

**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

**Board of Directors**

*DC Retail Water and Sewer Rates Committee*

*Tuesday September 23, 2014*

9:30am

- 1. **Call to Order** .....Alan Roth, Chairman
- 2. **Update on 2015 Cost of Service/Rate Structure Analysis (Attachment A)** ..... Mark Kim
- 3. **DC Retail Water and Sewer Rates Committee Workplan** ..... Mark Kim
  - **FY 2014 Completed DC Retail Rates Committee Workplan (Attachment B)**
  - **FY 2015 Proposed DC Retail Rates Committee Workplan (Attachment C)**
- 4. **Other Business** ..... Mark Kim
- 5. **Executive Session**
- 6. **Agenda for November 18, 2014 Committee Meeting (Attachment D)** .....Alan Roth, Chairman
- 7. **Adjournment**

**FOLLOW-UP-ITEMS – DC Retail Water and Sewer Rates Committee Meeting (July 22, 2014)**

- 1. Prepare a General Principle of Affordability for Low-Income Customers Resolution. (**Ms. Richardson**) Status: Complete
- 2. Prepare CAP customers average usage analysis. (**Mr. Gibbs**) Status: November 2014



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# 2015 Cost of Service and Rate Structure Analysis

Presentation to:

DC Water Retail Water and Sewer Rates Committee

Mark Kim, Chief Financial Officer

September 23, 2014



# 2015 Cost of Service Study



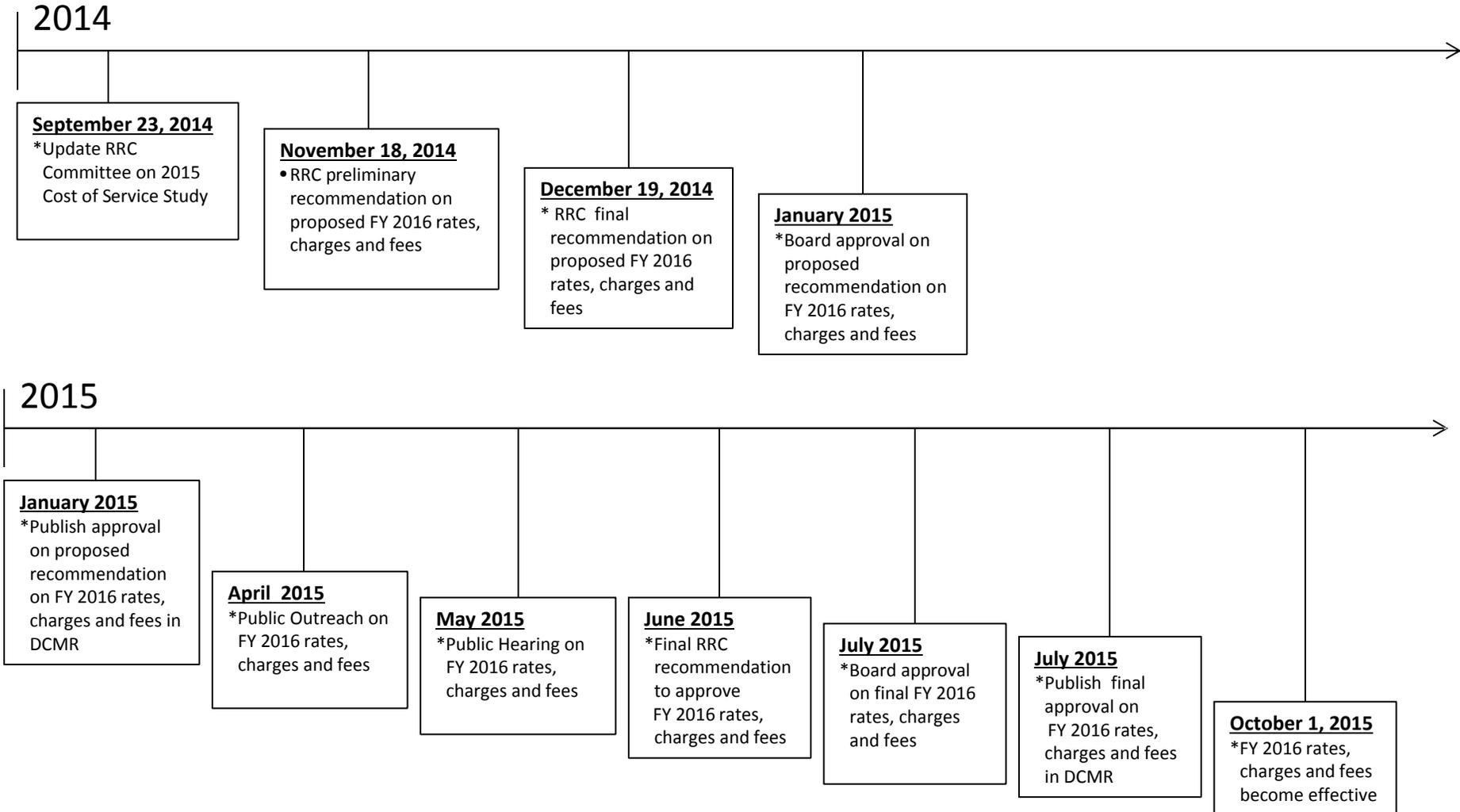
## 2015 Cost of Service Objectives

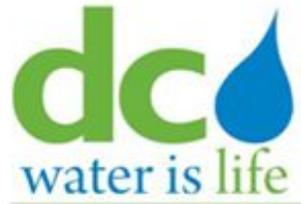
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- ❑ DC Water has, historically, performed a Cost of Service Study every three years
  
- ❑ Objectives of the Cost of Service Study:
  - Verify that the projected rates and charges will provide sufficient revenue to sustain the utility system
  - Align the elements of the DC Water rate structure with their costs
  
- ❑ Expanded scope to address affordability:
  - Alternative rate structure
  - Review of current affordability program
  - Additional fees and charges



# 2015 Cost of Service Timeline





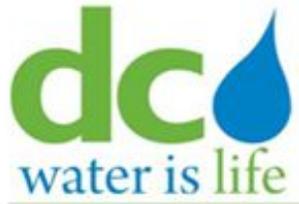
# Rate Structure Analysis



## Rate Setting Objectives

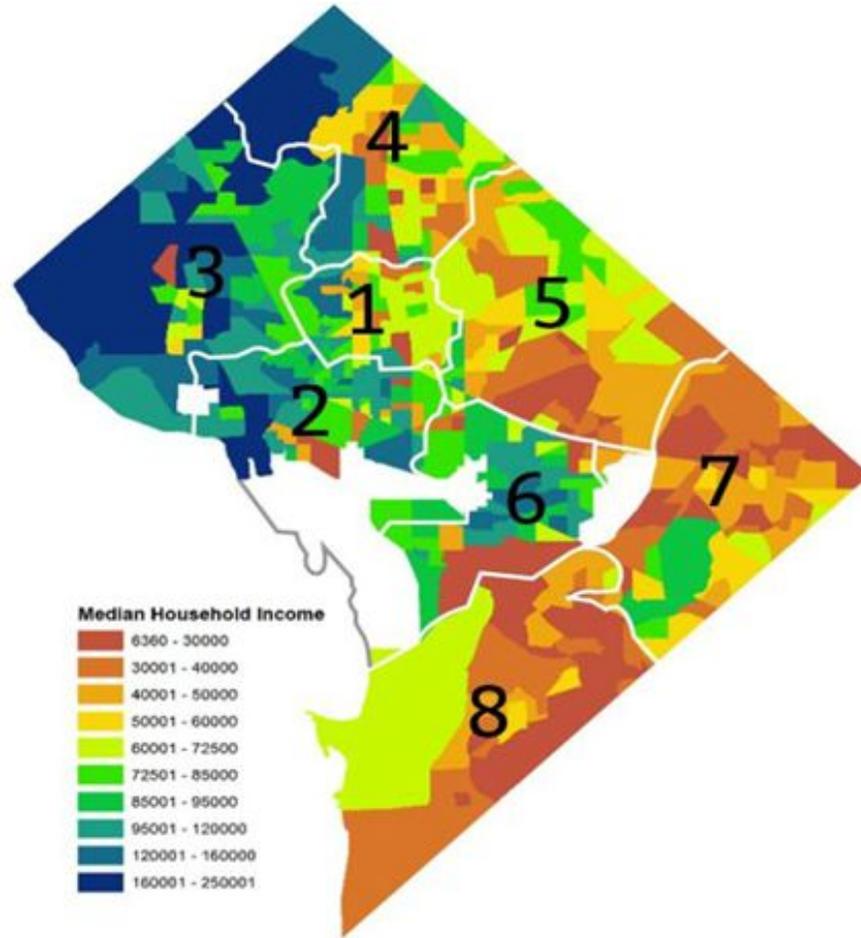
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- ❑ On September 4, 2014, DC Water’s Board approved the General Principles of Affordability for Low-Income Customers Resolution to:
  - Consider rate impacts on low-income customers
  - Explore affordability alternatives for low-income customers
  - Develop a more innovative rate structure
  
- ❑ Goal:
  - Develop alternative rate structures designed to recover DC Water’s cost of service in a fair and equitable manner by taking into consideration the burden on low-income, economically disadvantaged customers
  
- ❑ Methodology:
  - Analyze customer consumption patterns together with geographic and demographic US Census Bureau data and incorporate rate structure recommendations into the 2015 Cost of Service Study



# Income Analysis by Ward

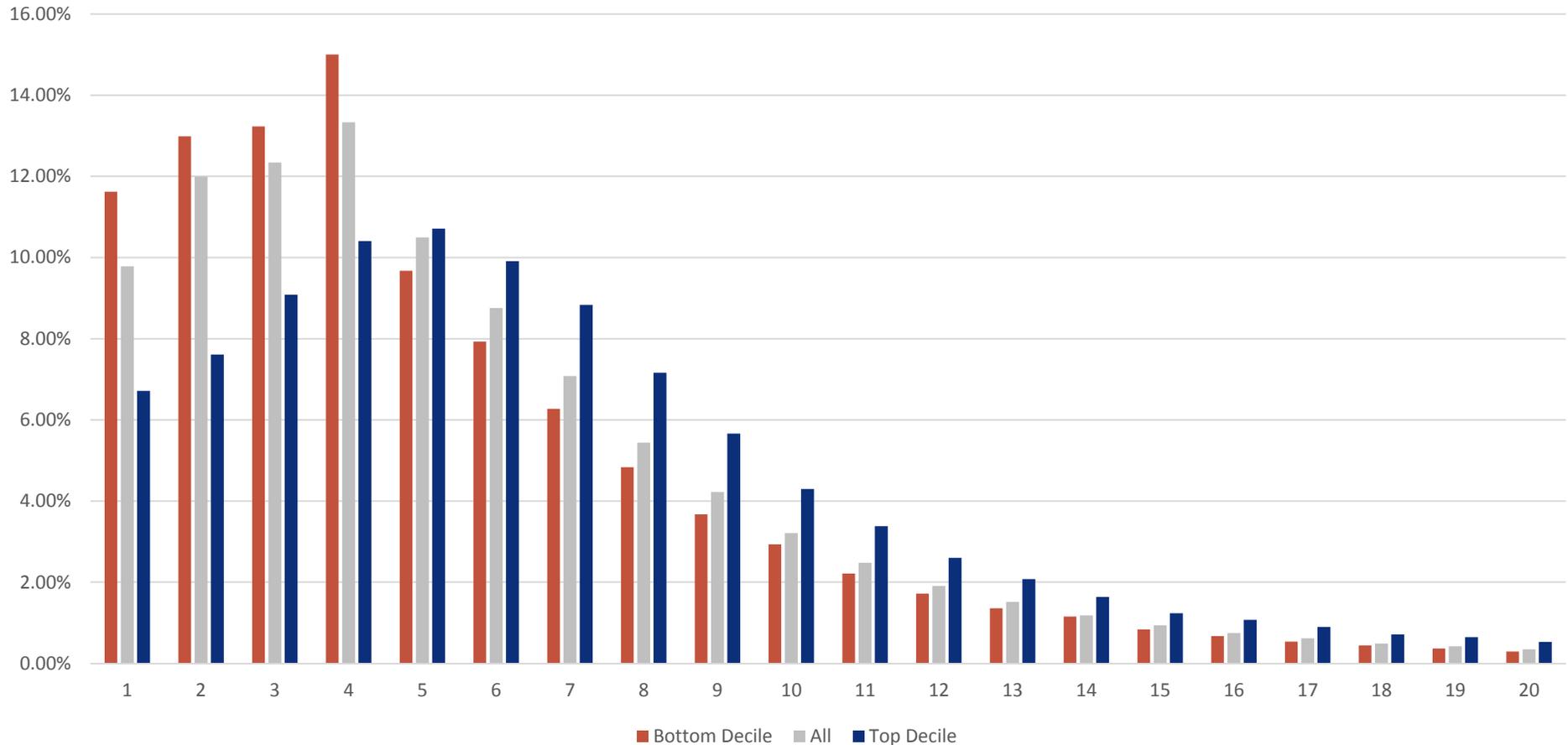
2012 US Census Bureau Data on Income





# Consumption Analysis by Income

Residential Water Use (Ccf) Distribution by Census Block Group Income

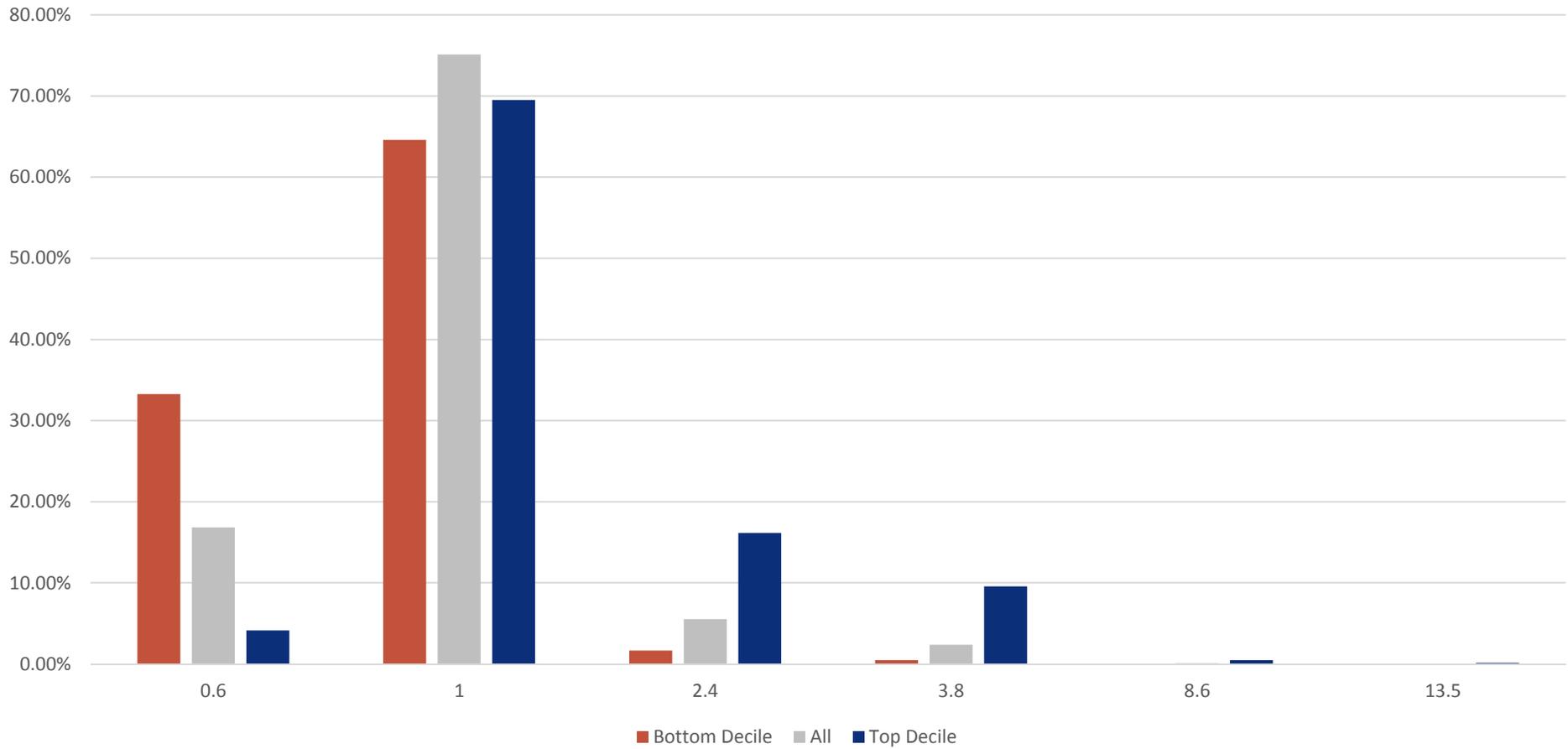


- 2012 Average residential usage for the bottom income decile is 5.9 Ccf, median usage is 4 Ccf
- 2012 Average residential usage for the top income decile is 7.9 Ccf, median usage is 6 Ccf
- 2012 US Census Bureau Data



# Impervious Area Charge Analysis by Income

Residential Impervious Tier (ERU) Distribution by Census Block Group Income



- 2012 Residential Impervious Tier (ERU) Data
- 2012 US Census Bureau Data



## Peak Demand Analysis by Customer Class

Peak Demand:

- Peak water usage is the extent to which a customer, or class of customers, regularly exceeds average usage
- Peak water usage is one factor driving system costs
- The class peaking factor provides the basis for developing class-based rates

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	7,889,813	657,484	1.11	729,808	72,323
Non-Residential (2)	18,601,174	1,550,098	1.34	2,077,131	527,033
	<b>33,687,657</b>				<b>701,309</b>

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

(2) Includes Public and Private DCHA

Class peaking factors will be updated as part of the 2015 COS Study



## Alternative Fees and Charges

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- Redevelopment Impact Fee:
  - Development or redevelopment opportunities in the District have an impact on system capacity and other infrastructure
  - An Impact Fee would recover the incremental costs of providing service to new development projects by reimbursing existing customers for prior investments made in system capacity and infrastructure
  
- Cross Connection Fee:
  - Cross-connections are physical links through which it is possible for contaminating materials to enter a potable water supply
  - A cross-connection fee would recover the costs to protect the potable water distribution from contamination or pollution due to backflow of contaminants at the water service connection
  
- 1% Main Replacement Program Fee/Infrastructure Surcharge



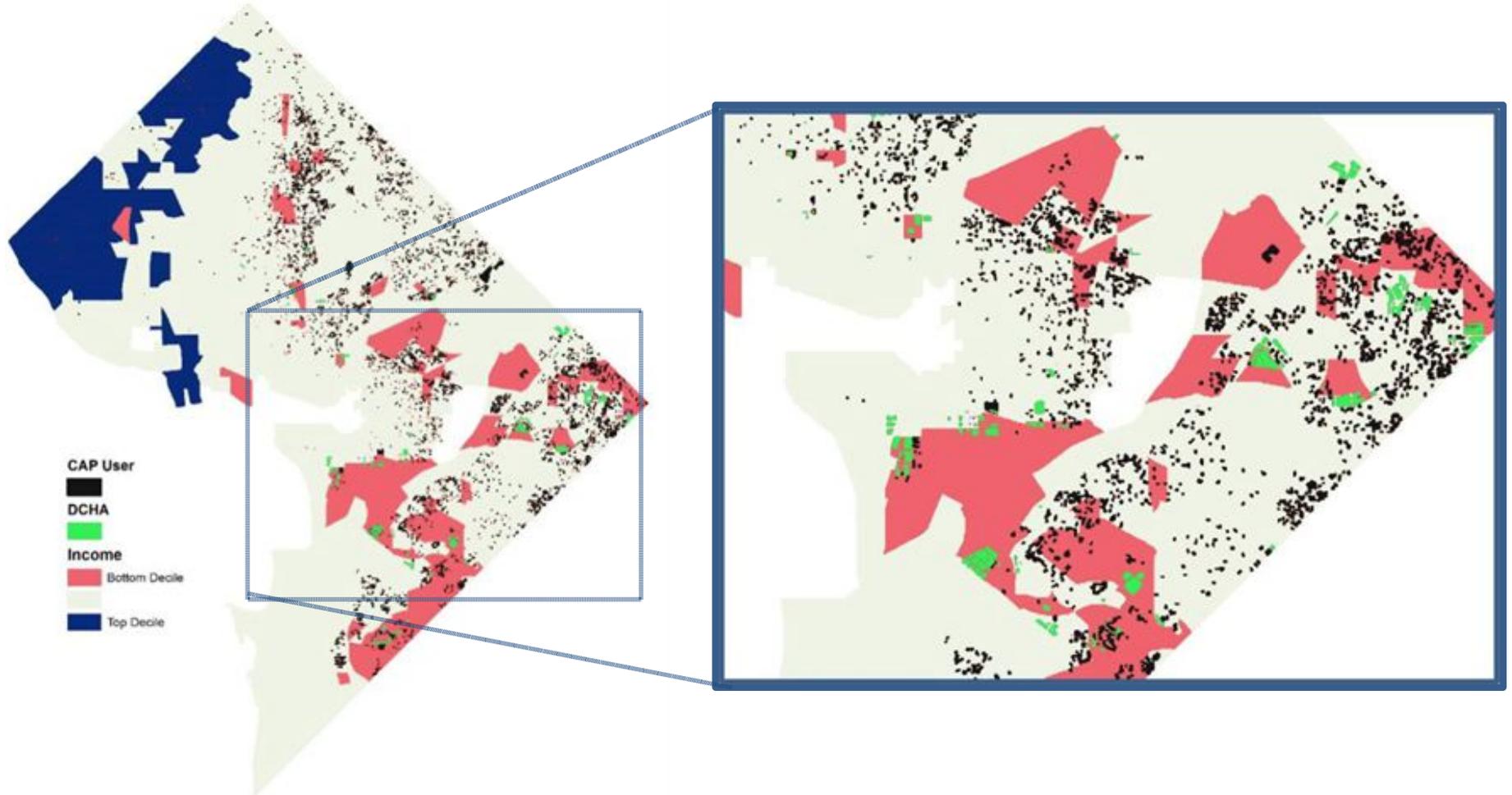
## Review of Customer Assistance Program (CAP)

- 17% of DC's 261,000\* households are below the Federal Poverty Level – approximately 42,000 households
  
- Even if 80% of these fall into Multi-Family/DC Housing Authority designations, 10,000 Residential accounts could be CAP candidates
  
- As of September 2013, approximately 5,206 accounts were designated to receive CAP

\* 2012 US Census Bureau Data



# CAP Participation by Geography





## CAP Affordability Analysis

- ❑ A monthly bill of \$46.47 (\$578 annually) is affordable for incomes greater than \$13,941 per year
- ❑ Approximately 97% of DC households earn over this amount

CAP Customer Bill (FY 2015)	
Water Volumetric (2.69 Ccf)	\$ 10.44
Sewer Volumetric (2.69 Ccf)	12.75
CRIAC (tier 2)	16.75
Metering Fee (5/8" meter)	3.86
Stormwater Fee	2.67
<b>TOTAL MONTHLY BILL</b>	<b>\$ 46.47</b>

- CAP Customer Bill includes the Stormwater fee because this service is captured as part of the EPA affordability guidance of 4% of median household income criteria
- CAP Customer Bill excludes the PILOT & ROW fees because these services fall outside of the EPA affordability guidance of 4% of median household income criteria



## Next Steps

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- ❑ Present preliminary recommendations for 2015 Cost of Service Study at the November DC Retail Water and Sewer Rates Committee meeting
  - Alternative Rate Structure
  - Additional Fees and Charges
  - Affordability Programs
  
- ❑ Incorporate final recommendations into 2015 Cost of Service Study for December committee meeting

FY 2014 Completed Committee Workplan			
Objective/ <i>Activities</i> /Task	Date of Activity	Completed	Responsible Department
1. Develop Realistic Retail Rate Revenue Projections and Alternative Retail Revenue Sources			
<i>a. Propose and establish Retail Rates in FY 2015</i>			Rates and Revenue
i. Budget and Rate Proposal Briefing following Board meeting	November 7, 2013	√	
ii. RRC Committee recommendation	November 19, 2013	√	
iii. Board approval	December 2013	√	
iv. Publish Proposed Rates in DCMR	January 17, 2014	√	General Counsel
v. Public Outreach	April 2014	√	External Affairs
vi. Public Hearing	May 14, 2014	√	Board Secretary
vii. Committee recommendation on FY 2015 rates	July 22 & September 4, 2014	√	
viii. Board Approval on FY 2015 rates	September 4, 2014	√	
ix. Publish Final Rates in DCMR	September 19, 2014	√	General Counsel
2. DC Water Affordability			
<i>a. CAP &amp; SPLASH Updates (Expansion and/or methodology)</i>			Rates and Revenue
i. Explore CAP water conservation options	January 28, 2014	√	Customer Service
ii. Explore SPLASH options	January 28, 2014	√	Customer Service
<i>b. Negotiation with EPA over CSO Consent Decree</i>			
i. Integrated Planning Framework (IPF) Overview of Affordability	March 25, 2014	√	DETS
3. 2015 Cost of Service Study Water & Sewer			
<i>a. Update on Rate Structure Alternatives</i>	March 25, 2014	√	Rates and Revenue
<i>b. Update on Customer Consumption Analysis</i>	September 23, 2014	√	Rates and Revenue
<i>c. Update on Redevelopment Impact Fee</i>	September 23, 2014	√	Rates and Revenue
<i>d. Update on Affordability Programs</i>	September 23, 2014	√	Rates and Revenue

<b>FY 2014 Completed Committee Workplan</b>			
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Objective/ <i>Activities</i> /Task	Date of Activity	Completed	Responsible Department
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4. Delinquent Accounts			
a. <i>Soldiers Home Negotiations</i>	Monthly	√	General Counsel

5. Strategic Plan			
a. Develop Alternative Revenue Sources and Achieve Realistic Revenue Projections (DC Water Strategic Plan Framework)	On-going updates to Committee		Rates and Revenue
i. <i>Identify and evaluate potential revenue generating initiatives annually</i>			

6. DCGIS FY 2014 Flyover			
a. <i>Update Committee on FY 2014 Flyovers</i>	Fall 2014		Customer Service

FY 2015 Proposed Committee Workplan			
Objective/ <i>Activities</i> /Task	Date of Activity	Completed	Responsible Department

1. Develop Realistic Retail Rate Revenue Projections and Alternative Retail Revenue Sources			
<i>a. Propose and establish Retail Rates in FY 2016</i>			Rates and Revenue
i. RRC Budget Proposal Briefing	November 18, 2014		
ii. RRC preliminary recommendation on FY 2016 rates	November 18, 2014		
iii. RRC final recommendation on proposed FY 2016 rates	December 19, 2014		
iv. Board approval	January TBD, 2015		
v. Publish Proposed Rates in DCMR	January TBD, 2015		General Counsel
vi. Public Outreach	April 2015		External Affairs
vii. Public Hearing	May TBD, 2015		Board Secretary
viii. RRC final recommendation to approve FY 2016 rates	June TBD, 2015		
ix. Board Approval on FY 2016 rates	July TBD, 2015		
x. Publish Final Rates in DCMR	July TBD, 2015		General Counsel

2. 2015 Cost of Service Study Water & Sewer			
<i>a. Final 2015 Cost of Service Study Water &amp; Sewer</i>	Winter 2015		Rates and Revenue

3. 2015 Cost of Service Study Fire Protection Fee			
<i>a. Fire Protection Fee COS</i>	November 2014		Rates and Revenue

4. Delinquent Accounts			
<i>a. Soldiers Home Negotiations</i>	Monthly, as needed		General Counsel

<b>FY 2015 Proposed Committee Workplan</b>			
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Objective/ <i>Activities</i> /Task	Date of Activity	Completed	Responsible Department
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5. Strategic Plan			
a. Develop Alternative Revenue Sources and Achieve Realistic Revenue Projections (DC Water Strategic Plan Framework) <ul style="list-style-type: none"> <li>i. <i>Identify and evaluate potential revenue generating initiatives annually</i></li> </ul>	On-going updates to Committee		Rates and Revenue

6. DCGIS FY 2014 Flyover			
a. <i>Update Committee on FY 2014 Flyovers</i>	February 2015		Customer Service



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

THURSDAY, November 18, 2014; 9:30 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>Other Business</b>	Chief Financial Officer
<b>Agenda for December 19, 2014 Committee Meeting</b>	Committee Chairman
<b>Adjournment</b>	

\*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)