MINUTES OF THE MEETING
DC RETAIL WATER AND SEWER RATES COMMITTEE
APRIL 22, 2025
(via Microsoft Teams)

COMMITTEE MEMBERS PRESENT

1. Rachna Bhatt, Chairperson
2. Howard Gibbs, Vice-Chairperson
3. Unique Morris-Hughes, Principal

DC WATER STAFF

1. Matthew Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance
2. Marc Battle, Chief Legal Officer and EVP, Government and Legal Affairs
3. Kirsten Williams, Chief Administration Officer and EVP
4. Jeff Thompson, Chief Operating Officer and EVP
5. Michelle Rhodd, Secretary to the Board

The DC Retail Water and Sewer Rates Committee meeting was called to order by Rachna Bhatt, Chairperson, at 9:31 AM. Board Secretary Michelle Rhodd called the roll.

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

Matthew Brown, CFO and EVP, presented the monthly report for the period ending March 31, 2025, noting that the Authority's year-to-date revenue exceeded the revised budget by approximately 1.8 percent, or $8.7 million. The largest favorable variance is in the Residential, Commercial, and Multi-Family category driven by higher CRIAC receipts. An unfavorable variance was reported in the DC Housing Authority category due to March 2025 payment being made in April.

The All Other category was ahead of budget due to a Blue Drop payment. Mr. Brown noted that the Committee will discuss the allocation of the District's share of this revenue in the future. Mr. Brown noted that the system availability fee (SAF) is experiencing a negative variance of approximately 60%, which would also be discussed in the next presentation this morning.

Mr. Brown mentioned the Stakeholder Alliance meeting held on April 21, 2025, where a question was raised regarding the federal government's contribution to the Clean Rivers Impervious Area charge (CRIAC). Mr. Brown clarified that the CRIAC is paid by all customers and that the federal government's share is approximately $21 million this year.

In response to Chairperson Bhatt's question, Mr. Brown confirmed that neither the District nor the federal government pays for the CRIAC on rights-of-way (ROW). Mr. Brown will provide the Committee with the approximate value of ROW if CRIAC were to be charged.

Delinquent accounts slightly increased in dollar value but slightly decreased in number of accounts. The Multifamily category accounts for 54 percent of the 90-day balance owed.

Mr. Brown reviewed the Developer Deposits report, noting continued progress toward clearing the backlog of deposits with 30 accounts processed a total of approximately $245,000 in refunds during this month. Mr. Brown reported that a solution to the backlog of developer deposits would be discussed in the next presentation.

II. MISCELLANEOUS FEES & CHARGES COST OF SERVICE STUDY UPDATE

Mr. Brown introduced the Miscellaneous Fee Cost of Service (COS) study, noting that the last study was completed in 2022. The new study was completed by Raftelis and the study plan includes a public comment period.

John Davis and Vanessa Bryant of Raftelis presented an overview of the study, beginning with the study objective to conduct a comprehensive review using calculations based on budget, cost of service, and inflation.

Miscellaneous fees are charged to recover costs for staff time, materials, and technology. Major changes in the COS study include changing reimbursable developer fees to fixed fees, expanding ProjectDox fees to include more specific fees for various situations, and adding new meter relocation fees.

Budget-based Fee Calculations

Ms. Bryant summarized the proposed engineering and permitting fees. The total target revenue for the Permit Operations Department is $8.79 million, a $3 million increase over the prior study as the Permit Operations team now includes 18 inspectors from the Department of Engineering and Technical Services.

A significant proposed change is the introduction of fixed developer fees to replace the current reimbursable inspection fee that covers both inspection work. Under the current system, when the work is complete and the project is closed out the customer is provided the remaining balance. The move to fixed fees will save significant staff time needed to process developer deposit invoices at the end of projects. Ms. Bryant also noted historical revenue loss when work takes longer than expected and the deposit amount is exceeded, requiring DC Water to ask for additional funds that customers may not pay in a timely manner. Fixed fees will also improve transparency for customers as they will know up front how much they will pay for inspections.

The fixed fees will cover all inspection work, including inspections of pipe installations, reporting and sketches, travel time, project research, and supervisor time. Ogechi Okpechi responded to Ms. Bhatt, confirming that DC Water will continue to collect deposits against damages to cover accidental damage on job sites. The deposits will be fully refunded at the project's conclusion, provided no damages occur.

New fees for meter relocations are being introduced to reflect the actual work performed. These fees will enhance operational efficiency and support more accurate tracking of project costs. ProjectDox fees will be based on ProjectDox software usage for project reviews by the Department of Building and are to ensure that they are consistently collected.

Next, Ms. Bryant discussed the Fats/Oils/Grease (FOG), Cross Connection and Backflow Prevention (CC/BPA) fee update, which is driven by cost changes that include an increase in costs associated with the development of a new certification online portal to help identify repairs and track repair progress. The FOG fee is primarily charged to restaurants and food service establishments that may produce high volumes of grease. It funds a program to enforce the installation and maintenance of FOG abatement systems as required by the DC plumbing code. Using a cost-based approach, the service cost that must be covered by the FOG fee is $1.13 million per year. In 2023, the monthly FOG fee per participant was $18.70. In $2025, the rate will increase to $24.50.

The CC/BPA program enforces installation and maintenance of backflow prevention assemblies as required by the DC plumbing code to protect the District public water supply system. In 2025, the fee will be reduced from $6.70 to $6.20 using precise costs to cover the cost of service of $1.17 million annually. In response to a question from Ms. Bhatt, Ms. Bryant explained that IT costs were broken out from the other CC/BPA costs as it was previously accounted for under a different department and there was a desire to accurately reflect the total cost of IT support for the program.

Cost of Service-Based Fee Calculations

Ms. Bryant discussed COS-based fee calculations with a focus on high strength fees. She noted that high strength wastewater differs from standard domestic and requires additional chemicals and electricity to treat. The high strength waste fee will increase from $77 to $91 per Kgal. In response to a question from Vice Chairperson Howard Gibbs, Ms. Bryant clarified that high strength wastewater is delivered to Blue Plains on trucks and does not run through pipes. Mr. Davis noted that pipes are a very good mixing mechanism that balances higher strength flows with lower strength.

Inflation-Based Fee Calculations

Miscellaneous service fees will be increased by 6%, based on CPI data for the DC Metro Region for FY2026 to FY2028. The fees have not been updated since 2022, but personnel and other costs have increased. The fee increase will add approximately $300,000 in revenue annually. All of those fees are detailed in the appendix.

The broken bypass seal fee will increase from $745 to $790. The unauthorized water or sewer connection fee, which is intended as a penalty for theft of service, with increase from a flat rate of $260 to a scaled fee of $400 for a first instance, $800 for a second instance, then $1,200 for each instance thereafter.

Ms. Bhatt noted that while end users face penalties, contractors involved in the installations also contribute to service theft. Ms. Bhatt inquired whether there is an option to blacklist contractors that perform illegal connections. Ogechi Okpechi, Director Permit Operations mentioned that conversations with the developer community have begun to address this issue, aiming to ensure developers are informed about contractors who fail to adhere to DC Water's standards and have enabled service theft.

New fees have also been added for industrial waste to recoup costs for the sampling and analysis of PFAS at industrial facilities.

System Availability Fees (SAF)

SAFs were also reviewed to ensure they recover the cost of maintaining capacity in DC Water's treatment and distribution/collection system and to provide service to new customers. Last year's budget was approximately $7.7 million while revenues were approximately $2.3 million, and the fees have not been updated since 2018. These fees are only charged for new construction. The highest fees are charged for the largest pipe meter size and would typically apply to large buildings such as convention centers.

In response to a question from Ms. Bhatt, Mr. Davis noted that fees for 2" meters are much higher for jurisdictions outside of the District of Columbia because new DC requirements for fire suppression mean there are fewer small meters in the DC system.

Recommendation

Mr. Brown reviewed the COS work plan and noted that the COS study was part of a rule-making process. He asked the Chair to recommend the study for Board approval on May 1, 2025, noting that the public comment period would follow.

Mr. Brown further recommended that DC Water should conduct a study to update the SAFs.

III. 2025 POTOMAC INTERCEPTOR COST OF SERVICE STUDY UPDATE

Mr. Brown introduced the cost-of-service study update for the Potomac Interceptor for FY2026 to FY2028 completed by Amawalk Consulting, noting that DC Water conveys wastewater through its Potomac Interceptor (PI) for the Town of Vienna, Dulles International Airport, the National Park Service and the Department of Navy (collectively referred to as the “Small PI Users”) and the COS study is completed every three years to update the costs for the Small PI Users.

Ed Markus and Shan Lin of Amawalk Consulting presented the report, noting that the study includes a true-up analysis for 2022–2024 and proposed rates for 2026–2028 (the forecast period).

Ms. Lin noted that Small PI Users pay their proportionate share of DC Water’s operating and capital costs (the COS) based on a rate per mg of wastewater, as stipulated in the Small PI User agreements. Costs include shares of operation, maintenance, and repair expenses of the wastewater system, including administrative support, the original cost of the PI and Blue Plains, and capital improvements to Blue Plains, the PI, CSO facilities and other common-to-all assets over the last 30 years. Ms. Lin provided an overview of the methodology used for calculating COS for the study.

Mr. Markus reported that the actual COS for 2022–2024 was $10,728,088. This was an increase of 13.9 percent over the cost of service for the preceding period of 2019–2021, which was $9,419,393. True-up calculations compare the actual COS to the forecasted COS in the 2022 study; per this calculation, Vienna and the U.S. Navy are entitled to credits while supplemental charges are appropriate for Dulles and the National Park Service. The net difference is a $133,409 credit to Small PI Users.

The COS is expected to increase in 2026–2028, which is driven by increases in debt service costs. Capital costs are expected to increase significantly compared to prior years. Expenses are anticipated to increase at the rate of 4.1 percent in 2026 and 4.0 percent in 2027 and 2028.

Cost-related assumptions used to forecast upcoming rates include a 100% commitment to DC Water’s planned capital improvements, and an average interest rate of 6.0 percent and a 30-year amortization for debt financing for all Small PI User-related capital improvements. Wastewater flow-related assumptions include a slow decline in Vienna flows, a gradual increase in Dulles flows, and no significant change to NPS and Navy flows, in total leading to a decline in Blue Plains flows at an average rate of 0.5% per year while reserve capacities remain the same.

Based on these assumptions, the Forecast Period COS for Small PI Users is expected to

be $15,594,705. Forecast Period unit rates will accordingly increase by approximately 45% over 2022 – 2024. Mr. Markus noted that while the unit rate increase is substantial, the rate covers a three-year period and a significant increase in capital costs.
Recommendation

Mr. Brown noted that Committee approval is not needed for the Proposed Small PI User wastewater rates changes. The Committee accepted the Potomac Interceptor COS study.

IV. **ACTION ITEM:**

Upon a motion duly made, the Retail Water and Sewer Rate Committee recommended approval of the Notice of Public Rulemaking (NOPR) for the Miscellaneous/Permit fees, FOG and Backflow Prevention fees to the Board with new fees to take effect October 1, 2025, as presented.

V. DC RETAIL WATER AND SEWER RATES COMMITTEE WORKPLAN

Mr. Brown reviewed the Committee workplan, noting that Items 5 and 6 had been completed over the course of the meeting. Mr. Brown also noted that work is beginning on the Cost of Service Study for the rate proposal in January 2026.

VI. AGENDA FOR MAY 27, 2025, COMMITTEE MEETING

The May 27, 2025, meeting will include the monthly update, Committee workplan, and any other items the Committee wishes to discuss.

VII. ADJOURNMENT

The meeting adjourned at 10:50 AM.

Follow-up Actions:

1. Mr. Brown will provide the Committee with the value of the Rights-of-Way.