



**MINUTES OF THE MEETING
RETAIL WATER AND SEWER RATES COMMITTEE
FEBRUARY 24, 2025
(via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Rachna Bhatt, Chairperson
2. Howard Gibbs, Vice-Chairperson
3. Anthony Giancola, Principal
4. Richard Jackson, Principal

DC WATER STAFF

1. Matthew Brown, Chief Financial Officer and EVP
2. Marc K. Battle, Chief Legal Officer and EVP
3. Jeffrey Thompson, Chief Operating Officer and EVP
4. Michelle Rhodd, Secretary to the Board

The DC Retail Water and Sewer Rates Committee meeting was called to order by Rachna Bhatt, Chairperson, at 9:32 AM. Board Secretary Michelle Rhodd called the roll.

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

Matthew Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance presented the monthly report for the period ending January 31, 2025, noting that the Authority's revenue was favorable to budget. There were favorable variances in the Residential/Commercial/Multi-Family category, as commercial revenue has returned to within half a percent of pre-COVID levels, and in the Wholesale category due to early payment by wholesale customers. There was also a positive variance in the Other category due to the fire protection fee and a Blue Drop refund provided to jurisdictions, including DC Water. Mr. Brown stated that the District members of the Board would discuss how to allocate the DC portion of the additional \$4.4 million and noted that wholesale customers had received credits on their bills as a result of the refund. There was an unfavorable variance in the DC Housing Authority category due to slightly lower-than-anticipated consumption.

Delinquent accounts receivable declined slightly in both dollar value and number for the first time since 2023. Mr. Brown noted that before COVID, these accounts totaled approximately \$12.8 million and grew to nearly three times that amount by December 31,

2024. The Multifamily category grew to represent 55 percent of the balancing owing but reduced slightly to 54 percent in January.

Chairperson Bhatt requested an update on the recent District Council oversight hearing. Mr. Brown explained that there were several hours of questions covering the Clean Rivers Program, rates, Authority finances, and specific council member concerns about projects in their neighborhoods. He noted it was a positive, forward-looking conversation. Specific questions were raised about delinquent accounts. Mr. Brown noted that the Authority will need to adopt a stricter approach to disconnections to ensure that customers who are able to pay their bills do so.

Mr. Brown highlighted the new leak detection program that uses ratepayer money for assessments and funds provided by the District of Columbia to complete repairs. In one case, a customer bill was \$1,000 per month with usage that was several times that of the average customer. He noted these repairs will have a favorable impact for customers and for DC Water.

Committee member Anthony Giancola asked if there were statistics available to demonstrate the delinquent account levels of peers nationwide. Mr. Brown provided some anecdotal information from Atlanta and New York City, and stated he would follow up with data on this issue.

Mr. Giancola inquired about a council member who was trying to introduce a bill to prevent the Authority from cutting off water for delinquent customers and asked if that council member had been briefed on the scope of the issue. Mr. Brown and Mr. Battle stated that the council member had been briefed and understood the situation and has now introduced a new bill that the Authority is comfortable with supporting.

Chairperson Bhatt observed that the largest decrease in delinquent accounts was in 2019 and asked what actions led to that decrease. Mr. Brown noted there was a similar decrease in 2023 and both decreases were for similar reasons. In 2018, DC Water implemented a new customer billing and information system. Knowing these systems can result in a high volume of disputed bills, customer service took a conservative approach to collection activity at that time to ensure bills were accurate, which resulted in higher delinquencies. When normal posture for disconnections was resumed, the delinquencies were reduced.

Mr. Brown reviewed the Developer Deposits report, noting continued progress toward clearing the backlog of deposits. In 2025 to date, 42 accounts have been refunded for a total of \$246,362.16, of which 7 were completed in the last month.

He described the Payment Plan Incentive Program that can help delinquent customers get back on track. If residential customers make three consecutive payments on time, the Authority will match 40% of the amount paid as a credit to the past due amount.

Customers can continue to leverage the program every three months until the end of the fiscal year.

II. REVISED FY2025 AND PROPOSED FY2026 BUDGET

Mr. Brown reviewed the revised budget for the fiscal year beginning October 1, 2025. He noted that questions received about the budget were answered, and the Office of People's Counsel budget briefing and Wholesale Customer briefings were completed. On February 27, 2025, the Finance and Budget Committee will review the budget to complete the required committee reviews.

He noted that DC Water has some of the most robust customer assistance programs in the nation. A widely used affordability metric suggests that a customer can afford their water bill if it constitutes up to 4% of their median household income. However, DC Water analyzes customer income at various thresholds (e.g., 20%, 30%, 40%) and designs assistance programs that reduce bills to approximately 1% of household income for those enrolled in the Customer Assistance Programs.

Operating revenue for FY26 is expected to exceed \$1 billion. The budget proposal also revised the FY25 revenue budget. The main increases are an adjustment to retail revenue due to higher commercial usage and for the fire protection fee.

Mr. Brown reviewed the table of historical and projected combined rate increases, noting rate increases slightly lower than previously anticipated in the near term because of higher anticipated consumption and higher increases in the out-years of the plan because of the addition of anticipated capital spending.

He noted a small change to the financial plan after it was introduced. In the past, the Authority was conservative true-up assumptions in the Financial Plan. The assumption for the true-ups has been reduced to approximately \$3 million a year, which adds about \$16 million to the financial plan, ultimately impacting estimates of projected borrowing.

Mr. Brown completed his budget review with a summary of financial metrics, including the goal to maintain 267 to 269 days of cash on hand and the projected overall impact of borrowing costs at 25.9% to 33.0% of revenue.

Mr. Giancola noted that the financial metrics table includes a metric for the median leverage ratio of debt to capitalization and noted that median values tend to be higher than average values. He inquired whether the average value was available. Mr. Brown stated that he would follow up on this item.

III. ACTION ITEM

The Retail Water and Sewer Rates Committee agreed to recommend Board approval of the revised FY2025 to FY2034 Financial Plan, including the updated revenue to support the operating and capital budgets.

IV. DC RETAIL WATER AND SEWER RATES COMMITTEE WORKPLAN

Mr. Brown reviewed the committee workplan, noting that all items in Sections 1 through 3 were complete. Section 4's review for the FY2025 revised and FY2026 proposed budget and financial plan were complete at the current meeting and awaiting Board approval on March 6, 2025. The Cost of Service Study of Potomac Interceptor and Cost of Service Study to establish Miscellaneous Fees will be presented to Retail Rate Committee in the spring of 2025. Mr. Brown also noted that we have started planning next year's Cost of Service Study for Water, Sewer and CRIAC rate making.

V. AGENDA FOR MARCH 25, 2025, COMMITTEE MEETING

The March 25, 2025, meeting will include the monthly update, committee work plan, and any other items the committee wishes to discuss.

VI. OTHER BUSINESS

Chairperson Bhatt asked staff to update the Committee on how executive orders are affecting DC Water's budget and plans as a regular agenda item at each meeting. She noted that due to the shrinking federal workforce, commercial office buildings may have fewer tenants. This may affect revenue to the extent that it would affect planning. Mr. Brown noted these orders might also impact procurement costs for supplies, including iron and steel and various chemicals and raw materials.

Committee member Howard Gibbs noted that he had a question about liability and disconnections. Mr. Brown stated Customer Service was working with Legal to answer to that question.

VII. ADJOURNMENT

The meeting adjourned at 10:09 AM.

Follow-up Actions:

1. Mr. Brown will provide statistics on delinquent account levels of peers nationwide.
2. Mr. Brown will find out if an average of the days of cash information is available.
3. Ms. Thomas will follow-up on the liability question.