



**MINUTES OF THE MEETING
DC RETAIL WATER AND SEWER RATES COMMITTEE
JANUARY 27, 2026
(via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Rachna Bhatt, Chairperson
2. Howard Gibbs, Vice Chairperson
3. Anthony Giancola, Principal
4. Unique Morris-Hughes, Principal
5. Richard Jackson, Principal
6. Alexander McPhail, Alternate
7. Jimmy Ortiz, Alternate
8. Jed Ross, Principal

DC WATER STAFF

1. David L. Gadis, Chief Executive Officer and General Manager
2. Lola Oyeyemi, Interim Chief Financial Officer and EVP
3. Kirsten Williams, Chief Administration Officer and EVP
4. Matthew Brown, Chief Operating Officer and EVP
5. Amber Jackson, Chief People Officer and EVP and Interim Chief Legal Officer
6. Barbara Mitchell, Associate General Counsel and Director of Government and Legal Affairs
7. Michelle Rhodd, Secretary to the Board

CONSULTANT

1. John Davis, Raftelis
2. Vanessa Bryant, Raftelis

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

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

Syed Khalil, Vice President, Rates and Revenue, presented the monthly report for the period ending December 31, 2025, highlighting that the fiscal year ended with favorable variances in revenues overall. The cash receipts totaled \$259.5 million or 25.7% of the budget.

The receipts for the Residential, Commercial and Multi-family categories were favorable at \$152.0 million or 25.9 percent of the budget. The higher receipts were partly due to slightly higher CRIAC than the budget and partly due to collections from prior months' billings. The federal government made its first quarterly payment in October and wholesale customers in November. The unfavorable variance for the DC Housing Authority was due to lower consumption resulting from moving of certain accounts to other categories. Mr. Khalil also noted that consumption and revenue estimates for other customer categories, including residential customers, have been revised and will be reflected upon approval of updated budget numbers in March.

Delinquent accounts increased both in the dollar value and number of accounts. The Multifamily category accounts for 48 percent of the 90-day delinquent balance.

Mr. Khalil reviewed the progress on Developer Deposits, noting that 9 accounts were refunded in November 2025 for an approximate total of fifty-seven thousand dollars, and 39 accounts were refunded in December 2025, for an approximate total of three hundred twenty four thousand dollars.

Committee member Alexander McPhail noted there were approximately 11,000 delinquent accounts worth over \$33 million and asked for an update on the Authority's efforts to collect those accounts. He advised that the Authority could be more assertive with commercial clients, given utility costs are part of doing business. Mr. Khalil clarified that the delinquent amount had been reduced to approximately \$31 million since September and discussed challenges to collect amounts from multi-family clients, especially during the winter when there was a moratorium on disconnections. Kirsten Williams, Chief Administrative Officer, added that business accounts do not follow the same protocols as residential accounts. However, many commercial clients are in mixed-use buildings, where residential customer considerations also apply.

Committee member Anthony Giancola noted the legal complications affecting collection strategies and asked the legal team for an update. Amber Jackson, Interim Chief Legal Officer, agreed to schedule a legal update.

Dr. McPhail stated that the number of commercial accounts with balances more than 90 days past due was unacceptable and warranted strong action. He is concerned about the impact of upcoming rate increases on the outstanding delinquent amount.

II. 2025 COST OF SERVICE STUDY UPDATE FOR WATER, SEWER, AND CRIAC

Mr. Khalil noted that the cost of service (COS) study for water, sewer, and the Clean Rivers Impervious Area Charge Relief (CRIAC) is conducted every two years to align with the rate making process. The last COS study was completed in FY 2024. An independent consultant, Raftelis, conducted the study to ensure it is impartial, objective, and carried out by a team with specialized cost-of-service knowledge.

Jon 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.

The goals of the cost-of-service study, drawn from Board rate-setting policy and past DC Water discussions about priorities, include revenue sufficiency, cost of service, and simplicity. Affordability is also a focus, ensuring that rates remain accessible for customers. The Authority is expanding its customer assistance program, and the costs associated with this expansion are reflected in the COS study.

Other factors impacting DC Water's budget include delayed timing for some large projects, leading to escalating capital costs in FY 2027 to FY 2028, and the operations and maintenance budget, which is projected to increase 3.5% from FY 2026 to FY 2027 and 4.8% from FY 2027 to FY 2028.

Revenue Sufficiency Analysis

The revenue sufficiency report projects revenue based on rates and service units. This differs from DC Water's financial planning approach. Mr. Davis noted that this distinction explains some discrepancies, but both methods yield similar results, making dual analysis valuable. He is confident that the proposed rates will adequately cover the utility's cash needs in line with budget forecasts and will help sustain DC Water's operations and maintain its reserve funds. Debt service coverage meets bond covenant requirements. He also noted the Authority's efforts to increase target cash on hand to 350 days by 2032.

Mr. Davis then reviewed the comparison of revenues and expenses, noting only minor differences in operating revenue between the Authority's financial plan and the Raftelis analysis. The variance in projected revenue for the first year, FY 2027, is just under \$2 million or 0.2%, which is a minimal and acceptable margin of error. For the second year, operating revenue increases slightly but there is less than a 0.5% difference between the two analyses, well within a comfortable range.

Cost of Service Analysis

Vanessa Bryant reviewed the findings of the Cost of Service Analysis, which she clarified as referring to a principle rather than an additional fee or tax. The principle involves setting rates with precision to recover the costs of providing specific services, including water,

sewer, and stormwater, to particular customer classes. The focus is on accurately allocating costs, with consideration of the Board's emphasis on equity in dividing DC Water's total expenses fairly among customers.

Ms. Bryant reported that Raftelis was also mindful of affordability. This is supported by programs such as the CAP, which offers discounted services to low-income customers to address equity concerns. She noted CAP-related costs were factored into the analysis.

The analysis considered shifts in operating and capital spending across the organization. It also adheres to DC Water's detailed capital improvement plan, which may alter costs allocation depending on project timing. Precise figures were used for both the capital and operating budgets.

This year, a new Public Inconvenience Fee from the District Department of Transportation (DDOT) will be passed through to customer bills and was factored into COS calculations. Ms. Bryant used the FY 2027 rate development summary as an example of how costs are distributed. Of the total annual cost of \$812.5 million, the largest share is for water and sewer due to their high infrastructure costs. In contrast, fees such as metering and water system replacement are less costly. Revenue requirements are allocated and then divided by units of service to produce a unit cost. For example, the Clean Rivers Project fees depend on equivalent residential units calculated by square footage. Water and sewer rates are volumetric. She noted that Raftelis always evaluates two years for each analysis. The total annual cost for FY 2028 is estimated at \$855 million, with the increase primarily due to anticipated inflation.

The Public Inconvenience Fee will take effect in FY 2027 and add 42 cents per water unit consumed. Ms. Bryant highlighted that most rate changes are under \$1, an intentional approach to achieve gradual, manageable annual increases rather than steep adjustments that would cause "rate shock" for customers.

Overall, the cost share for metering, CRIAC, and the water system replacement fee remain relatively stable year-to-year, while the share for water will increase from FY 2026 to FY 2028 from 28.4% to 31.1% and the share for sewer will slightly decrease from 47.5% to 45%. Ms. Bryant noted that these shifts are typical, especially as new capital projects arise.

Ms. Bryant presented information on affordability, noting that DC Water tracks the monthly bill impacts for a typical residential customer using 5.42 CCF per month. It was reported that the monthly bill increases by about \$6 each year, largely driven by increases in water and sewer volumetric rates to address rising costs. Ms. Bryant also highlighted the inclusion of the new Public Inconvenience Fee, totaling \$2.28 per month.

Customers in the CAP program will receive approximately 68% discount, reducing payments from \$157 to \$50 for the same projected water use. Trends for these customers mirror overall rate adjustments. CAP customers will also pay the Public-Inconvenience Fee.

Alternative Rate Structures

Mr. Davis presented the result of the alternative rate structures analysis, beginning with the impervious area charge tiers. There are six single-family residential tiers, and customers are assigned to the tier that best represents their measured area. He noted this system has caused confusion, because the approach for residential properties differs from that for other customer classes. To increase fairness, Raftelis explained the options to consider. These include adding more tiers to reduce inequity or implementing a tier system where charges increase with every 100 square feet of usage, which would both eliminate inequities and streamline the process across all customer types.

Mr. Davis noted that the necessary data to revise the tier system already exists, and the changes could be implemented by October 1, 2026, when the new rates take effect. However, while increasing impervious area tiers would improve equity, provide consistency across customer classes, and resolve confusion between single-family and multi-family properties, implementation and administration would require greater effort. As the data is already available and tracked, these concerns are mostly mitigated.

Mr. Davis noted that a prior decision to add billable impervious area to the CRIAC fee had been deferred to allow for better communication with stakeholders. The current proposal is independent and can be enacted without affecting or depending on the CRIAC update, ensuring no overlapping impacts. Raftelis considered whether commercial customers could receive the potential impact of adding a large commercial and small commercial rate. However, the analysis was unable to identify the same correlation in peaking as observed on the water side for residential customers. The item will be deferred to continue analysis as more data becomes available.

Stormwater management was also analyzed and considered the stormwater only assets that DC Water operates and maintains. Raftelis decided to reassess these costs once they are tracked in greater detail within the accounting system, as detailed tracking does not currently exist. In closing, Raftelis noted that the Board will be asked to approve publication of proposed rates on March 5, 2026.

Dr. McPhail asked how the 42-cent inconvenience fee was determined and whether other values were modeled. Jon Davis responded that the analysis considered cost recovery for the fee over a period of time.

Dr. McPhail asked how the projected \$12.7 million cost of the Public Inconvenience Fee was calculated. Mr. Davis responded that the total projected cost was divided by the number of years to get the average annual cost of \$12.7 million. Ms. Oyeyemi explained

that the cost covers the newly implemented occupancy permit fees from DDOT that was previously waived. Matthew Brown, Chief Operating Officer, further explained that most DC Water projects do not occupy streets for more than 30 days, but the Lead Free DC program typically exceeds this threshold, triggering the fees. He noted that DC Water had previously been exempt, but following a DDOT audit, the agency determined DC Water is subject to the fees. DC Water submitted multiple appeals in coordination with the Office of Legal and Government Affairs, but the fees are currently being assessed and included in the proposed rate increase. Dr. McPhail emphasized that these fees are a significant driver of the rate increase, and Mr. Brown acknowledged and shared this concern. He also noted that additional information on these costs and new fee will be discussed at the joint committee meeting.

Mr. McPhail also asked what steps were taken to ensure affordability was considered. Mr. Davis stated that affordability was considered by ensuring funding was sufficient to fund the CAP program fully. He also noted DC Water's efforts to review cost impacts across different customer segments and EPA guidance on affordability.

Mr. Giancola noted that although the Raftelis report is complex, it provides a strong foundation for informed decision-making. He also recommended continued discussion with the District government about the Public Inconvenience Fee.

III. DC RETAIL WATER AND SEWER RATES COMMITTEE WORKPLAN

Mr. Khalil briefly reviewed the Committee workplan for FY 2026.

IV. AGENDA FOR COMMITTEE MEETING ON FEBRUARY 23, 2026

The meeting on February 23, 2026, will include the monthly update, the Committee workplan, and any other items the Committee wishes to discuss.

V. ADJOURNMENT

The meeting adjourned at 10:21 AM.

Follow Up Action:

1. The office of Government and Legal Affairs to provide update on legal considerations affecting delinquent account collection strategies. (Mr. Giancola)
2. Provide detailed information on the costs for the DDOT Public inconvenience Fee (Dr. McPhail).