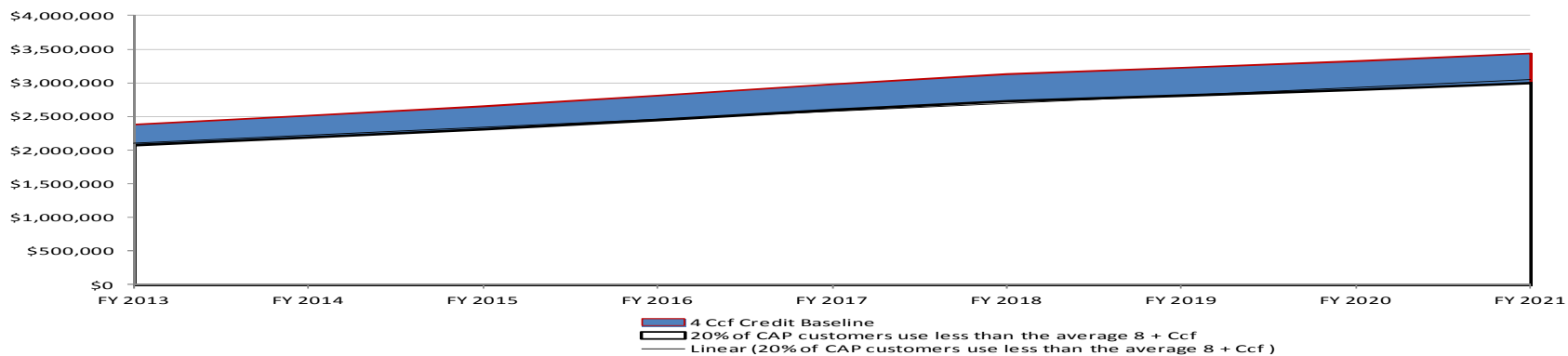
CAP Customer Bill Impact of Various Consumption Patterns

Size of Impervious Area on Account (ERUs)	<u>0 - 4 CCF or up to 2,992 gallons</u>			<u>5 CCF or up to 3,740 gallons</u>			<u>6 CCF or up to 4,488 gallons</u>			<u>7 CCF or up to 5,236 gallons</u>			<u>8 CCF or up to 5,984 gallons</u>			<u>9 CCF or up to 6,732 gallons</u>		
	2013 Total		Discount	2013 Total		Discount	2013 Total		Discount	2013 Total		Discount	2013 Total		Discount	2013 Total		Discount
	2013 Total	W/Out	as of %	2013 Total	W/Out	as of %	2013 Total	W/Out	as of %	2013 Total	W/Out	as of %	2013 Total	W/Out	as of %	2013 Total	W/Out	as of %
	with Discount	Discount	of Bill	with Discount	Discount	of Bill	with Discount	Discount	of Bill	with Discount	Discount	of Bill	with Discount	Discount	of Bill	with Discount	Discount	of Bill
0	\$ 3.86	\$ 36.90	90%	\$ 12.12	\$ 45.16	73%	\$ 20.38	\$ 53.42	62%	\$ 28.64	\$ 61.68	54%	\$ 36.90	\$ 69.94	47%	\$ 45.16	\$ 78.20	42%
0.6	\$ 11.20	\$ 44.24	75%	\$ 19.46	\$ 52.50	63%	\$ 27.72	\$ 60.76	54%	\$ 35.98	\$ 69.02	48%	\$ 44.24	\$ 77.28	43%	\$ 52.50	\$ 85.54	39%
1	\$ 16.10	\$ 49.14	67%	\$ 24.36	\$ 57.40	58%	\$ 32.62	\$ 65.66	50%	\$ 40.88	\$ 73.92	45%	\$ 49.14	\$ 82.18	40%	\$ 57.40	\$ 90.44	37%
2.4	\$ 33.24	\$ 66.28	50%	\$ 41.50	\$ 74.54	44%	\$ 49.76	\$ 82.80	40%	\$ 58.02	\$ 91.06	36%	\$ 66.28	\$ 99.32	33%	\$ 74.54	\$ 107.58	31%
3.8	\$ 50.37	\$ 83.41	40%	\$ 58.63	\$ 91.67	36%	\$ 66.89	\$ 99.93	33%	\$ 75.15	\$ 108.19	31%	\$ 83.41	\$ 116.45	28%	\$ 91.67	\$ 124.71	26%



Residential CAP Options, Cont.

- Based on actual consumption patterns of CAP customers, some opportunities may exist with the current financial plan to reduce rate burden to other customers or revise the current assistance program.



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
4 Ccf Baseline	\$ 2,378,880	\$ 2,511,360	\$ 2,649,600	\$ 2,808,000	\$ 2,977,920	\$ 3,127,680	\$ 3,222,720	\$ 3,320,640	\$ 3,435,840	\$ 26,432,640
20 % of CAP customers use less than the average 8 + Ccf	\$ 2,081,520	\$ 2,197,440	\$ 2,318,400	\$ 2,457,360	\$ 2,605,680	\$ 2,736,720	\$ 2,820,240	\$ 2,905,920	\$ 3,006,720	\$ 23,130,000
Variance	\$ 297,360	\$ 313,920	\$ 331,200	\$ 350,640	\$ 372,240	\$ 390,960	\$ 402,480	\$ 414,720	\$ 429,120	\$ 3,302,640

Assumes 6,000 CAP Customers



CAP Options

- Provide credit on Clean Rivers IAC along with revised volumetric assistance

- Develop and Fund Conservation Efforts – about 50% of eligible CAP customers use more than 8 Ccf of water monthly



Clean Rivers IAC CAP Credit

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Budget	2,511,360	2,649,600	2,808,000	2,977,920	3,127,680	3,222,720	3,320,640	3,435,840	24,053,760
CAP Discount at 4 Ccf & IAC Discount of 25%	\$ 2,364,480	\$ 2,554,560	\$ 2,759,040	\$ 2,947,680	\$ 3,099,600	\$ 3,209,040	\$ 3,332,160	\$ 3,472,560	23,739,120
CAP Discount at 3 Ccf & IAC Discount of 50%	\$ 2,343,600	\$ 2,592,000	\$ 2,850,480	\$ 3,065,760	\$ 3,228,480	\$ 3,355,920	\$ 3,510,000	\$ 3,681,360	24,627,600
CAP Discount at 2 Ccf & IAC Discount of 100%	\$ 2,175,120	\$ 2,533,680	\$ 2,892,960	\$ 3,153,600	\$ 3,329,280	\$ 3,489,120	\$ 3,699,360	\$ 3,926,160	25,199,280

Assumes 6,000 CAP Customers



Residential CAP Options

	Units	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CAP Discount of 4 Ccf and Clean Rivers IAC Credit (25%)									
Total Amount		\$ 77.64	\$ 84.87	\$ 92.44	\$ 98.82	\$ 103.70	\$ 107.47	\$ 111.98	\$ 117.02
Less: CAP Discount (4 Ccf per month)		\$ (34.88)	\$ (36.80)	\$ (39.00)	\$ (41.36)	\$ (43.44)	\$ (44.76)	\$ (46.12)	\$ (47.72)
Less: Clean Rivers IAC (25% Credit per 1 ERU)		\$ (3.19)	\$ (4.20)	\$ (5.17)	\$ (5.78)	\$ (6.13)	\$ (6.52)	\$ (7.08)	\$ (7.67)
Less: CAP Discount (4 Ccf per Month) and (Clean Rivers IAC Credit 25%)		\$ (38.07)	\$ (41.00)	\$ (44.17)	\$ (47.14)	\$ (49.57)	\$ (51.28)	\$ (53.20)	\$ (55.39)
Total Amount Appearing on DC Water Bill		\$ 39.57	\$ 43.87	\$ 48.27	\$ 51.68	\$ 54.13	\$ 56.19	\$ 58.78	\$ 61.63
Increase / Decrease Over Prior Year		\$ 54.48	\$ 4.30	\$ 4.40	\$ 3.41	\$ 2.45	\$ 2.06	\$ 2.59	\$ 2.85
CAP Customer Discount as a Percent of Total Bill		-49.0%	-48.3%	-47.8%	-47.7%	-47.8%	-47.7%	-47.5%	-47.3%

	Units	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CAP Discount of 3 Ccf and Clean Rivers IAC Credit (50%)									
Total Amount		\$ 77.64	\$ 84.87	\$ 92.44	\$ 98.82	\$ 103.70	\$ 107.47	\$ 111.98	\$ 117.02
Less: CAP Discount (3 Ccf per month)		\$ (26.16)	\$ (27.60)	\$ (29.25)	\$ (31.02)	\$ (32.58)	\$ (33.57)	\$ (34.59)	\$ (35.79)
Less: Clean Rivers IAC (50% Credit per 1 ERU)		\$ (6.39)	\$ (8.40)	\$ (10.34)	\$ (11.56)	\$ (12.26)	\$ (13.04)	\$ (14.16)	\$ (15.34)
Less: CAP Discount (3 Ccf per Month) and (Clean Rivers IAC Credit 50%)		\$ (32.55)	\$ (36.00)	\$ (39.59)	\$ (42.58)	\$ (44.84)	\$ (46.61)	\$ (48.75)	\$ (51.13)
Total Amount Appearing on DC Water Bill		\$ 45.09	\$ 48.87	\$ 52.85	\$ 56.24	\$ 58.86	\$ 60.86	\$ 63.23	\$ 65.89
Increase / Decrease Over Prior Year		\$ 3.30	\$ 3.78	\$ 3.98	\$ 3.39	\$ 2.62	\$ 2.00	\$ 2.37	\$ 2.66
CAP Customer Discount as a Percent of Total Bill		-41.9%	-42.4%	-42.8%	-43.1%	-43.2%	-43.4%	-43.5%	-43.7%



Residential CAP Options, Cont.

CAP Discount of 2 Ccf and Clean Rivers IAC Credit (100%)	Units	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Amount		\$ 77.64	\$ 84.87	\$ 92.44	\$ 98.82	\$ 103.70	\$ 107.47	\$ 111.98	\$ 117.02
Less: CAP Discount (2 Ccf per month)		\$ (17.44)	\$ (18.40)	\$ (19.50)	\$ (20.68)	\$ (21.72)	\$ (22.38)	\$ (23.06)	\$ (23.86)
Less: Clean Rivers IAC (100% Credit per 1 ERU)		\$ (12.77)	\$ (16.79)	\$ (20.68)	\$ (23.12)	\$ (24.52)	\$ (26.08)	\$ (28.32)	\$ (30.67)
Less: CAP Discount (2 Ccf per Month) and (Clean Rivers IAC Credit 100%)		\$ (30.21)	\$ (35.19)	\$ (40.18)	\$ (43.80)	\$ (46.24)	\$ (48.46)	\$ (51.38)	\$ (54.53)
Total Amount Appearing on DC Water Bill		\$ 47.43	\$ 49.68	\$ 52.26	\$ 55.02	\$ 57.46	\$ 59.01	\$ 60.60	\$ 62.49
Increase / Decrease Over Prior Year		\$ 2.16	\$ 2.25	\$ 2.58	\$ 2.76	\$ 2.44	\$ 1.55	\$ 1.59	\$ 1.89
CAP Customer Discount as a Percent of Total Bill		-38.9%	-41.5%	-43.5%	-44.3%	-44.6%	-45.1%	-45.9%	-46.6%



Conservation Activity Options

- ❑ DC Water provides a free in home use audit once a year:
 - Free dye tablets are provided upon customer request for leak detection in bathroom toilets

- ❑ Extensive outreach materials are provided to customers for conservation tips and education
 - Conservation education is required by DDOE at time of eligibility determination

- ❑ District Department of the Environment has established an energy management outreach effort:
 - District of Columbia Sustainable Energy Utility (DCSEU) is a contracted service and energy focus
 - Service includes replacement of shower heads and water faucets to support lower energy use
 - Provides free in home audits

- ❑ City of Atlanta has a Community Block Grant to assist low income homeowners with water conservation:
 - Replace toilets
 - Replace Showerheads and faucets

- ❑ Opportunity to partner with other agencies for outreach, home audits and fixture repair/replacement for CAP customers may exist:
 - Requires legal review
 - Identification of funding options



Discussion



Appendix



CAP Customer Distribution by Quadrant and Ward

CAP Customers Distribution By Quadrant FY 2012

	<u>Number of Accounts</u>	<u>% of Distribution By Quadrant</u>
CAP Customers in NE	2370	42%
CAP Customers in NW	1504	27%
CAP Customers in SE	1681	30%
CAP Customers in SW	93	2%
Total FY 2012 CAP Customers	<u>5648</u>	

CAP Customers Distribution By Ward FY 2012

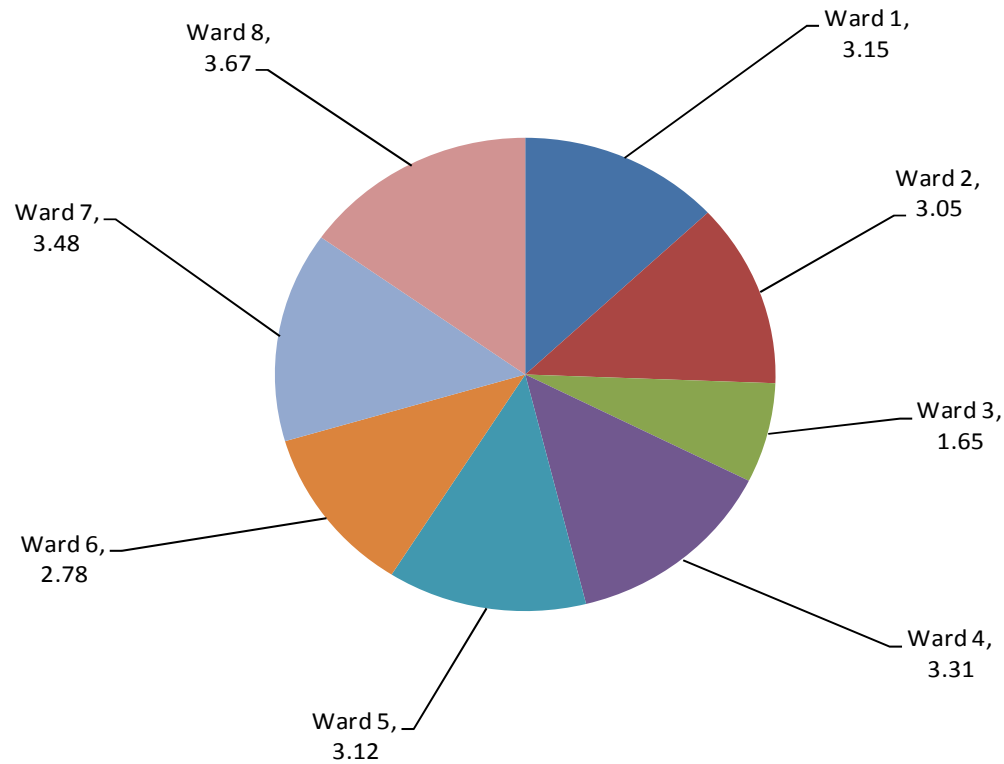
	<u>Number of Accounts</u>	<u>% of Distribution By Ward</u>
CAP Customers in WARD 1	324	6%
CAP Customers in WARD 2	68	1%
CAP Customers in WARD 3	25	0%
CAP Customers in WARD 4	1062	19%
CAP Customers in WARD 5	1283	23%
CAP Customers in WARD 6	493	9%
CAP Customers in WARD 7	1500	27%
CAP Customers in WARD 8	893	16%
Total FY 2012 CAP Customers	<u>5648</u>	



CAP Residential Program

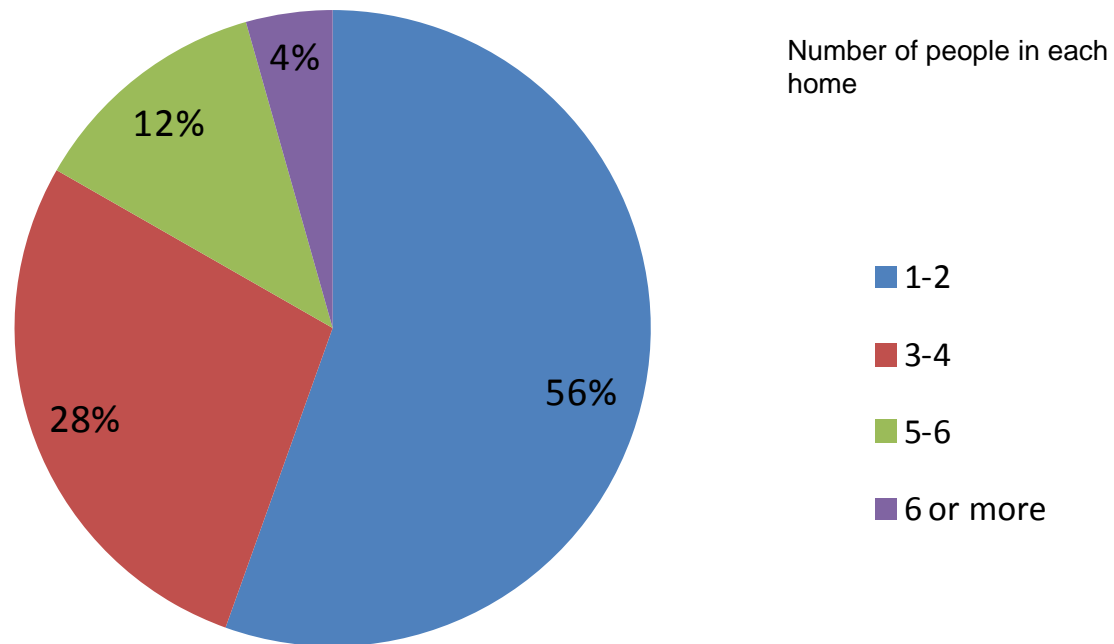
- Average number of households by Ward

District of Columbia Average # of People Per Household Per Ward



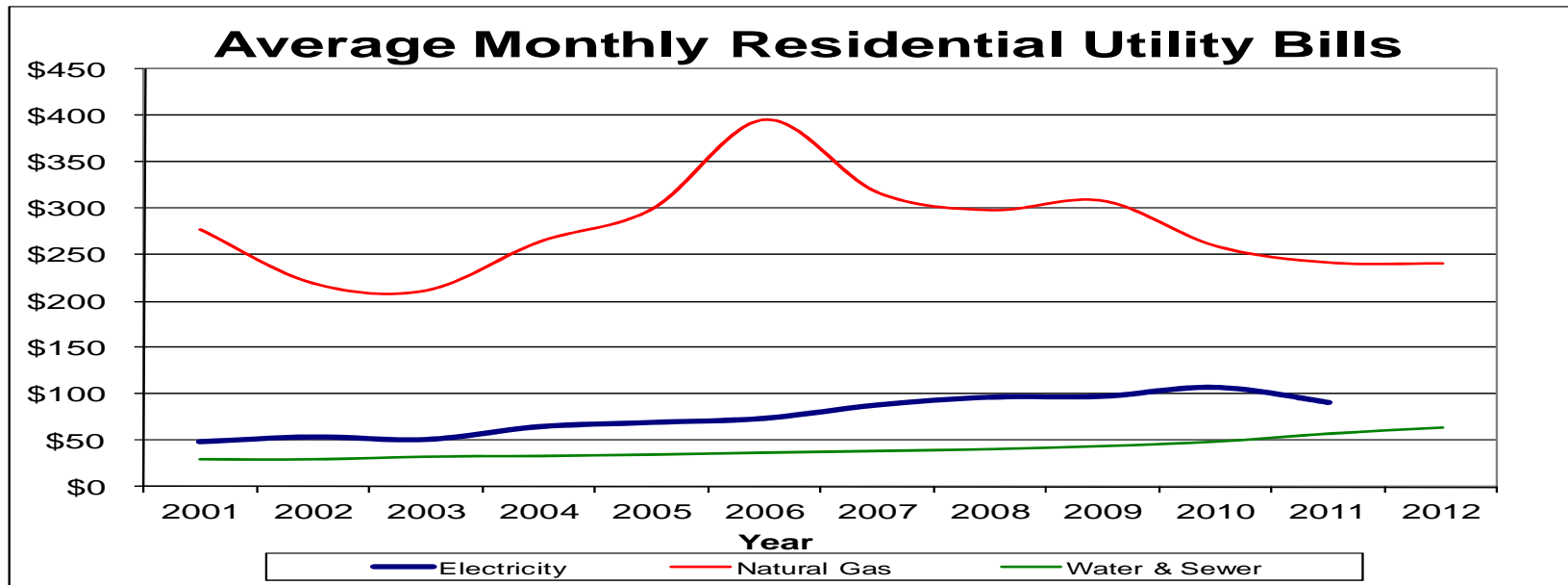


Distribution of CAP Customers Size Per Household





Compared to Other Household Utilities, DC Water Residential Bills are Low



Observation:

- Average electricity and natural gas are higher than water & sewer bills.

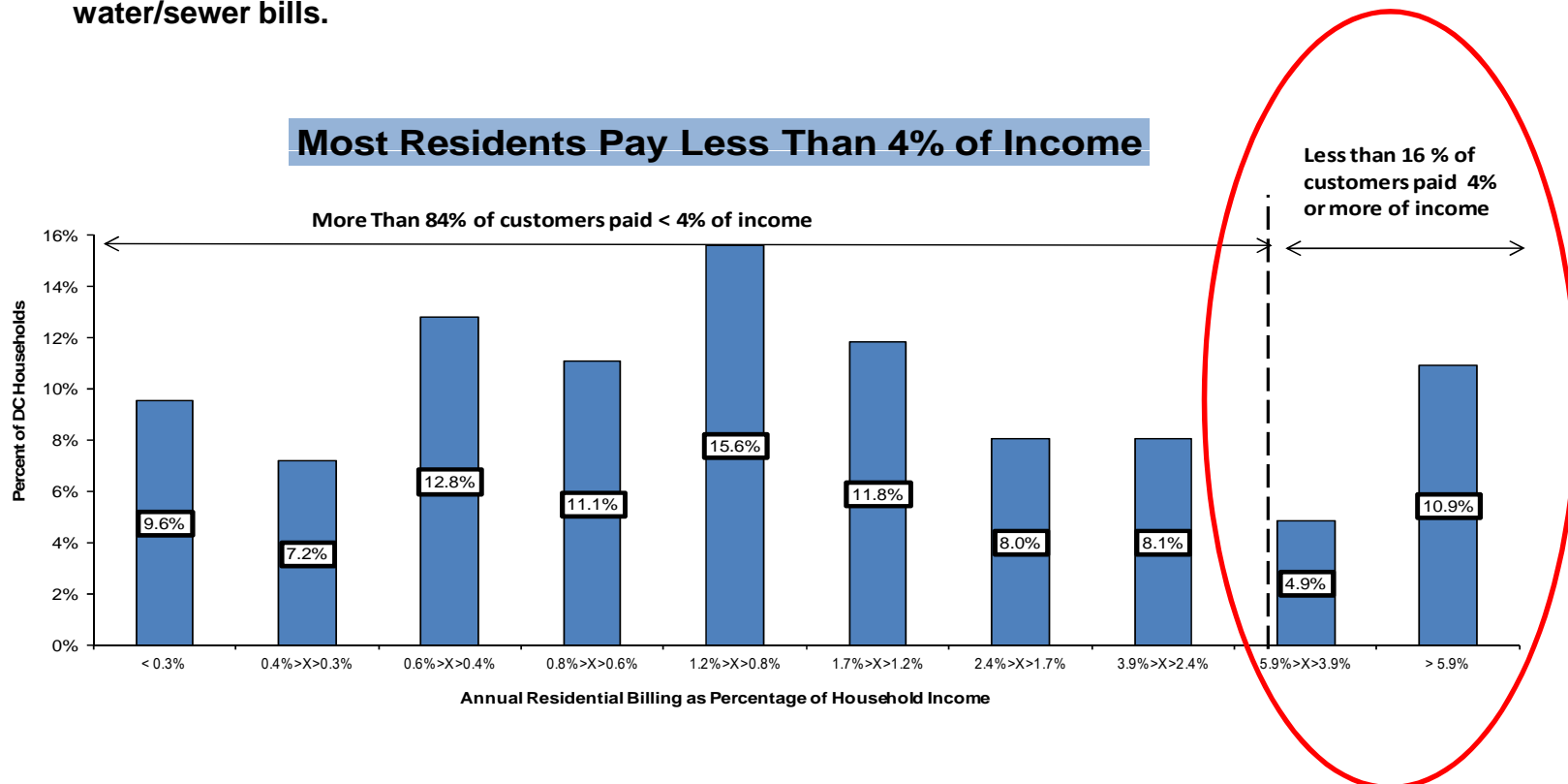
Assumption:

- Average DC customer is assumed to use 6.69 Ccf of water, 200 Therms of natural gas and almost 733 kWh of electricity per month.



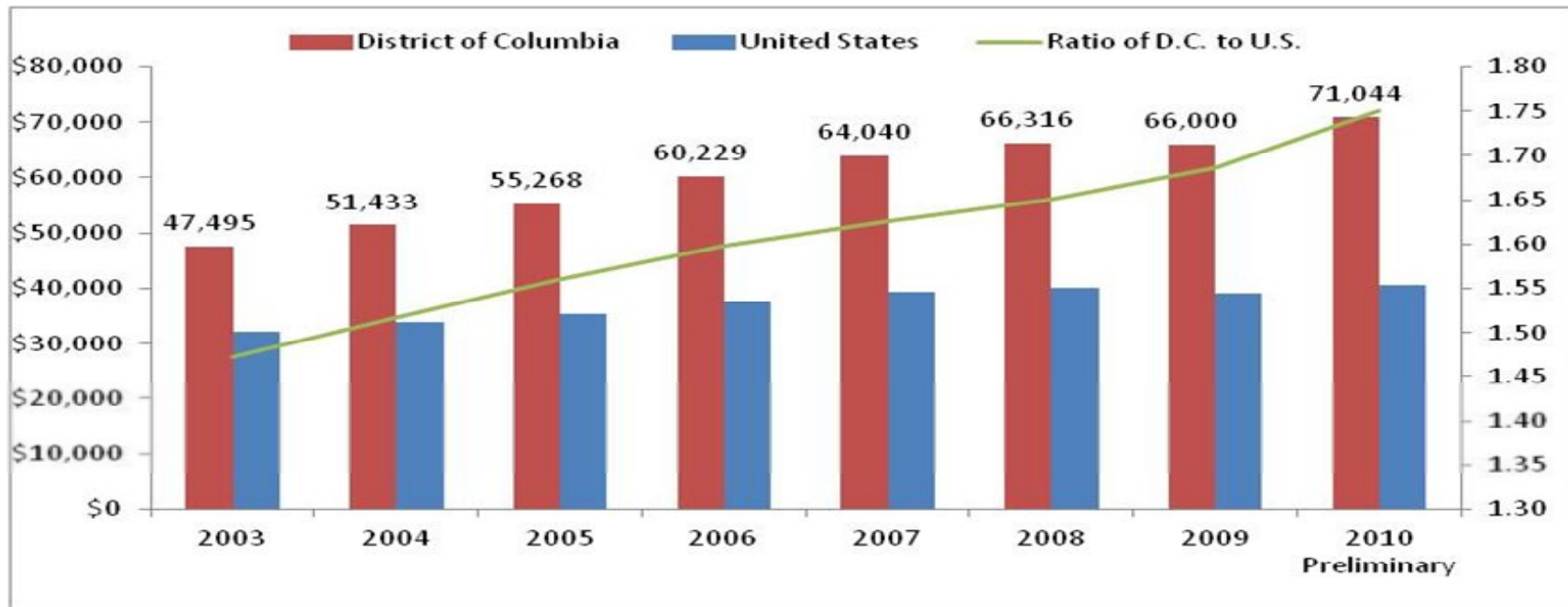
DC Water Charges are Affordable and Competitive With Other Major Cities

- **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.**
- **Customer Assistance programs are in place to help eligible low income customers with their water/sewer bills.**





DC Personal Income Per Capita Is Higher Than the U.S. Average



- The scale on the left side of the chart shows personal income per capita which applies to the columns in each year for DC and the U.S. The scale on the right side of the chart shows the ratio of DC income to U.S. income which is reflected by the line in the chart



CAP Customer Aging Delinquencies Balance

CAP Customers Average Monthly Usage

FY 2012

	<u>Number of Accounts</u>
Greater than 4ccfs monthly	4391
Equal 4ccfs monthly	43
Less than 4ccfs monthly	1214
Total FY 2011 CAP Customers	<u>5648</u>

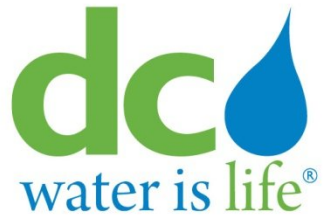
Note:

A total of 4391 CAP customers use more than 4ccfs monthly, and therefore pay more than the amount discounted monthly from the CAP program. While the remaining 1257 customers have their monthly usage covered by the CAP discount.

CAP Customers Aging Delinquency Balance

As of September 30, 2012

	<u>Number of Accounts</u>	Amount (\$)
Accounts with Current balance	4507	\$288,274.76
Accounts with a Credit balance	780	(\$82,183.13)
30 days delinquent	2552	\$149,929.68
60 days delinquent	1606	\$75,905.55
90 days delinquent	926	\$77,720.40
180 days delinquent	291	\$46,121.39
360 days delinquent	86	\$33,011.01



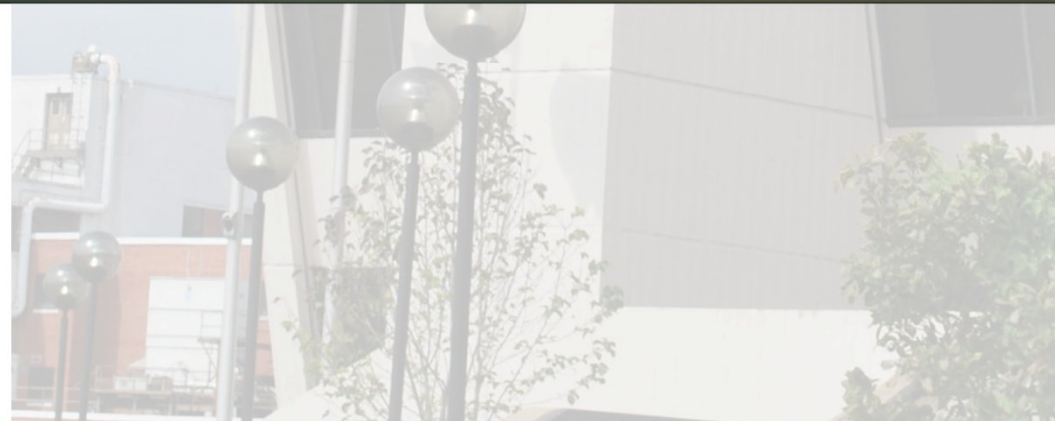
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Attachment – E

PRESENTATION TO THE RETAIL RATES COMMITTEE

November 27, 2012

LEADERSHIP
VALUE
INNOVATION



General Manager's Budget Proposal

Revised FY 2013 operating budget totals \$440.3 million

- As revised by Board on July 5, 2012
 - \$16.5 million below the Board-approved FY 2013 budget

Proposed FY 2014 operating budget totals \$479.5 million (including capital charge backs)

- \$39.2 million increase above the revised FY 2013 budget
 - \$6.96 million O&M increase

Capital Budget

- Lifetime Budget totals \$8.4 billion¹
- Disbursements Budget totals \$3.8 billion (FY 2012 – 2021)²
- Authority Request totals \$407 million³

Additional FY 2014 revenue requirement would be funded through:

- Retail Revenue – increase of \$22.6 million
 - Proposed FY 2014 combined water and sewer rate increase of \$0.42 per Ccf {\$0.56 per 1,000 gallons}
 - Proposed FY 2014 monthly Clean Rivers Impervious Area Charge (IAC) increase of \$3.20 per ERU
 - Proposed FY 2014 PILOT fee increase of \$0.03 per Ccf {\$0.04 per 1,000 gallons}
 - Proposed FY 2014 ROW fee increase of \$0.01 per Ccf {\$0.01 per 1,000 gallons}
- Wholesale Revenue – increase of \$5.7 million
- Other Revenue – increase of \$1.27 million

¹Lifetime 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.

²Capital Improvement Program (CIP) Disbursements Budget projects disbursements for various projects by fiscal year. Includes estimates for FY 2012 and may be adjusted slightly once year-end data is available.

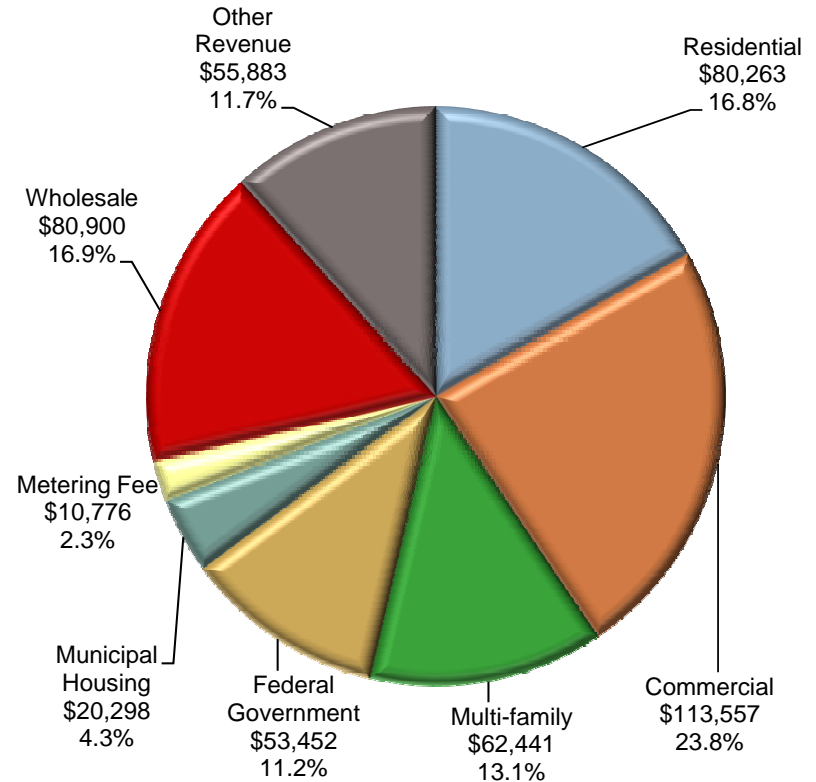
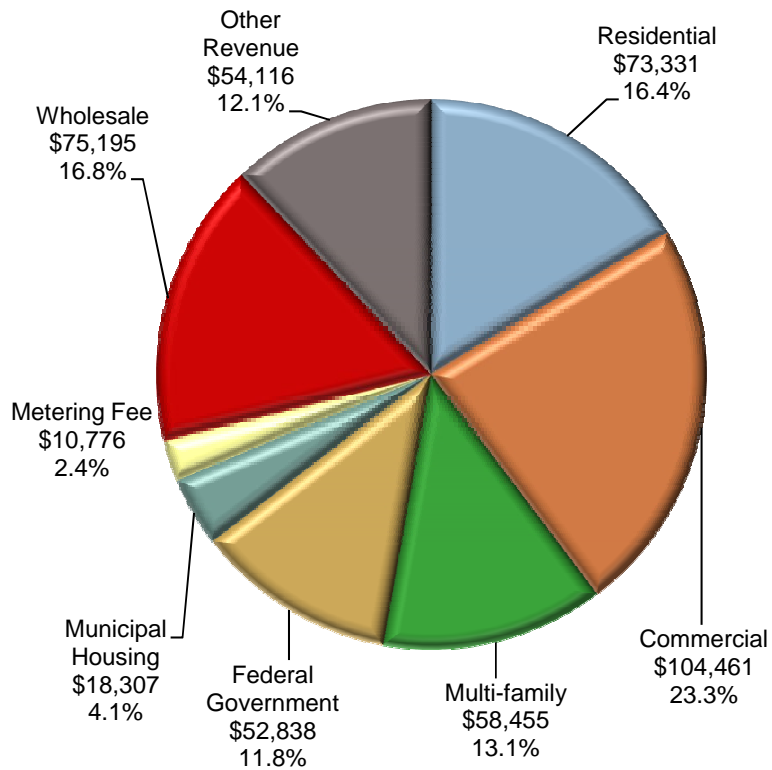
³Appropriations Authority – As part of DC Water's enabling legislation, Congressional appropriation authority is required before any capital design or construction contract can be entered into.

Operating Revenues

Revised FY 2013
\$447,479

(\$000's)

Proposed FY 2014
\$477,570



Approved July 5, 2012

Note: Detailed discussion can be found in Section IV of the Operating Budget Book

Major Budget Development Assumptions

Expenditures:

- **Financial Plan Operating Expenditure Increases**
 - Debt service – 11.2 percent average annual increase
 - All other O&M – 3.1 percent average annual increase
- **Financial Plan CIP**
 - No additional federal funding for Clean Rivers
 - \$168.6 million received to date
 - IMA commitment to share in multi jurisdictional sewer projects
 - Biosolids Management Project – Digester
 - Financing assumed to be rate neutral during most of the construction period
- **PILOT**
 - Consistent with conditions in the current MOU
- **FY 2014 Debt Service Interest Rates**
 - Budget:
 - Variable Rate - 3.25 percent
 - Fixed Rate - 5.50 percent
 - Financial Plan:
 - Variable Rate - 2.50 percent
 - Fixed Rate - 5.50 percent
- **Personnel**
 - Merit Increase - 3.0 percent
 - Increased head count - 17 positions to support the Digester Project
- **Chemicals**
 - Average flow of 290 MGD
 - Unit costs based on contract prices

Major Budget Development Assumptions – cont.

Revenues:

- **Board Financial Policies**

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

- **Fire Protection fee**

- Assumes new charges based on FY 2012 Cost of Service Study (COS)

- **PILOT**

- Consistent with conditions in the current MOU

- Assumes no change in **metering fee**

- Reduced **consumption** due to conservation of 2.24 percent in FY 2013 and 1.0 percent in FY 2014 and onwards in all classes

- **Interest Rate Assumptions (Investments)**

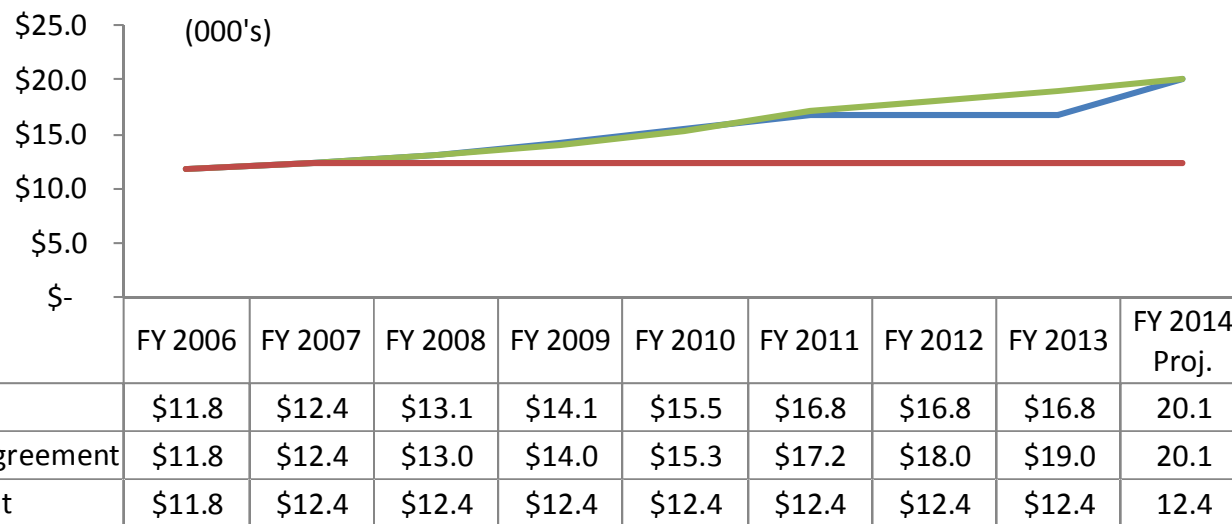
- 0.375 percent in FY 2013
- 0.450 percent in FY 2014

- **Rate Stabilization Fund**

- \$6.5 million utilization in FY 2013 and \$7.0 million in FY 2014
- Balance of \$18.55 million by the end of FY 2021

Major Operating Budget Driver – PILOT

- FY 2014 proposed PILOT \$3.3million increase (~20%)
 - In line with current MOU
 - Board has held PILOT constant at \$16.8 million since FY 2011
 - Current MOU expires at the end of FY 2013



General Manager's Recommended Rate Adjustments

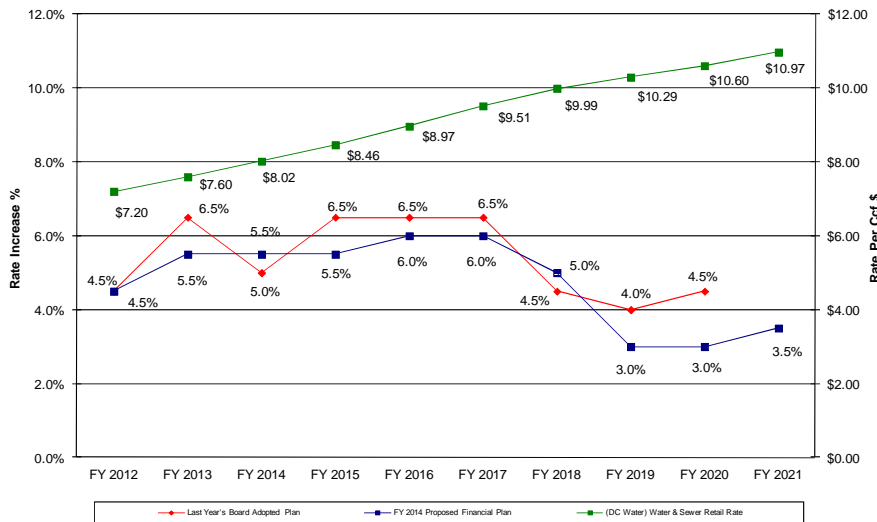
	Units	Revised FY 2013	Proposed FY 2014
DC Water Retail Rates – Water	Ccf	\$3.42	\$3.61
DC Water Retail Rates – Sewer	Ccf	\$4.18	\$4.41
DC Water Clean Rivers IAC	ERU	\$9.57	\$12.77
DC Water Customer Metering Fee	5/8"	\$3.86	\$3.86
District of Columbia PILOT Fee	Ccf	\$0.50	\$0.53
District of Columbia Right of Way Fee	Ccf	\$0.16	\$0.17
District of Columbia Stormwater Fee	ERU	\$2.67	\$2.67

New Customer Classification

- In FY 2011/2012, a Customer Segmentation Study was performed to identify classes of customers for the purpose of cost analysis, planning, supply management and rate-setting
- Budget proposal includes recommendations from the FY 2012 Cost of Service Study for creation of a new customer classification of **“Multi-family Residential”**

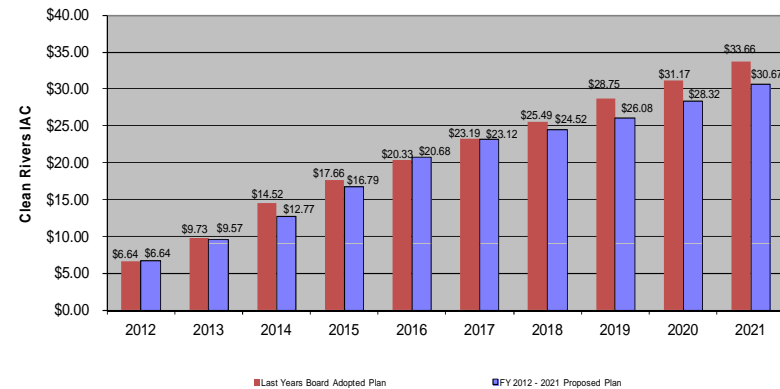
FY 2014 Proposed Retail Rate Changes

Water & Sewer Rates



- Proposed \$0.42 increase per Ccf, {\$0.56 per 1,000 gallons} in FY 2014
 - Combined Water and Sewer rate of \$8.02 per Ccf
- Rate increase ranging from 3.0% to 6.0% over ten years

Clean Rivers IAC



- Proposed Clean Rivers IAC ranges from \$6.64 to \$30.67 per monthly ERU
 - Annual revenues ranging from \$31.0 million to \$141.3 million over ten years
- 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 2012 – FY 2014)

	Units	FY 2012	FY 2013	FY 2014
DC Water Retail Rates (1)	Ccf	\$ 48.17	\$ 50.84	\$ 53.65
DC Water Clean Rivers IAC	ERU	6.64	9.57	12.77
DC Water Customer Metering Fee		3.86	3.86	3.86
Subtotal DC Water Rates & Charges		\$ 58.67	\$ 64.27	\$ 70.28
Increase / Decrease		\$ 5.27	\$ 5.60	\$ 6.01
District of Columbia PILOT (1)	Ccf	3.28	3.35	3.55
District of Columbia Right of Way Fee (1)	Ccf	1.00	1.07	1.14
District of Columbia Stormwater Fee (2)	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.95	\$ 7.09	\$ 7.36
Total Amount Appearing on DC Water Bill		\$ 65.62	\$ 71.36	\$ 77.64
Increase / Decrease Over Prior Year		\$ 5.33	\$ 5.74	\$ 6.28
Percent Increase in Total Bill		8.8%	8.7%	8.8%

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

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

Average CAP Residential Monthly Bill (FY 2012 – FY 2014)

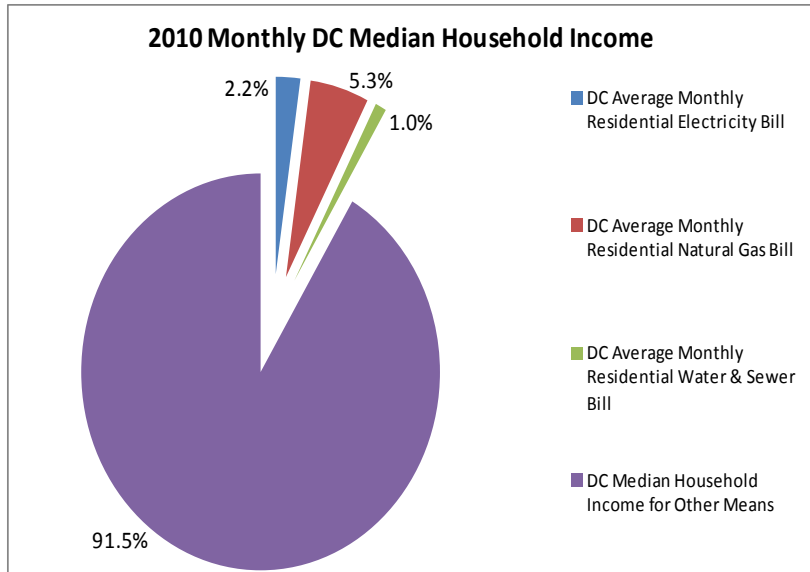
	Units	FY 2012	FY 2013	FY 2014
DC Water Retail Rates (1)	Ccf	48.17	50.84	53.65
DC Water Clean Rivers IAC	ERU	6.64	9.57	12.77
DC Water Customer Metering Fee		3.86	3.86	3.86
Subtotal DC Water Rates & Charges		\$ 58.67	\$ 64.27	\$ 70.28
Increase / Decrease		\$ 5.27	\$ 5.60	\$ 6.01
District of Columbia PILOT (1)	Ccf	3.28	3.35	3.55
District of Columbia Right of Way Fee (1)	Ccf	1.00	1.07	1.14
District of Columbia Stormwater Fee (3)	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.95	\$ 7.09	\$ 7.36
Total Amount		\$ 65.62	\$ 71.36	\$ 77.64
Less: CAP Discount (4 Ccf per month) (1), (2)		(31.36)	(33.04)	(34.88)
Total Amount Appearing on DC Water Bill		\$ 34.26	\$ 38.32	\$ 42.76
Increase / Decrease Over Prior Year		\$ 4.05	\$ 4.06	\$ 4.44
CAP Customer Discount as a Percent of Total Bill		-47.8%	-46.3%	-44.9%

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

(2) Extension of CAP program in FY 2011 to first 4 Ccf of PILOT and ROW

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

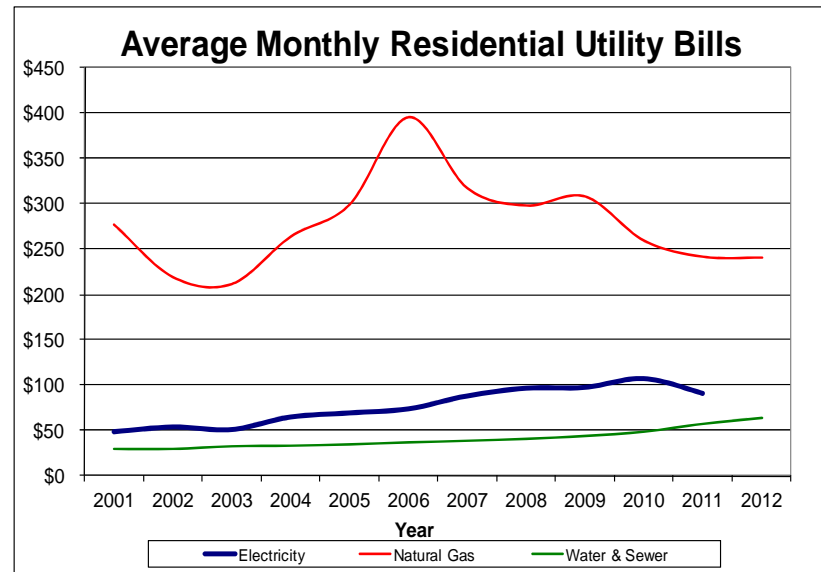
Charges Are Competitive With Other Major Cities In Terms Of Affordability



Observation:

- DC Water's average monthly residential water & sewer bill is about 1.0 percent of the total monthly household income for the median income family, lower compared to the average monthly electricity and natural gas bill and at about the national average for urban populations.

Sources:
 Electricity and Gas: DC Public Service Commission
 Water and Sewer: DC Water Assuming 6.69 Ccf, or 5,004 gallons consumption
 Median HH Income: US Census Bureau



Observation:

- Average electricity and natural gas are higher than water & sewer bills.

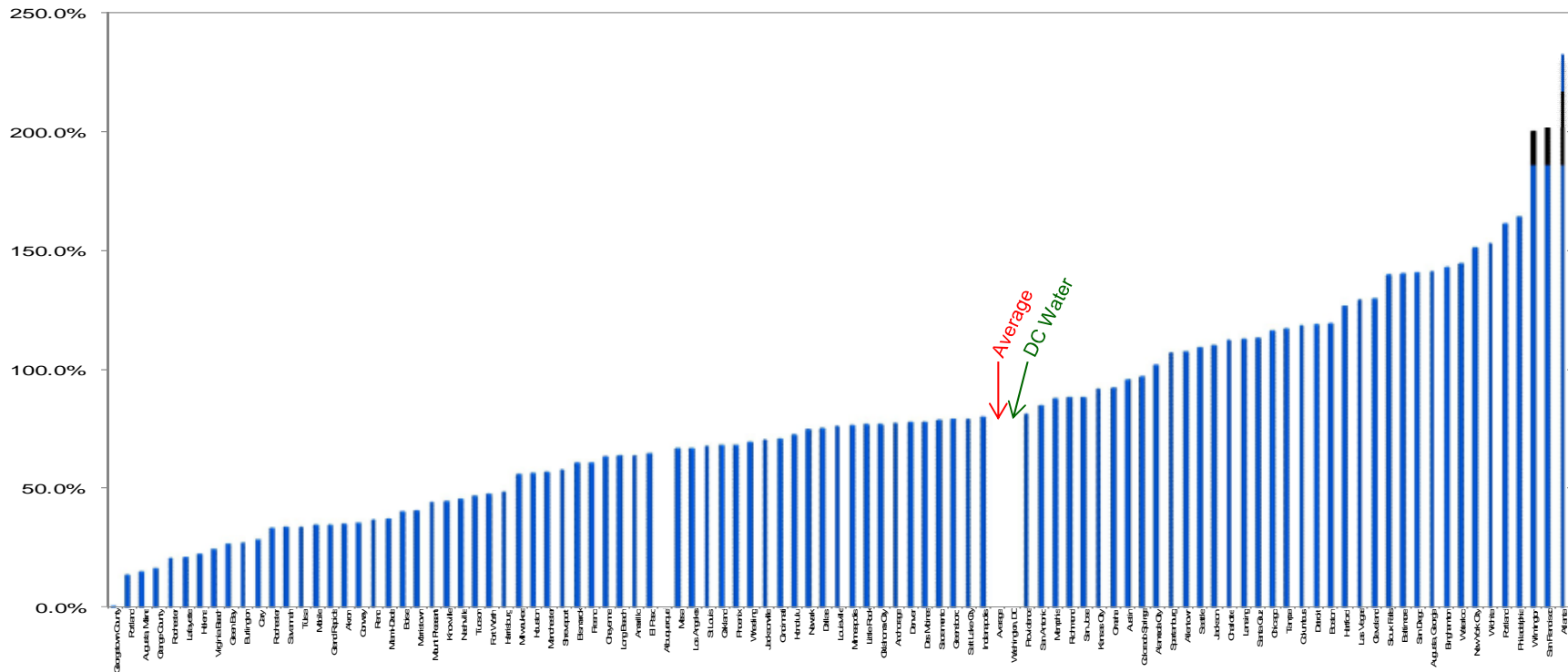
Assumption:

- Average DC customer is assumed to use 6.69 Ccf of water, 200 Therms of natural gas and almost 733 kWh

DC Water Rate Adjustments Over 12 Years Within National Norms*

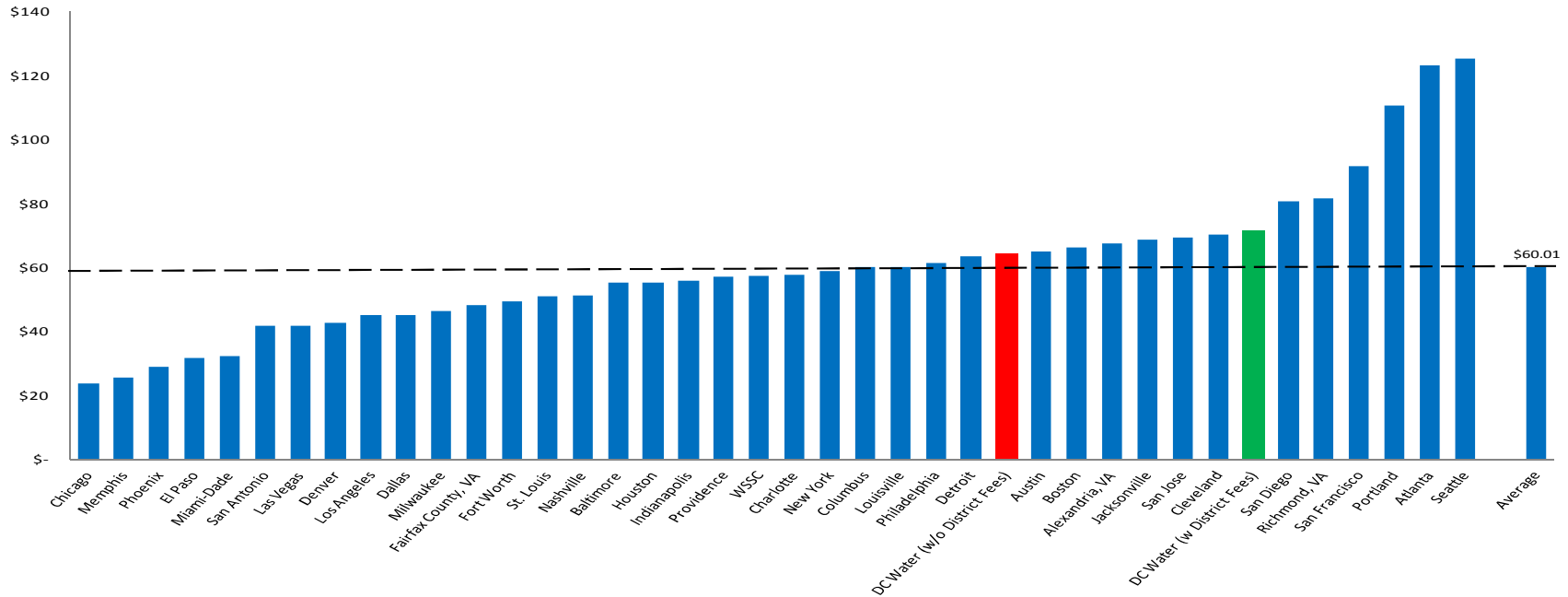
According to USA Today, water rates have increased an average of 80.6% between 2000-2012 among 100 US municipalities

- Largest 12 year change was Atlanta at 233.1% (19.5% annual average)
- DC Water was at average (81% or 6.75% annually)



DC Water Retail Rates Compared to Other Large Utilities

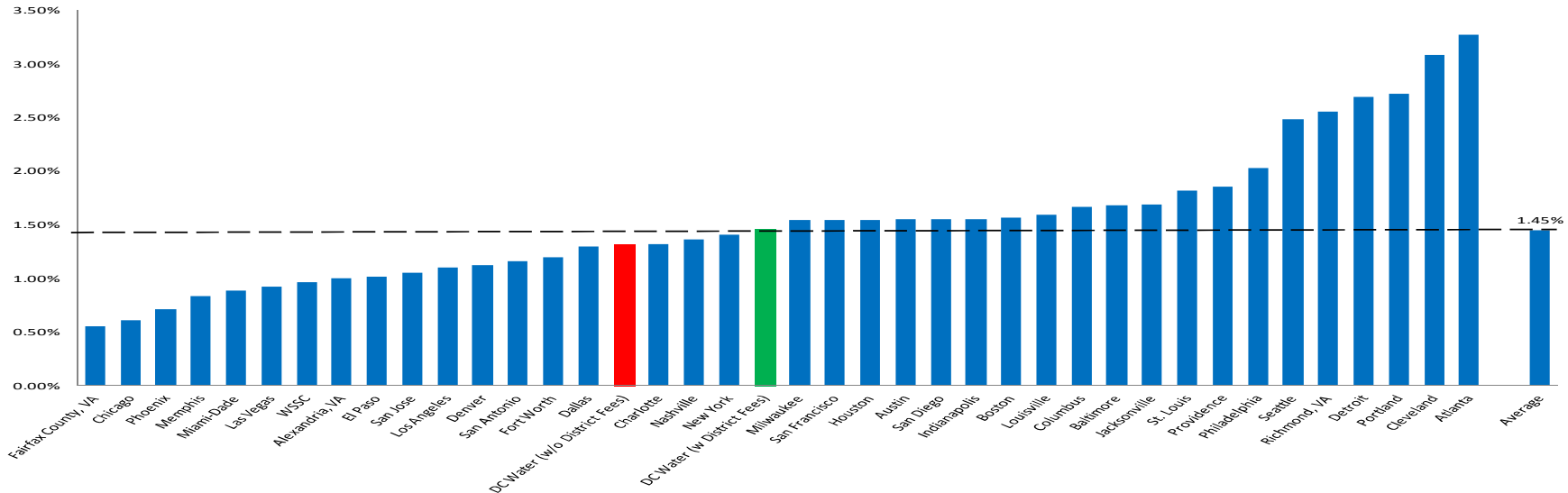
Single Family Residential (SFR) Average Monthly Bill
 (Based on Rates in effect Fall 2012)
 Large National Utilities



- (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

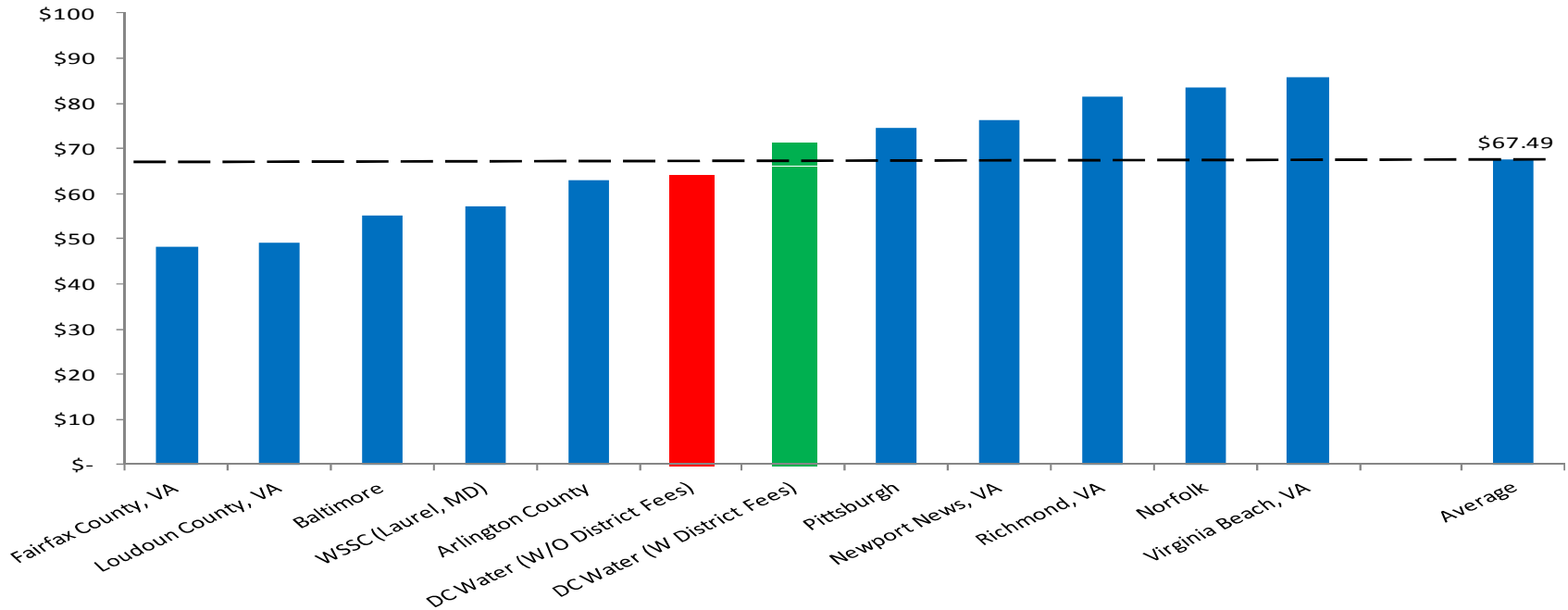
*Single Family Residential (SFR) Monthly Bill as %
of Median Household Income - Large National Utilities
(Based on Rates in effect Fall 2012)*



- 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.

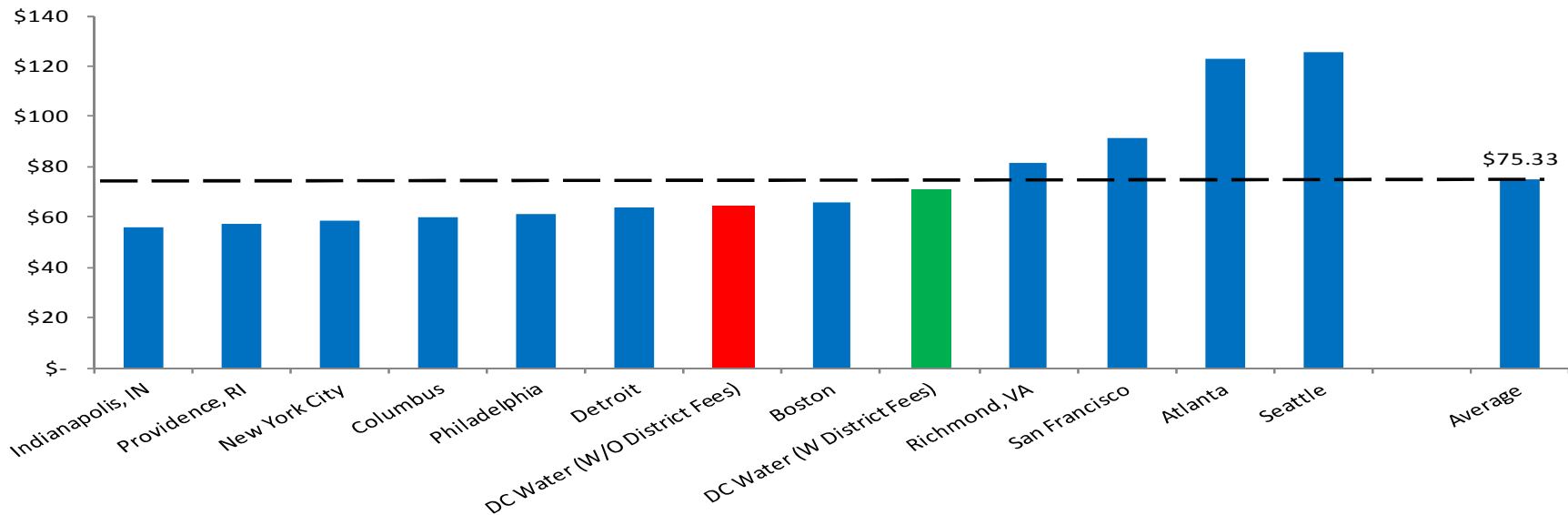
DC Water Compared to Local and Regional Utilities

*DC Water Retail Rates Compared to Regional Utilities
(Based on Rates in effect Fall 2012)*



Water & Sewer Rate Comparison to Other Large CSO Utilities






DC Water Compared to CSO Communities
(Based on Rates in effect Fall 2012)



- 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

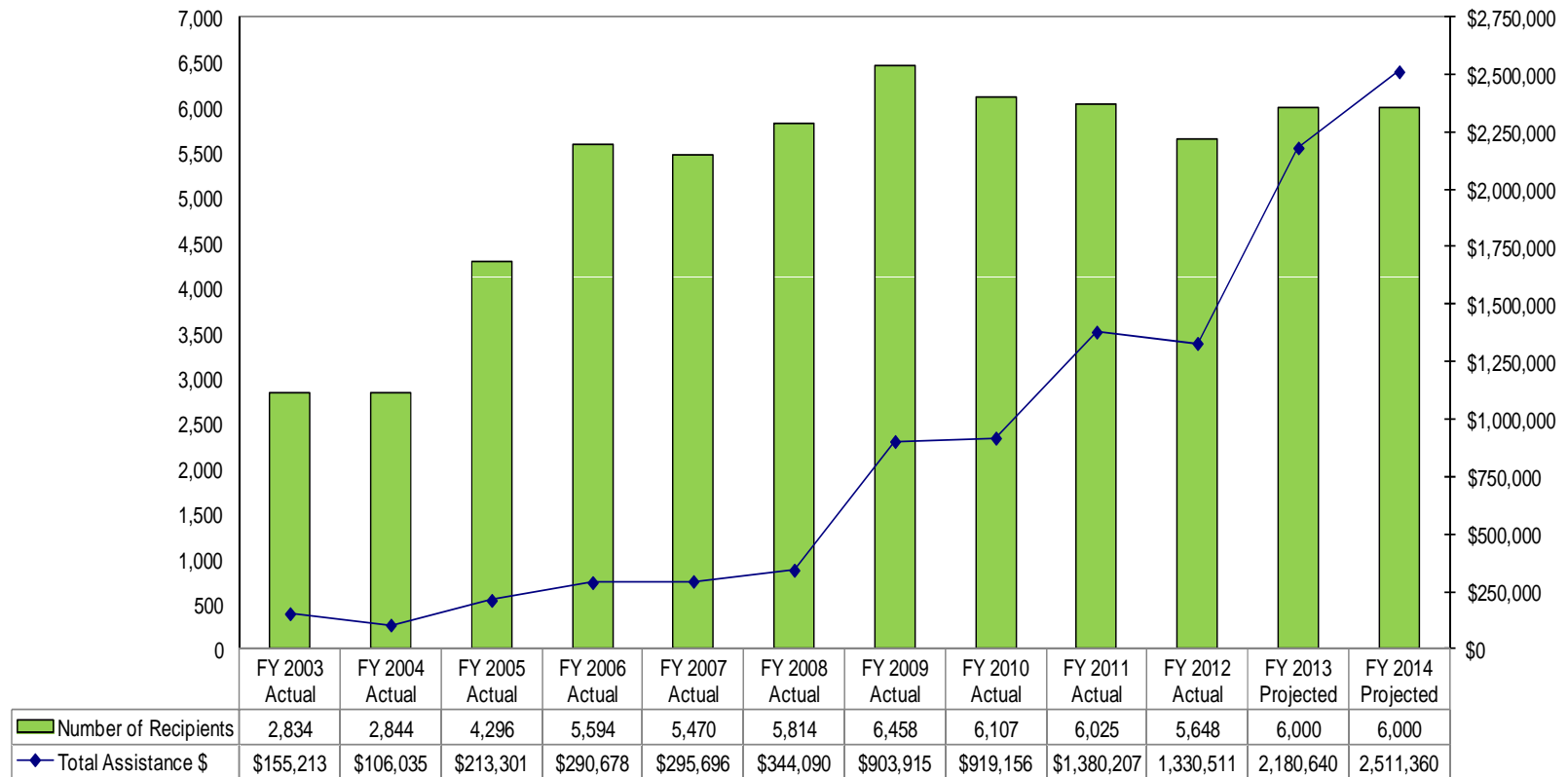
APPENDIX

Proposed Retail Rates & Fees

-  Recommendation for creation of “Multi-family Residential” customer classification
-  FY 2014 combined Water and Sewer rate increase of \$0.42 per Ccf or {\$0.56 per 1,000 gallons}
 - Water rate increase of \$0.19 per Ccf to \$3.61 per Ccf {increase of \$0.26 to \$4.83 per 1,000 gallons}
 - Sewer rate increase of \$0.23 per Ccf to \$4.41 per Ccf {increase of \$0.30 to \$5.89 per 1,000 gallons}
-  FY 2014 monthly Clean Rivers Impervious Area Charge increase of \$3.20 to \$12.77 per ERU to recover the costs of the DC Clean Rivers Project
-  FY 2014 PILOT fee increase of \$0.03 per Ccf to \$0.53 per Ccf {increase of \$0.04 to \$0.71 per 1,000 gallons}
-  FY 2014 ROW increase of \$0.01 per Ccf to \$0.17 per Ccf {increase of \$0.01 to \$0.22 per 1,000 gallons} to recover full cost of District charge per current MOU

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

Customer Assistance Program



Ten-Year Financial Plan

	(\$000's)									
OPERATING	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Retail*	321,702	340,310	365,968	397,732	430,974	458,277	478,207	492,574	510,169	524,915
Wholesale*	74,705	75,195	80,900	75,124	75,485	77,756	80,156	82,555	85,063	97,191
Other	23,998	25,474	23,703	25,650	26,419	29,259	32,128	33,258	33,423	27,008
RSF	6,500	6,500	7,000	-	-	-	-	-	-	-
Operating Receipts (1)	\$ 426,906	\$ 447,479	\$ 477,570	\$ 498,506	\$ 532,878	\$ 565,292	\$ 590,490	\$ 608,387	\$ 628,655	\$ 649,114
Operating Expenses	(271,659)	(302,302)	(311,295)	(304,976)	(310,711)	(320,565)	(330,632)	(343,388)	(353,596)	(365,853)
Debt Service	\$ (99,251)	\$ (116,179)	\$ (147,792)	\$ (168,985)	\$ (185,775)	\$ (206,160)	\$ (219,425)	\$ (227,102)	\$ (239,755)	\$ (253,255)
Net Revenues After Debt Service	\$ 55,996	\$ 28,998	\$ 18,484	\$ 24,545	\$ 36,392	\$ 38,567	\$ 40,433	\$ 37,898	\$ 35,305	\$ 30,006
Operating Reserve-Beg Balance	150,035	139,565	125,500	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(6,660)	(10,905)	(7,500)	-	-	-	-	-	-	-
Customer Rebate	-	(4,200)								
Transfers To RSF	(17,750)	(4,100)								
Transfers To DC PILOT Fund	(4,468)									
Pay-Go Financing	(37,588)	(23,857)	(10,984)	(24,545)	(36,392)	(38,567)	(40,433)	(37,898)	(35,305)	(30,006)
Operating Reserve - Ending Balance	\$ 139,565	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500
Rate Stabilization Fund Balance RSF (2)	\$ (27,950)	\$ (25,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)	\$ (18,550)
Senior Debt Service Coverage	354%	325%	253%	250%	241%	221%	209%	197%	189%	179%
Combined Debt Service Coverage	149%	131%	124%	130%	134%	133%	132%	130%	128%	125%
Actual/Projected Water/Sewer Rate Incre:	4.5%	5.5%	5.5%	5.5%	6.0%	6.0%	5.0%	3.0%	3.0%	3.5%
*Operating Receipts \$ Increase/Decrease										
Retail	21,103	18,608	25,658	31,765	33,242	27,303	19,930	14,367	17,595	14,745
Wholesale	5,444	490	5,705	(5,776)	361	2,271	2,400	2,399	2,508	12,129
*Operating Receipts % Increase/Decrease										
Retail	7.0%	5.8%	7.5%	8.7% ⁽³⁾	8.4% ⁽³⁾	6.3%	4.3%	3.0%	3.6%	2.9%
Wholesale	7.9%	0.7%	7.6%	-7.1%	0.5%	3.0%	3.1%	3.0%	3.0%	14.3%

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

(2) FY 2012 Rate Stabilization Fund utilization brought the total fund balance to \$27.95 million

(3) Savings anticipated from implementation of new biosolids management beginning in FY 2015

FY 2011 – FY 2021 Projected Average Residential Monthly Bill

	Units	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
DC Water Retail Rates (1)	Ccf	\$ 46.09	\$ 48.17	\$ 50.84	\$ 53.65	\$ 56.60	\$ 60.01	\$ 63.62	\$ 66.83	\$ 68.84	\$ 70.91	\$ 73.39
DC Water Clean Rivers IAC	ERU	3.45	6.64	9.57	12.77	16.79	20.68	23.12	24.52	26.08	28.32	30.67
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	3.86
Subtotal DC Water Rates & Charges		\$ 53.40	\$ 58.67	\$ 64.27	\$ 70.28	\$ 77.25	\$ 84.55	\$ 90.60	\$ 95.21	\$ 98.78	\$ 103.09	\$ 107.92
Increase / Decrease		\$ 8.25	\$ 5.27	\$ 5.60	\$ 6.01	\$ 6.97	\$ 7.30	\$ 6.05	\$ 4.61	\$ 3.57	\$ 4.31	\$ 4.83
District of Columbia PILOT (1)	Ccf	\$ 3.28	3.28	3.35	3.55	\$ 3.75	\$ 3.95	\$ 4.21	\$ 4.42	\$ 4.55	\$ 4.68	\$ 4.82
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	1.61
District of Columbia PILOT/ROW Fee	Ccf	4.22	4.28	4.42	4.69	4.95	5.22	5.55	5.82	6.02	6.22	6.43
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	2.67
Subtotal District of Columbia Charges		\$ 6.89	\$ 6.95	\$ 7.09	\$ 7.36	\$ 7.62	\$ 7.89	\$ 8.22	\$ 8.49	\$ 8.69	\$ 8.89	\$ 9.10
Total Amount Appearing on DC Water Bill		\$ 60.29	\$ 65.62	\$ 71.36	\$ 77.64	\$ 84.87	\$ 92.44	\$ 98.82	\$ 103.70	\$ 107.47	\$ 111.98	\$ 117.02
Increase / Decrease Over Prior Year		\$ 8.76	\$ 5.33	\$ 5.74	\$ 6.28	\$ 7.23	\$ 7.57	\$ 6.38	\$ 4.88	\$ 3.77	\$ 4.51	\$ 5.04
Percent Increase in Total Bill		17.0%	8.8%	8.7%	8.8%	9.3%	8.9%	6.9%	4.9%	3.6%	4.2%	4.5%

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

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

FY 2011 – FY 2021 Projected Retail Rates and Fee Changes

	Units	Recommended										
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
DC Water Retail Rates Water	Ccf	\$ 3.10	\$ 3.24	\$ 3.42	\$ 3.61	\$ 3.81	\$ 4.04	\$ 4.28	\$ 4.50	\$ 4.64	\$ 4.78	\$ 4.95
DC Water Retail Rates Sewer	Ccf	\$ 3.79	\$ 3.96	\$ 4.18	\$ 4.41	\$ 4.65	\$ 4.93	\$ 5.23	\$ 5.49	\$ 5.65	\$ 5.82	\$ 6.02
DC Water Clean Rivers IAC	ERU	\$ 3.45	\$ 6.64	\$ 9.57	\$ 12.77	\$ 16.79	\$ 20.68	\$ 23.12	\$ 24.52	\$ 26.08	\$ 28.32	\$ 30.67
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	\$ 3.86
District of Columbia PILOT Fee	Ccf	\$ 0.49	\$ 0.49	\$ 0.50	\$ 0.53	\$ 0.56	\$ 0.59	\$ 0.63	\$ 0.66	\$ 0.68	\$ 0.70	\$ 0.72
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	\$ 0.24

Comparative Operating Revenues Budgets

(\$000's)

	FY 2012 Projections	FY 2013 Revised	FY 2014 Proposed	FY 2014 vs FY 2013	
				\$	%
				<i>Incr./ (Decr.)</i>	
Retail Revenue	\$ 299,026	\$ 318,168	\$ 340,787	\$ 22,619	7.1%
Wholesale Revenue					
Potomac Interceptor	2,527	2,229	2,353	124	5.6%
Loudoun County Sanitation Authority	5,388	5,497	5,679	182	3.3%
Washington Suburban Sanitary Commission	53,309	53,491	58,423	4,932	9.2%
Fairfax County	13,481	13,978	14,445	466	3.3%
Total Wholesale Revenue	74,705	75,195	80,900	5,705	7.6%
Other Revenue	46,675	47,616	48,883	1,267	2.7%
Rate Stabilization Fund	6,500	6,500	7,000	500	7.7%
Total Revenue	\$ 426,906	\$ 447,479	\$ 477,570	\$ 30,091	6.7%

The year-end projections were made as of August 2012 and may change based on the final year-end results.

FY 2013 Committee Workplan

Objective/ <i>Activities/Task</i>	Date of Activity	Completed	Responsible Department
-----------------------------------	------------------	-----------	------------------------

1. Develop Realistic Retail Rate Revenue Projections and Alternative Retail Revenue Sources			
<ul style="list-style-type: none"> a. <i>Propose and establish Retail Rates in FY 2014</i> <ul style="list-style-type: none"> i. Rate Proposal to Joint Committee ii. Review rate design options (customer segmentation) iii. Committee recommendation iv. Board approval v. Publish DCMR vi. Public Outreach vii. Public Hearing viii. Committee recommendation on FY 2014 rates b. <i>Review draft Developer Fees</i> c. <i>Potomac Interceptor Cost of Service</i> d. <i>Howard University/Soldiers Home Negotiations</i> 	<ul style="list-style-type: none"> October 2012 November 2012 December 2012 January 2013 February 2013 March/April 2013 May 2013 June 2013 November 2012 TBD Monthly 	√	<ul style="list-style-type: none"> Rates and Revenue Rates and Revenue Rates and Revenue General Counsel

2. DC Water Affordability			
<ul style="list-style-type: none"> a. <i>Revisit CAP program and possible modifications (Expansion and or methodology)</i> <ul style="list-style-type: none"> i. Committee recommendation on CAP program with FY 2014 Budget Submission ii. Public Outreach iii. Public Hearing iv. Committee recommendation on FY 2014 IAC Discount Program b. <i>Implement LID Incentive Program for customers who utilize Best Management Practice in conjunction with DDOE</i> <ul style="list-style-type: none"> i. Legal evaluation of the DDOE proposed program; and <ul style="list-style-type: none"> - Evaluate alternatives for the Clean Rivers IAC discounts - Prepare revenue impact analysis 	<ul style="list-style-type: none"> December 2012 March/April 2013 May 2013 June 2013 December 2012 		<ul style="list-style-type: none"> Rates and Revenue Rates and Revenue

FY 2013 Committee Workplan			
Objective/ <i>Activities</i> /Task	Date of Activity	Completed	Responsible Department
2. DC Water Affordability			
ii. Committee recommendation on CRIAC Incentive Program with FY 2014 Budget Submission	December 2012		Rates and Revenue
ii. Public Outreach	March/April 2013		
iv. Public Hearing	May 2013		
v. Committee recommendation on FY 2014 CRIAC Discount Program	June 2013		
3. Develop Alternative Revenue Sources and Achieve Realistic Revenue Projections (DC Water Strategic Plan Framework)			
a. <i>Identify and evaluate potential revenue generating initiatives annually</i>	To be incorporated within Strategic Planning Initiatives		Rates and Revenue
4. 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			
	TBD based upon availability of data		
5. Review of the Potomac Interceptor contracts to see if there are opportunities to modify contracts to be similar to the IMA contracts			
	Defer Pending Final IMA		



Attachment - G

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

TUESDAY, December 18, 2012; 9:30 a.m.
AGENDA

Call to Order	Committee Chairman
Monthly Updates	Chief Financial Officer
Committee Workplan	Chief Financial Officer
Action Items	Chief Financial Officer
Emerging Issues/Other Business	Chief Financial Officer
Agenda for January 22, 2013 Committee Meeting	Chief Financial Officer
Adjournment	Committee Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm