



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

1385 Canal Street SE, Washington, DC 20003

*Wednesday, August 5, 2020
6:30 p.m.*

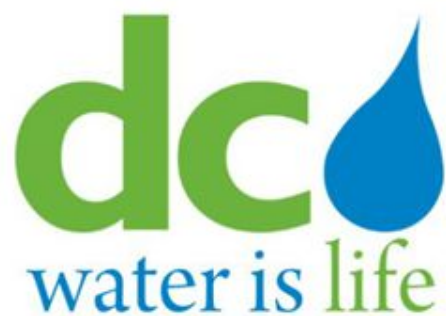
**Via Microsoft Teams: 202-753-6714 •
Conference ID: 197 530 04#**

Watch the hearing LIVE - <https://dcwater.com/watch-board-meetings>

***PUBLIC HEARING ON
Proposed Retail Rates, Charges & Fees, Customer Metering Fees
Amend CAP CRIAC Discount and Amendment to CAP2 Regulations
for Fiscal Year 2021 & Fiscal Year 2022***

AGENDA

1. Call to Order.....Tommy Wells, Chairman
2. Roll Call..... Linda Manley, Board Secretary
3. [Opening Statement](#)Tommy Wells, Chairman
4. [CEO’s Testimony](#)David Gadis, CEO/General Manager
5. [DC Water Management Presentation](#)..... Matthew Brown, CFO
 - Proposed FY 2021 & FY 2022 Retail Rates, Charges & Fees, Customer Metering Fees, Amend CAP CRIAC Discount and Amendment to CAP2 Regulations
6. [Presentation by Independent Consultant](#) Amawalk Consulting
 - Independent Review of the Proposed Budget and Rates for FY 2021 & FY 2022
7. Public Witnesses
 - Pre-registered Speakers
 - Other comments (time permitting)
8. Closing RemarksTommy Wells, Chairman
9. AdjournmentTommy Wells, Chairman



**STATEMENT OF TOMMY WELLS
CHAIRMAN OF THE BOARD OF DIRECTORS
DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY**

**AUGUST 5, 2020 6:30 P.M.
1385 CANAL STREET SE
WASHINGTON DC 20003**

Good evening everyone. My name is Tommy Wells and I am the Chairman of the Board of Directors of the District of Columbia Water and Sewer Authority, or DC Water. I also serve as director of the District's Department of Energy and the Environment, but I speak tonight as board chairman.

Like many people, the staff and board members at DC Water have had to adjust to virtual meetings in order to share the work we are doing with the community.

I believe strongly in full transparency of the processes at DC Water and my fellow board members were heartened to learn that DC Water staff had more than 4,000 people join the recent series of town hall meetings convened in all eight wards of the District. More residents attended this year for the town hall meetings than any other year.

Moreover, DC Water staff organized a special online briefing for the businesses community last week that was hosted by at least a half dozen important economic organizations in this city.

Those town halls and targeted business outreach display a sincere level of participation and speaks well to the determined movement to engage District residents and businesses in our rate setting process.

COVID 19 is a daily burden on all of us and DC Water is not alone.

I know from my conversations with the General Manager that the safety of his employees and the uninterrupted service to the millions of people who rely on water and wastewater service here in the District are his top priorities.

While the pandemic has impacted the global economy, we have not escaped its impacts closer to home. Water consumption and revenue at DC Water is down, a result of people staying home and so many businesses, hotels, offices, restaurants and sports arenas closed. As a result, DC Water has worked to contain costs.

Yet the needs of the system are great. We have an obligation to provide the District with reliable water and wastewater services and unless we make critical investments in the infrastructure, failure is the likely outcome.

Our hearing tonight is to review comments on the proposed FY 2021 and FY 2022 retail customer rates, charges and fees and then to make a recommendation to the full Board on any changes.

Our board undertakes this process every two years, or whenever we adjust rates.

Following this hearing, in September, the board will vote on this proposal amending rates for Fiscal Year 2021, starting October 1, 2020 and Fiscal Year 2022, starting October 1, 2021. Once complete, the full schedule will be posted on the DC Water website and shared broadly with the community.

Joining me this evening are Board members XXXX.

Ms. Manley will you please call the roll to establish the required quorum for tonight's hearing.

(Ms. Manley calls roll)

For the record, DC Water was established by the Council of the District of Columbia in 1996 as an independent authority with a separate legal existence apart from the District Government. DC Water operates the world's largest advanced wastewater treatment plant

at Blue Plains and provides water and sewer services to all residents, visitors, institutions and businesses in the District of Columbia. Our drinking water comes from the Potomac River.

All of the proposed changes to our rates were published in the D.C. Register, were announced via social media and traditional media and shared broadly with community groups and other stakeholders, including all ANCs and of course shared with the mayor and council.

I want to commend the staff at DC Water for working hard to share these rates proposals with the general public.

And I want to take this moment to remind the public that among our many goals for the environment of the District of Columbia is making the Anacostia River safe once again for swimming.

Reducing combined sewer overflows as part of the Clean Rivers project is the single most important set of steps in that direction and I'm proud to be involved with it. The legacy of our work protecting the District's waterways will be enjoyed by our children and their children.

D.C. Water is a non-profit, essentially an agency of the DC government. Unlike for-profit utilities in the electric or gas fields, we raise only the amount of money we need to carry out our mission – not a penny more. We are proposing in this new budget to continue and in fact expand our customer assistance programs and we're proud of the various ways we help customers afford water service.

Those efforts include a menu of steps responding to the pandemic, from ending disconnections, restoring service, providing lenient payment plans and partnering with Mayor Muriel Bowser and the Council on a new program to cover the arrearage of some of our neediest customers.

Before we begin and hear from the public and DC Water's management, I will review the ground rules for this hearing:

- Individuals presenting testimony have up to five (5) minutes to speak.
- Representatives of an organization or group have a total of ten (10) minutes to address this committee.
- Those testifying should clearly state their name, name of organization (if any) and their address.
- Witnesses representing an organization should give a brief description of the organization, its services and its location.

- We are asking that everyone mute your phones until you need to speak

Please keep in mind that we are here to listen to comments only on new rates. If there are individual questions or concerns about a particular service or billing matter, you can call our Customer Care Department on 202 354-3600 and staff will assist you.

The Board gives equal consideration and weight to written comments that will be reviewed as we receive them. Written comments can be submitted to the Office of the Board Secretary, DC Water, 5000 Overlook Avenue, SW, Washington, DC 20032. You may also e-mail comments to Imanley@dcwater.com.

The Board will accept and consider comments until Monday, August 10th at 5:00 p.m. and we will vote on the new rate structure, which I expect to happen in September.

A final decision on the proposed rate increases will be made by only the members of the Board who represent the District of Columbia at the Board's regularly scheduled meeting.

DC Water CEO David Gadis will provide his testimony on the proposed rate adjustments and then we will hear a presentation from our independent financial consultant regarding the FY 2021 and FY 2022 rates. Afterward, we will hear public comments on the proposal. Individuals who pre-registered will speak first and time permitting we will hear from others

here tonight who wish to testify. If you did not preregister to speak and wish to speak tonight please email lmanley@dcwater.com or call 202 787-2330. We ask that you please state your name and address for the record.

Everyone on this call is aware of how challenging it is to discuss rate increases in the context of the COVID 19 pandemic. Each board members comes to this meeting with a different perspective but we all have seen the way this epidemic has ravaged our community, the country and indeed the world.

At the end of the day, we are making decision about funding the authority for the next 24 months and without regular investment DC Water will not be able to deliver the best possible level of service to the residents and visitors of the District of Columbia.

This is a reminder to please mute your phones until you need to speak. Thank you and we will now hear from those witnesses.



**TESTIMONY OF DAVID L. GADIS
CHIEF EXECUTIVE OFFICER AND
GENERAL MANAGER
DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY**

**AUGUST 5, 2020 AT 6:30 P.M.
1385 CANAL STREET SE
WASHINGTON DC 20003**

Good evening board members and members of the community who are joining us virtually tonight. My name is David L. Gadis and I have spent the past two years leading DC Water, one of the finest and most innovative water authorities in the world.

Meeting virtually is not my preference but it's the only safe and responsible way to conduct the business of the authority in the era of COVID-19.

This terrible and deadly health pandemic has reverberated in every corner of the city and the world. There is virtually no aspect of life that has not been touched by COVID-19.

Our men and women are still maintaining the water and wastewater system for the District but they're doing it while practicing safe social distancing and wearing masks. We stagger our crews to minimize risks and space out vehicles and workers to avoid unnecessary contact. We limit our work to emergencies but we still have trucks responding all over the city, at all times of the day and night.

Meanwhile, our office workers and customer service employees are primarily working from their homes, per the mayor's order. The work of the authority goes on uninterrupted, but we do most of it via Internet platforms, phone calls or email.

We're not just coping with this health pandemic, we're finding ways to be better.

For example, DC Water was one of the first utilities to announce that we were offering all our customers flexible payment plans for the duration of the pandemic, that we would turn off no water service for anyone during the pandemic and that we'd actually reconnect anyone for free if they lacked water.

Internally, we've found ways to avoid furloughs or layoffs for any of our staff. We placed immediate freezes on hiring and restricted travel and other spending, moves which allowed us to shield our workers from the economic insecurity that has arrived alongside the COVID 19 crisis. No job losses at DC Water – I'm very proud of that.

And that is why tonight we find ourselves discussing rates for the coming fiscal year on this virtual forum.

Since March, DC Water has held more 20 board meetings, committee meetings and local Ward town hall gatherings on virtual platforms. While there is still a health emergency outside, inside we are committed to working with complete transparency and in a way where the public can still observe and participate in every aspect of our deliberations.

Our proposal to the board tonight would increase rates by 6.6 percent, less than the 8.1 percent increase that would have been required if we hadn't taken many cost cutting steps like refinancing debt, controlling operating cost growth, and withdrawing \$13 million from the Rate Stabilization Fund.

The 6.6 percent rate increase that I have proposed for the average household to our board was not a decision that I made lightly.

This entire city and region is laboring under the economic and social impacts of the pandemic, and asking the 700,000 residents of the District to pay more for services this fall is not something I relished doing.

On the other hand, we literally had no other alternatives.

The infrastructure needs of our system are far too great to punt action for a year while we climb out of the pandemic.

We must make investments now in our water and sewer infrastructure so that we can still provide reliable and safe service to the people of the nation's capital.

Under my proposal, the average household will pay about seven dollars more each month in their water bill. This includes an increase in the water and sewer rates, and increase in the metering fee, and a decrease to the Clean Rivers Impervious Area Charge.

We are continuing to shift a portion of Clean Rivers costs from the impervious area charge to the sewer rate. We are doing this to allow customers to manage their bills by using less water though we were also responding to complaints that some customers using little or no water had high CRIAC charges. The new formula is working well, and so is the larger program.

Clean Rivers is paying huge dividends for the District's environment.

Since March 2018 when the tunnel opened, our system has captured 8 billion gallons of combined sewage and wastewater, along with 4 million of tons of trash. Our capture rate on overflows is higher than 90 percent. Consider those numbers for a moment; this project is making the Anacostia and Potomac River – and by extension the entire Chesapeake Bay - cleaner each day.

As we move ahead with this process, I want to restate for a moment something I told the DC Council last week during a hearing where we discussed ways to improve the lead replacement legislation that was approved in 2018.

Everything we do here at DC Water as we provide water and wastewater service to customers is going to be anchored by our commitment to six distinct values that we will demonstrate: Accountability, Trust, Teamwork, Customer Focus, Safety and Well-being. I encourage you to watch us and the exciting things we are doing.

I appreciate the work of the DC Water Board of Directors and their dedication to the authority. I could not do my job as well without the guidance of this board so thank you to each one of you.

Thank you for your time and I look forward to hearing from our witnesses.



Overview of Rates Proposal for FY 2021 and FY 2022

Public Hearing Presentation, August 5, 2020

District of Columbia Water and Sewer Authority



Blue Plains Advanced Wastewater Treatment Plant



Purpose

- 💧 Provide information on the rate proposal and hear from our customers



Customer Assistance

💧 For information on customer assistance programs, please visit dcwater.com/CAP

💧 CAP

- Provides a discount on the first 400 cubic feet (3,000 gallons) of water, sewer, PILOT and ROW services used each month. Eligible households will receive a 75 percent reduction in the monthly CRIAC fee and a Water Service Replacement Fee waiver. The monthly discount is approximately \$77 a month

💧 CAP 2

- Provides a discount on the first 300 cubic feet (2,250 gallons) of water and sewer services used each month (with the exception of PILOT and ROW fees) and a 50 percent reduction in the monthly CRIAC fee. The monthly discount is approximately \$50 a month

💧 CAP 3

- Provides a discount of 75 percent off of the monthly CRIAC. The monthly discount is approximately \$15 a month.



Customer Assistance

💧 Emergency Residential Relief Program

- Eligible households may receive bill assistance up to \$2,000 as a one-time emergency benefit

💧 S.P.L.A.S.H. (Serving People By Lending A Supporting Hand)

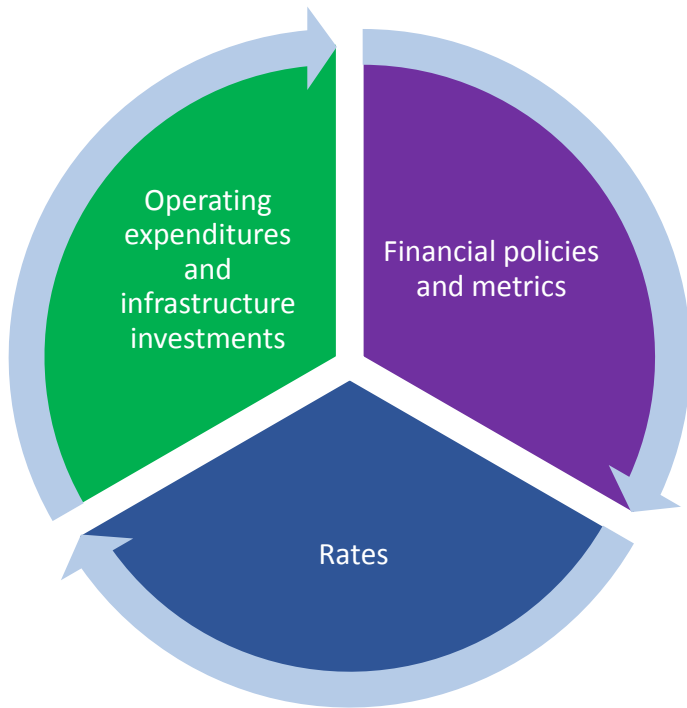
- Provides one-time assistance. Administered by Greater Washington Urban League. Funded by donations from customers, community and DC Water employees

💧 Nonprofit Relief Program

- Assists eligible organizations with Clean Rivers Impervious Area Charge (CRIAC). Participants can receive credits of up to 90 percent of the CRIAC portion of their water bill



Budget, Rates, Capital Program, and Financial Plan



- Fully funds the Clean Rivers Program
- Doubles DC Water’s current investment in water and sewer infrastructure by FY 2022 to reach a one percent replacement cycle and triples the investment by FY 2027 to reach a 1.5 percent replacement cycle
- Increases funds for fleet purchases by \$4 million to ensure crews have the equipment they need
- Continues the shift of a portion of Clean Rivers costs from the Impervious Area Charge to the sewer volumetric rate, bringing more equity to Clean Rivers funding
- Makes the CAP2 program permanent and expands CAP benefits to 75% of the CRIAC
- Takes advantage of low interest rates and current year savings to deliver rate increases that are smaller than previously forecasted
- Applies \$13 million in Rate Stabilization Funds over FY 2021 and FY 2022 to benefit customers



COVID-19

Customer Focus

- Reconnected customers and suspended customer disconnections for non-payment
- Suspended late fees
- Partnered with District for the Emergency Relief to District residents
- Suspended placing liens

Overall consumption decline

- Residential, Multi-family, and DC Housing Authority consumption is up
- Commercial, Municipal, and Federal consumption is down

Revenue (Cash Receipts) Impacts

- Increase in delinquencies
- Decrease in Permit Fees, Development Contractors Fee (water and sewer), Late Fees, System Availability Fee and Waste Hauling Disposal Fees





Outreach

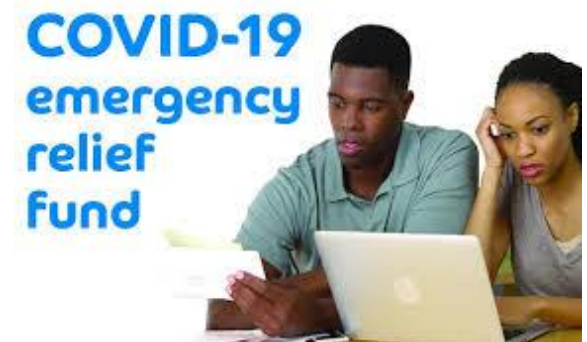
- Delayed the ratemaking process to ensure that there was time and a venue to hear from customers
 - Public Hearing moved from June 10th to tonight, August 5th
- Ward Town Halls were made virtual
 - Participation in the Ward Town Halls was 4,276 in FY 2020, as compared to 52 in FY 2019
- A Business Town Hall was also conducted on July 29 to ensure that we had conversation with non-residential customers
- All of DC Water ratemaking materials are posted at www.dcwater.com/ratemaking-process
- A Rate Calculator is on the website to allow customers to enter their consumption, meter size, and impervious area to better understand the impact of the rate proposal





Customer Assistance

- Participation in the Customer Assistance Programs (CAP) has increased this year, as a result of the pandemic and aggressive advertising and outreach
 - CAP has served 4,333 customers through June, as compared with 4,436 during the entire previous fiscal year
 - CAP2 has served 575 customers this year versus 191 during all of FY2019
 - CAP3 has helped 104 customers as compared with 48 last year
- The new emergency relief program, funded by the District, is for residential customers who are eligible for any of the CAP programs
 - Customers can receive up to \$2,000 as a one-time credit
- CAP2 program made permanent, CAP expanded to 75 percent CRIAC credit
- SPLASH – the SPLASH program offers assistance to families in need so that they can maintain critical water and sewer services until they get back on their feet. SPLASH has served 105 households through June, as compared to 276 during the entire previous fiscal year
- More information is available at www.dewater.com/customer-assistance

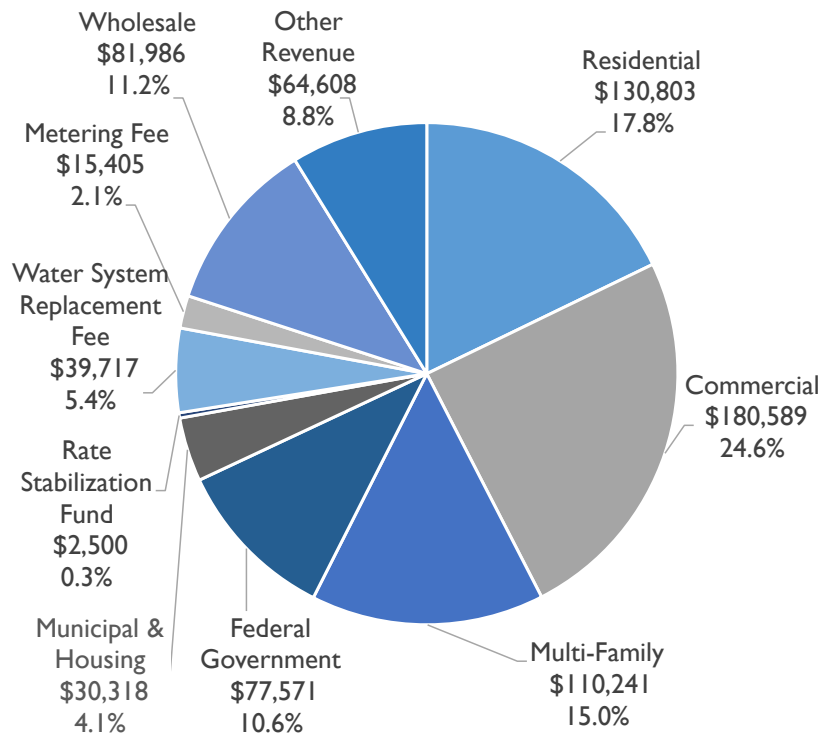




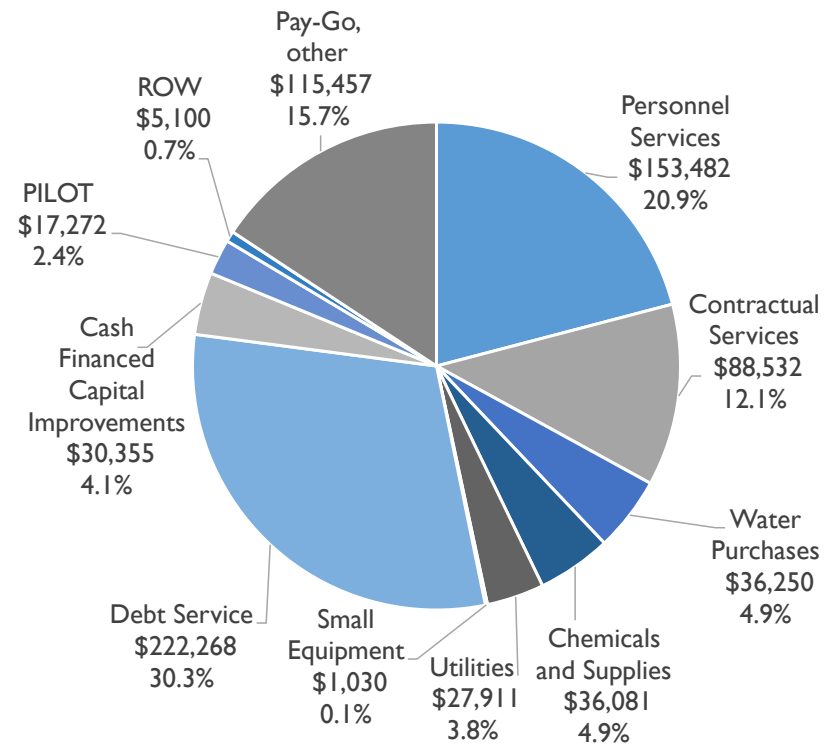
FY 2021 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$733.7 Million



Uses - \$733.7 Million

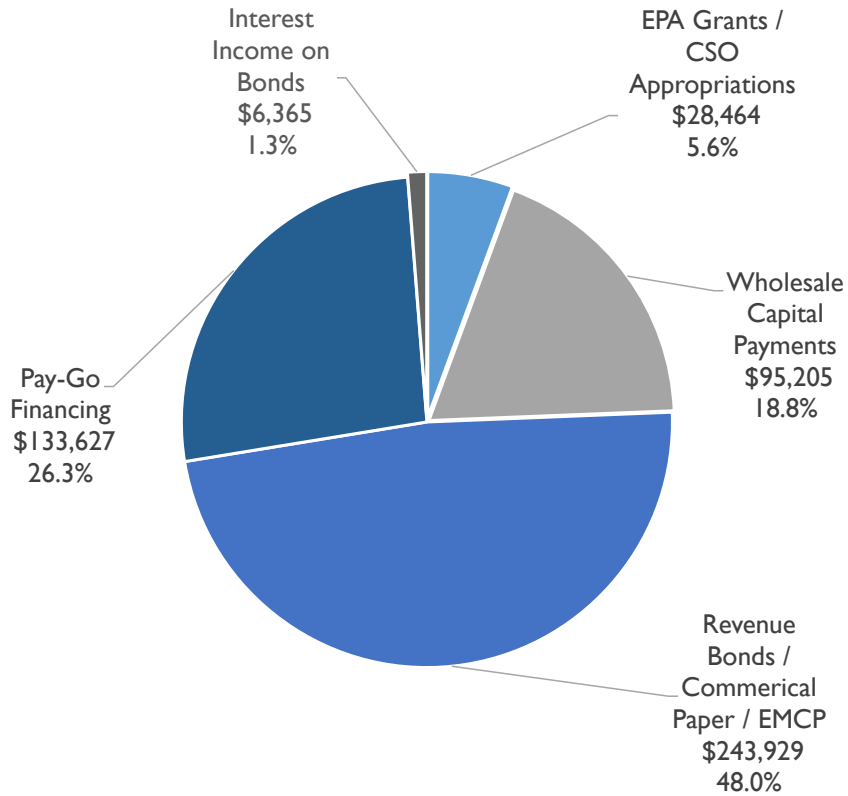




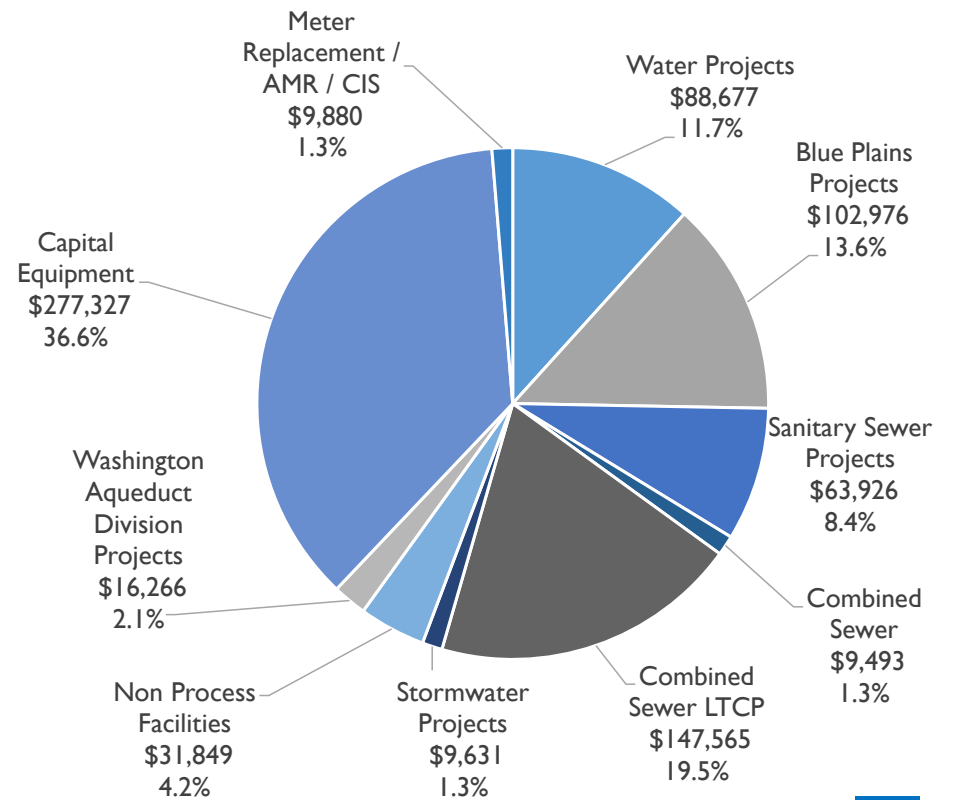
FY 2021 Capital: Sources and Uses of Funds

\$ in thousands

Sources - \$507.6 Million



Uses - \$507.6 Million





Overview of Rates Proposal

- Multi-year rate proposal, FY 2021 and FY 2022
- DC Water advanced the Cost of Service Study to align it with the rate proposal
- Combined rate increase for average household customer lowered from 8.1% forecasted last year to 6.6% for FY 2021 and from 6.9% to 6.7% for FY 2022
 - Proposed annual water and sewer rate increase of 9.9% for FY 2021 and 7.8% FY 2022
 - Continue Shift of CRIAC to sewer volumetric of 28% and 37% for FY 2021 and FY 2022 respectively
 - Proposed CRIAC of \$19.52 per ERU in FY 2021 and \$18.40 per ERU in FY 2022
 - Water System Replacement Fee (WSRF) remains the same
 - Customer Metering Fee increases to cover Customer Service costs
 - PILOT Fee for FY 2021 and FY 2022 will increase by \$0.03 and \$0.02 per Ccf respectively and Right-of-Way Fee will remain the same at \$0.19 per Ccf
 - Increase the Clean Rivers IAC discount for CAP customers from 50% to 75% and CAP2 Program made permanent





Customer Metering Fee

- In FY 2019, the Metering Fee recovered \$11.6 million
 - In FY 2003, established Metering Fee at \$2.01 for 5/8” meter
 - In FY 2011, increased Metering Fee to \$3.86 for 5/8” meter
 - Originally fee amount set to cover the capital costs of the original Automated Meter Infrastructure (AMI) system and meter purchase and installation (debt service) plus about \$4 million of Customer Service costs
- Current Cost of Service Study recommends recovering \$24.1 million in FY 2022, consistent with independent rate review recommendation
 - Includes costs associated with metering and billing
 - Customer assistance, shutoff/restore, and leak adjustment etc. remain in the volumetric charges
 - Proposed FY 2021 fee recovers \$15.4 million, all the debt service and coverage plus about half of the full Customer Service O&M allocation (\$4.96 for a 5/8” meter)
 - Proposed FY 2022 fee adds the additional half of Customer Service allocation for a total of about \$24.1 million (\$7.75 for a 5/8” meter)



Rate Stabilization Fund

- Budget proposes \$13 million withdrawal over FY 2021 and FY 2022
 - \$8 million in debt service savings in the current fiscal year, plus remaining \$5 million withdrawal from Rate Stabilization Fund to be deposited in FY 2020
- Apply \$2.5 million in FY 2021 and \$10.5 million in FY 2022



Revenue Comparison by Customer Class

- 💧 Total revenue is projected to increase by \$35.8 million or 5.1% for FY 2021 and \$32.6 million or 4.4% for FY 2022 mainly due to rate increases
- 💧 Retail revenue is projected to increase by \$35.1 million or 6.4% for FY 2021 and \$23.0 million or 3.9% for FY 2022 due to rate increases for both years
- 💧 Wholesale revenue is projected to decrease by \$0.6 million or -0.7% for FY 2021 due to low flows and increase by \$2.5 million or 3.0% for FY 2022 due to 3.0 percent escalation

<i>\$ in thousands</i>	Revised FY 2020	Proposed FY 2021	Proposed FY 2022	FY 2021 vs FY 2020		FY 2022 vs FY 2021	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$549,553	\$584,644	\$607,652	\$35,091	6.4%	\$23,008	3.9%
Wholesale Revenue							
Potomac Interceptor (PI)	2,715	3,547	3,547	832	30.6%	-	-
Loudoun County Sanitation Authority (LCSA)	7,758	7,648	7,983	-110	-1.4%	335	4.4%
Washington Suburban Sanitary Commission (WSSC)	57,284	55,952	57,630	-1,332	-2.3%	1,678	3.0%
Fairfax County	14,782	14,839	15,285	57	0.4%	446	3.0%
Total Wholesale Revenue	\$82,539	\$81,986	\$84,445	-\$553	-0.7%	\$2,459	3.0%
Other Revenue	66,887	64,608	63,701	-2,279	-3.4%	-907	-1.4%
Rate Stabilization Fund	-	2,500	10,500	2,500	-	8,000	320.0%
Total Revenues	\$698,979	\$733,738	\$766,298	\$35,759	5.1%	\$32,560	4.4%



Proposed FY 2021 & FY 2022 Rates, Charges & Fees

	Units	Approved FY 2020	Proposed FY 2021	Proposed FY 2022	Incr. /(Decr.) FY 2021		Incr. /(Decr.) FY 2022	
					\$	%	\$	%
DC Water Retail Rates – Water:								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$3.06	\$3.49	\$3.63	\$0.43	14.1%	\$0.14	4.0%
Residential – (> 4 Ccf)	Ccf	4.10	4.50	4.74	0.40	9.8	0.24	5.3
Multi-family	Ccf	3.54	3.96	4.15	0.42	11.9	0.19	4.8
Non-Residential	Ccf	4.25	4.65	4.91	0.40	9.4	0.26	5.6
DC Water Retail Rates – Sewer	Ccf	8.89	9.77	10.64	0.88	9.9	0.87	8.9
DC Water Clean Rivers IAC	ERU	20.94	19.52	18.40	-1.42	-6.8	-1.12	-5.7
DC Water Customer Metering Fee	5/8”	3.86	4.96	7.75	1.10	28.5	2.79	56.3
DC Water System Replacement Fee	5/8”	6.30	6.30	6.30	-	-	-	-
District of Columbia PILOT Fee	Ccf	0.51	0.54	0.56	0.03	5.9	0.02	3.7
District of Columbia Right of Way Fee	Ccf	0.19	0.19	0.19	-	-	-	-
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	-	-	-	-



Average Residential Customer Monthly Bill

	Units	Current FY 2020	Proposed FY 2021	Proposed FY 2022
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 66.25	\$ 73.30	\$ 78.92
DC Water Clean Rivers IAC ⁽²⁾	ERU	20.94	19.52	18.40
DC Water Customer Metering Fee	5/8"	3.86	4.96	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 97.35	\$ 104.08	\$ 111.37
Increase / Decrease		\$ 5.01	\$ 6.73	\$ 7.29
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 2.76	\$ 2.93	\$ 3.04
District of Columbia Right-of-Way Fee ⁽¹⁾	Ccf	1.03	1.03	1.03
District of Columbia Stormwater Fee ⁽³⁾	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.46	\$ 6.63	\$ 6.74
Total Amount Appearing on DC Water Bill		\$ 103.81	\$ 110.71	\$ 118.11
Increase / Decrease Over Prior Year		\$ 5.11	\$ 6.90	\$ 7.40
Percent Increase in Total Bill		5.2%	6.6%	6.7%

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(2) Assumes average 1 Equivalent Residential Unit (ERU)

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

(4) DC Water "Water System Replacement Fee" of \$6.30 for 5/8" meter size effective October 1, 2015



Low Income CAP Customer Monthly Bill

	Units	Current FY 2020	Proposed FY 2021	Proposed FY 2022
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 66.25	\$ 73.30	\$ 78.92
DC Water Clean Rivers IAC	ERU	20.94	19.52	18.40
DC Water Customer Metering Fee	5/8"	3.86	4.96	7.75
DC Water Water System Replacement Fee	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 97.35	\$ 104.08	\$ 111.37
Increase / Decrease		\$ 5.01	\$ 6.73	\$ 7.29
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 2.76	\$ 2.93	\$ 3.04
District of Columbia Right-of-Way Fee ⁽¹⁾	Ccf	1.03	1.03	1.03
District of Columbia Stormwater Fee ⁽⁴⁾	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.46	\$ 6.63	\$ 6.74
Total Amount		\$ 103.81	110.71	118.11
Increase / Decrease Over Prior Year		\$ 5.11	\$ 6.90	\$ 7.40
Percent Increase in Total Bill		5.2%	6.6%	6.7%
Less: CAP Discount (4 Ccf per month) ^{(1), (2)}		(50.60)	(55.96)	(60.08)
Water System Replacement Fee (WSRF) ⁽³⁾		(6.30)	(6.30)	(6.30)
Clean Rivers IAC ⁽⁵⁾		(10.47)	(14.64)	(13.80)
Total Amount Appearing on DC Water Bill		\$ 36.44	33.81	37.93
Increase / Decrease Over Prior Year		\$ 0.90	\$ (2.63)	\$ 4.12
CAP Customer Discount as a Percent of Total Bill		-64.9%	-69.5%	-67.9%

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(2) Expansion of CAP program in FY 2009 assumes discount to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 2011

(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 50 percent discount for FY2020 and 75% discount for FY2021 and FY2022 for the Clean Rivers IAC



Ratemaking at DC Water

- 💧 Municipal utilities rely on industry practice to make their own determination about how to best recover costs through their user charges
 - *Financing and Charges for Wastewater Systems*, a Manual of Practice published by the Water Environment Federation (2018), suggests that impervious area-based charges may be used in conjunction with volumetric rates to equitably recover costs of wet weather flows (p.189)
- 💧 In addition, DC Water's Board has adopted its own Rate Setting Policy, Resolution #11-10, January 6, 2011:
 - Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board
 - Rates that yield a reliable and predictable stream of revenues, taking into account trends in costs and in units of service
 - Rates based on annually updated forecasts of operating and capital budgets
 - Rates that are legally defensible, based on objective criteria, and transparently designed
 - Rates structures that customers can understand and DC Water can implement efficiently and efficaciously
 - Rates increases, if required, that are implemented transparently and predictably



Establishment of Rates

- Water and sewer utilities recover costs in a variety of ways; DC Water's rates must be just, equitable, reasonable, well explained, and based on cost of service principles
 - The proposed rates are just and reasonable, and they are sufficient, equitable, and consistent in their proposed application to our customer classes
 - Rates support expenditures that have been discussed in detail at the Board's Budget Workshop, and in Environmental Quality and Operations, Finance and Budget, and Retail Rate Committee meetings
 - Raftelis conducted the most recent Cost of Service Study, and its results support our rate proposal



Ratemaking at DC Water

- In FY 2020, DC Water conducted a Cost of Service Study (COS) to align the COS with the multi-year rates proposal, therefore both will be done every two years going forward. Previously, the COS was done every three years.
 - The last COS Study was completed in March, 2018 by Raftelis consultants
 - Reallocated cost from water to sewer since Water System Replacement Fee helped to offset cost recovery by the Water Volumetric Rate
 - Reduced the CRIAC based on actual cost outlays
 - Prior 2015 COS Study laid groundwork for rate structure changes
 - Water System Replacement Fee – Established to fund Distribution System Replacement
 - Class-based Water Volumetric Rates – Established Residential, Multi-Family, and Non-Residential water rates based on class peaking characteristics
 - Periodically, DC Water also reviews all Miscellaneous Fees to ensure full cost recovery
 - Raftelis also worked with DC water this year to help ensure that the proposed 28% and 37% shift for the FY 2021 and FY 2022 was calculated appropriately



Independent Review of Rate Structure and CAP - Conclusions

- An independent review of DC Water's rates and rate structure found:
 - The current customer classes are appropriate and consistently seen in the industry
 - The four Ccf monthly water lifeline threshold is appropriate and consistent with benchmarked utilities
 - The cost of service study is generally consistent with industry standards for rate making
 - The current Metering Fee could be expanded to recover a greater amount of fixed operating and capital costs
 - Change proposed in current rate proposal
 - Use of the CRIAC to recover consent decree-related capital costs is appropriate
 - Use of ERU as the basis for recovering the CRIAC is appropriate
 - Given redevelopment in the District, continue to conduct parcel analysis on a regular basis. The analysis should include an evaluation of the appropriateness of 1,000 sq. ft. as the basis for the ERU for residential parcels
 - The current cost elements recovered via the CRIAC are appropriate and should not include wastewater treatment costs
 - Recover system costs, including I/I (infiltration and inflow) costs, via wastewater rates and charges as is DC Water's current practice
 - The approach used to determine the suburban cost allocation for Clean Rivers (7.1%) provides a technical basis for allocating these costs

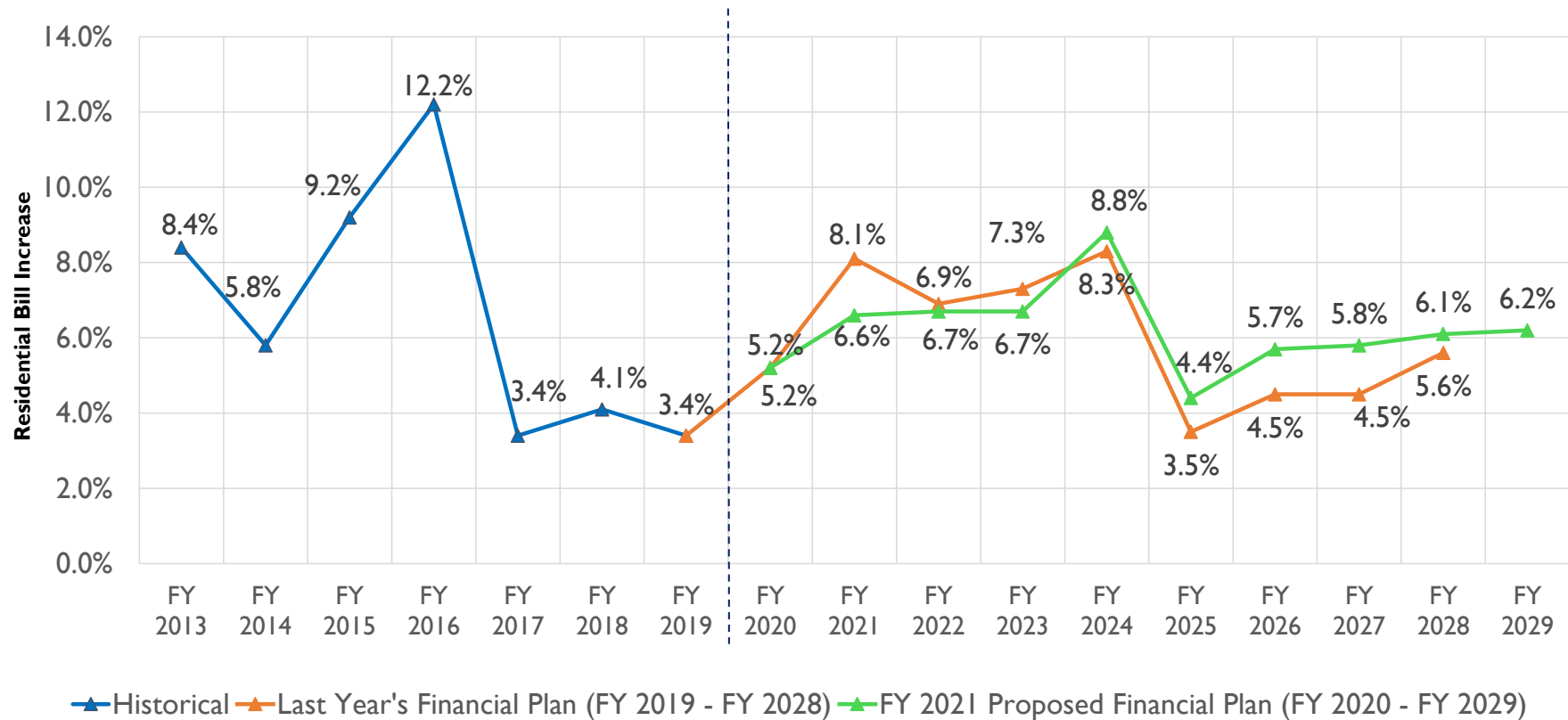


Ten-Year Financial Plan Assumptions

- Maintain Debt Service as a percentage of revenue equal to 33.0 percent or less
- Maintain combined coverage of 160 percent
- Maintain 250 days of cash including Rate Stabilization Fund
- FY 2019 actual consumption declined by 1.8 percent. Assumed 1.5 percent conservation each for FY 2020 and FY 2021 and 1.0 percent in FY 2022 and onwards
- FY 2019 Debt Service was lower as compared to budget due to deferring bond issuance as well as achieving lower interest than projected. The new plan assumed lower interest rates with slightly lower Debt Service projections



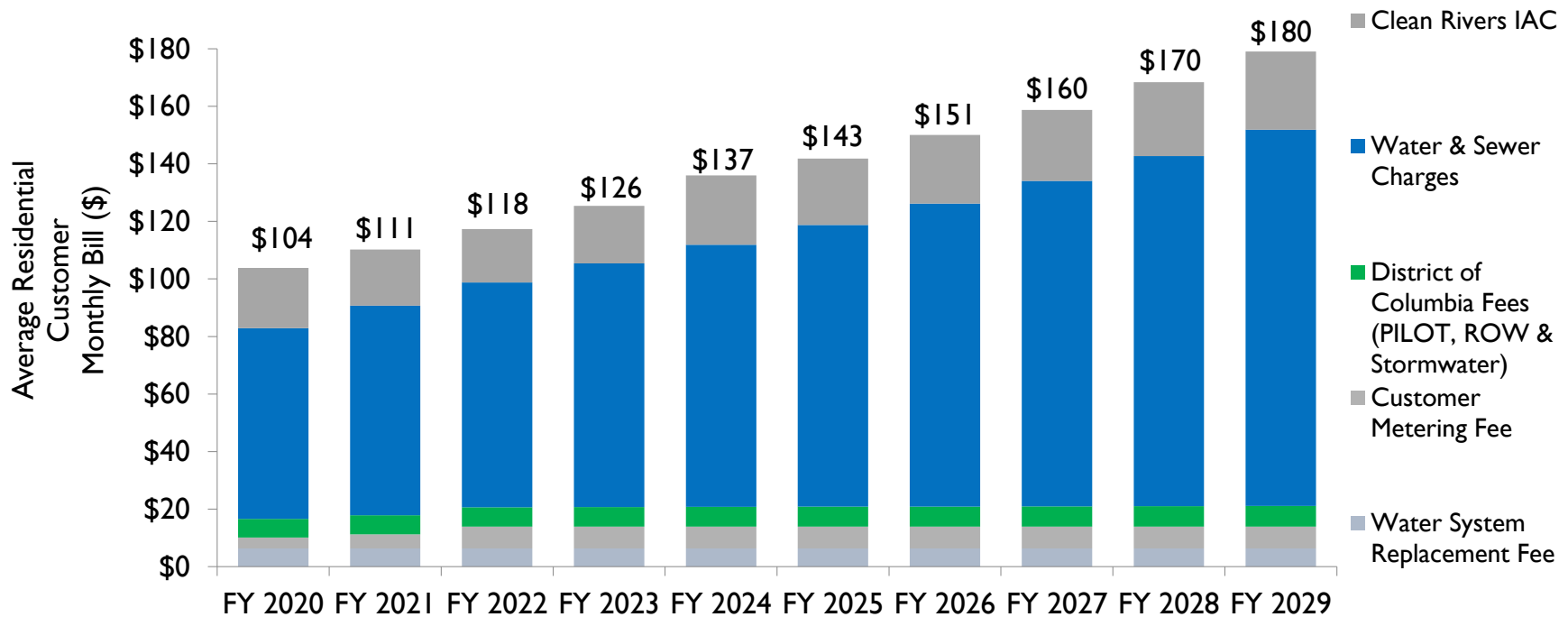
Historical and Projected Combined Rate Increases for Average Residential Customer





Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$104 in FY 2020 to \$180 in FY 2029



* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons



Customer Impacts

Residential Avg. Ccf 5.42, ERU 1	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$104	\$111	\$118	\$126	\$137	\$143	\$151	\$160	\$170	\$180
Avg. Customer Bill (%)	5.2%	6.6%	6.7%	6.7%	8.8%	4.4%	5.7%	5.8%	6.1%	6.2%
Multi-family Avg. Ccf 86.14, ERU 6.83	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$1,341	\$1,447	\$1,538	\$1,654	\$1,791	\$1,896	\$2,022	\$2,157	\$2,304	\$2,461
Avg. Customer Bill (%)	8.1%	8.0%	6.2%	7.6%	8.3%	5.9%	6.6%	6.7%	6.8%	6.8%
Commercial Avg. Ccf 115.82 ERU 14.17	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$2,029	\$2,163	\$2,285	\$2,456	\$2,669	\$2,814	\$2,994	\$3,189	\$3,401	\$3,629
Avg. Customer Bill (%)	6.8%	6.6%	5.7%	7.5%	8.7%	5.4%	6.4%	6.5%	6.7%	6.7%

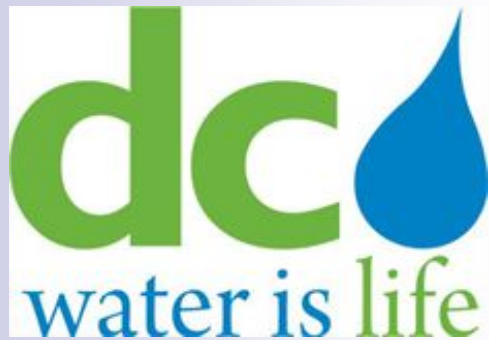


Next Steps

- 💧 Public comments
 - Posted and considered
- 💧 Recommendation for Retail Rates Committee on August 25, 2020
 - RRC recommendation to Board
- 💧 Board meeting to be held on September 3, 2020
- 💧 October 1, 2020 implementation (FY 2021 rates, charges & fees)
- 💧 October 1, 2021 implementation (FY 2022 rates, charges & fees)

Independent Review of the Proposed Rates for 2021 - 2022

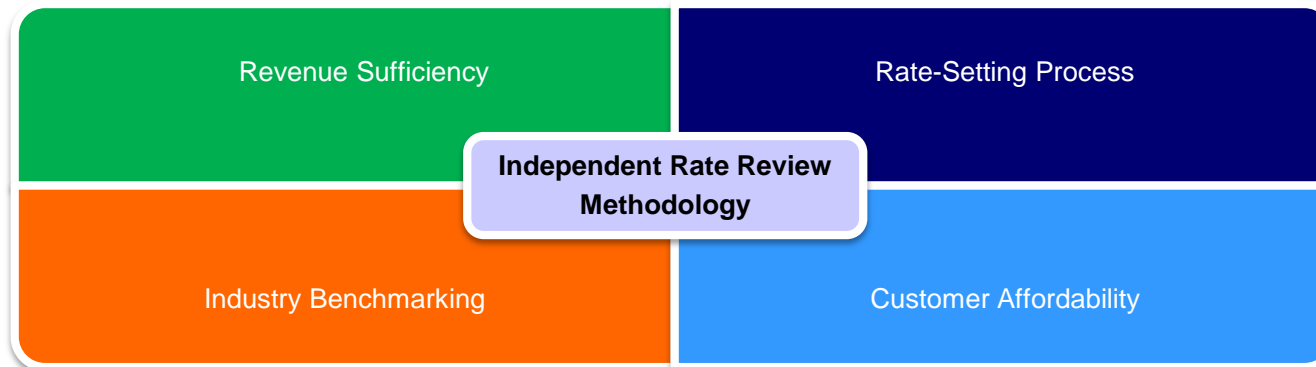
DC Water Public Hearing
August 5, 2020



Amawalk
Consulting Group LLC

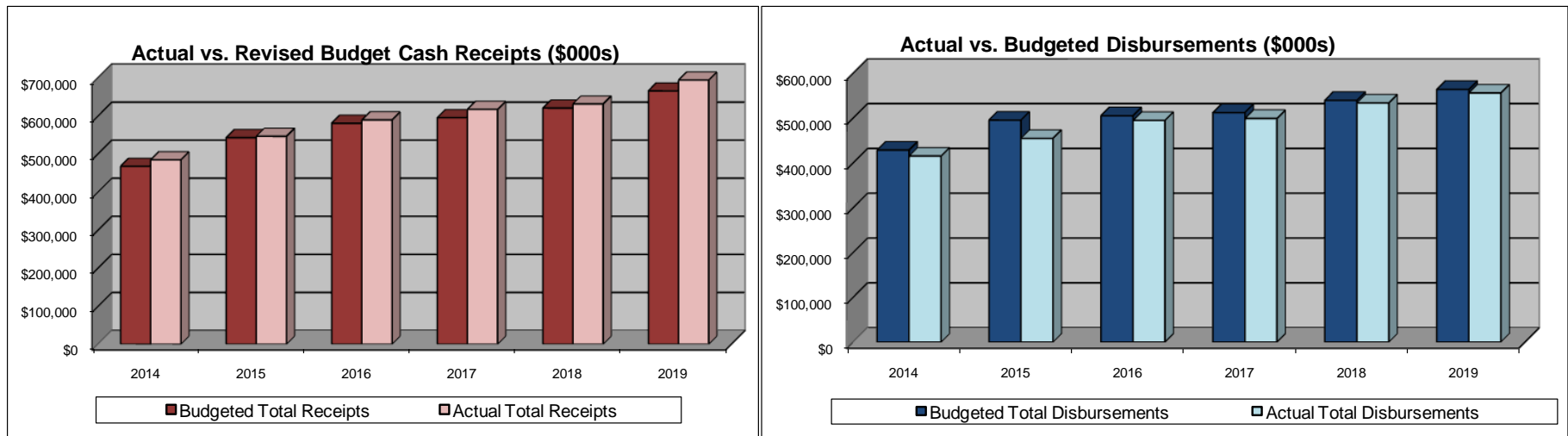
Outline

- Financial Performance
- Operating & Capital Performance
- Why are Rate Increases Necessary
- Financial Impacts of COVID-19
- Proposed 2021 and 2022 Rates
- Industry Comparisons
- Comparison of COVID-19 Responses
- DC Water COVID-19 Responses
- Affordability of User Charges
- Conclusions
- Appendix – Supporting Information



Financial Performance

- From 2014 – 2019: actual cash receipts were > budget each year (averaging 2.6% more); actual expenditures were < budget (averaging 3.1% less).
- YTD 2020 results through June 30 are slightly lower than budget. Impacts of COVID-19 are reviewed later in this presentation. No material changes for 2021 and 2022.
- 2019 combined coverage = 1.81; projected 2020 - 22 is 1.71, 1.72 & 1.69



While not a guarantee of future results, this track record offers a degree of comfort that expenditure and revenue estimates, including those for 2021 & 2022, are prudently developed.

Slide 2

Operating & Capital Performance

- In compliance with the Consent Orders & all permits.
- The digester facilities & waste-to-energy facilities are yielding multiple benefits – lower expenses, fewer biosolids and a high quality product.
- The ongoing implementation of the new CIS and meter replacement is improving reporting capability and billing accuracy.
- CIP projects are on time and close to budget; change orders and claims continue to be a small % of costs.
- The most recent Independent Engineering Report gave high grades to the facilities and people of DC Water; identified needs are being addressed.
- 10-year CIP incorporates funds for the replacement of pipes and related assets.
- CIP spending in upcoming years is significant, and on par with the recent peak years: in 2014-19, average annual capital spending was \$544 million; the 2020-29 average is \$545 million.

DC Water continues to meet or exceed the Board's operating goals. Strong operating and capital performance helps manage the cost of providing service and mitigates risks.

Why Are Rate Increases Necessary

■ Increases in capital spending:

- Debt service will rise to 35.9% of total disbursements in 2021 and 36.7% in 2022, increasing by 8.4% and 8.2% vs. the prior year, respectively.
- Cash-financed construction in 2021 and 2022 increases by \$1.8M & \$7.5M, respectively; the use of cash for construction reduces the need to issue more debt and helps support the strong credit rating of DC Water.

■ Increases in operating expenses:

- Total O&M expenses, excluding PILOT/ROW, increase by \$17.4 million for 2021 and by \$10.3M for 2022.

■ Long-term water use is declining:

- Long-term water demand is declining in the District as well as in the Mid-Atlantic & Northeast, the actual decline in 2019 was 1.8%. Usage is 1.2% higher in 2020 versus 2019 YTD as of June 30, but non-residential accounts are now experiencing a decline due to COVID-19 impacts. DC Water is monitoring the evolving situation closely. The current projected decline is 1.5% in 2021 and 1.0% per year in 2022 & future years.

■ DC Water receives no subsidies:

- Unlike cities such as Atlanta (sales tax) or Milwaukee (property tax), DC Water revenues pay all bills.

These are the same reasons that are driving rates up in other cities. Slide 4

Financial Impacts of COVID-19

■ Reductions in water sales:

- Residential (incl Multi-Family) billings in April-June 2020 are 13% higher than in the same period of 2019; non-residential billings are 17% lower. April-June 2020 billings were 2.7% lower overall. Changes in use do not equal changes in billings.
- Increase in billed consumption is a result of Customer Service catching up with bills in addition to people staying at home due to COVID-19.
- Water systems in Boston, New York and Philadelphia are also seeing increases in residential sales and declines in non-residential water sales.
- Fixed charges & the CRIAC mitigate part of the impact of usage reductions.

■ Changes in operating expenses:

- O&M expenses will increase slightly but such increases as well as revenue reductions will be offset by DC Water initiatives to reduce expenses by \$22 million in 2020.

■ The ability of certain customers to pay their bills:

- Unemployment among residential customers may impact the ability of some customers to pay their bills on a timely basis.
- Business closures may impact bill-paying as well.
- DC Water has implemented customer service initiatives in response.
- A/R through June is slightly higher than the A/R on 09/30/19.

■ Net effect on DC Water cash flow:

- Operating cash flow and reserves through June 30 are consistent with DC Water projections

DC Water is effectively managing the financial impacts through 6/30/20. ^{Slide 5}

Proposed 2021 and 2022 Rates

	Units	2020	2021	2022	Change 2021 vs 2020		Change 2022 vs 2021	
					\$	%	\$	%
DC Water Rates								
Water								
Residential 0-4 Ccf (Lifeline)	Ccf	\$3.06	\$3.49	\$3.63	\$0.43	14.1%	\$0.14	4.0%
Residential > 4 Ccf	Ccf	4.10	4.50	\$4.74	0.40	9.8	0.24	5.3
Multi-Family	Ccf	3.54	3.96	\$4.15	0.42	11.9	0.19	4.8
Non-Residential	Ccf	4.25	4.65	\$4.91	0.40	9.4	0.26	5.6
Sewer (Excluding CRIAC)	Ccf	8.89	9.77	10.64	0.88	9.9	0.87	8.9
Clean Rivers IAC	ERU	20.94	19.52	18.40	-1.42	-6.8	-1.12	-5.7
Customer Metering Fee	5/8"	3.86	4.96	7.75	1.10	28.5	2.79	56.3
Water System Replacement Fee	5/8"	6.30	6.30	6.30	0.00	0.0	0.00	0.0
District Rates								
PILOT Fee	Ccf	0.51	0.54	0.56	0.03	5.9	0.02	3.7
Right of Way Fee	Ccf	0.19	0.19	0.19	0.00	0.0	0.00	0.0
Stormwater Fee	ERU	2.67	2.67	2.67	0.00	0.0	0.00	0.0

■ Management Recommendations:

- Continuation of phase-in the shift in revenue needs from CRIAC to sewer over three years:
 - 28% shift of revenue needs in 2021 and 37% in 2022.
 - The phase-in helps mitigate impacts on customers & customer classes.
- Increase in customer metering fees
- Increase in CRIAC discount provided under CAP from 50% to 75%

Average monthly residential charges (5.42Ccf) for 2021 and 2022 would be \$110.71 and \$118.11, respectively.

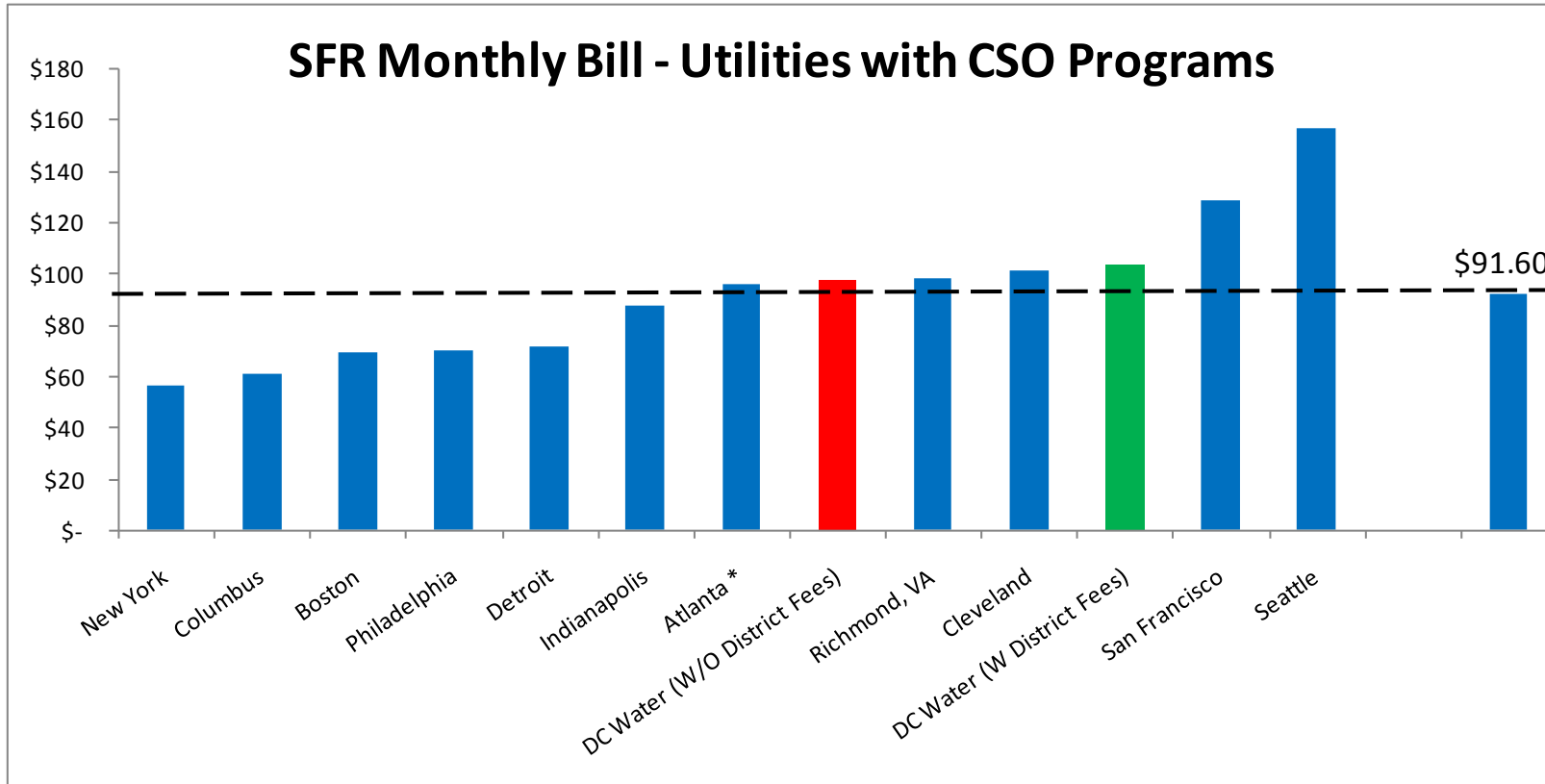
Slide 6

Proposed 2021 & 2022 Rates: Billing Impacts

	Ave SFR	Ave SFR in CAP	Ave Multi-Family	Sample Commercial	Sample Cemetery	Sample Non-Profit - Low Usage	Sample Non-Profit - High Usage
Monthly Bill - 2020 Rates (\$)	104	36	1,341	49,575	2,793	1,591	14,877
Monthly Bill - 2021 Rates (\$)	111	34	1,447	53,958	2,637	1,519	15,788
Monthly Bill - 2022 Rates (\$)	118	38	1,538	57,966	2,516	1,466	16,672
% Change 2020-2021	7%	-7%	8%	9%	-6%	-5%	6%
% Change 2021-2022	7%	12%	6%	7%	-5%	-3%	6%
Assumptions:							
Consumption (Ccf/month)	5.42	5.42	86.14	3,332.33	4.7	7.36	804.07
Meter Size	5/8"	5/8"	1.5"	8 x 2"	5/8"	2"	1" & 4"
ERU	1	1	6.83	52.2	115.1	59.2	128.6

Conclusion: Customers with high ERUs/low usage may see a reduction in their bills. CAP customers will likely see a decrease in their bills in 2021 due to increased CRIAC discount to 75%.

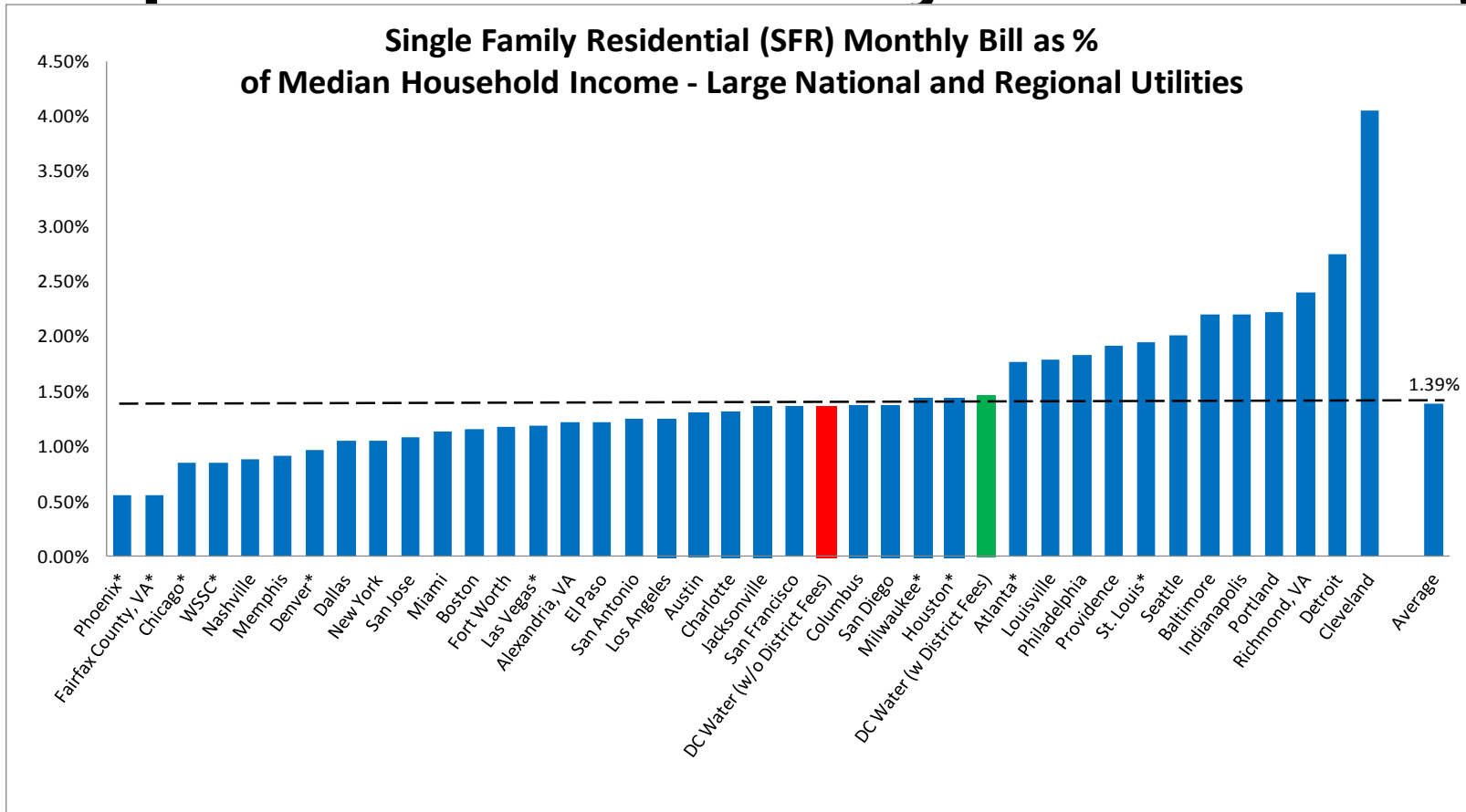
Comparison: CSO Utilities



Note: Reflects rates and fees in place as of November 2019. Some cities utilities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graph above. Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

DC Water charges are comparable to the average of the utilities that we survey that have CSO programs.

Comparison: Affordability of User Charges



Note: Reflects rates and fees in place as of November 2019. Some cities utilities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graph above. Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

Water, sewer, stormwater, and District charges as a % of median household income (MHI) are affordable at 1.46%, and competitive with peers

Comparison of COVID-19 Responses

Utility	Suspend Shutoffs	Waive Late Fees	Restore Service	Other
Alexandria - Water	✓	✓	✓	
Alexandria - Sewer	✓		✓	
Arlington	✓			
Atlanta	✓			
Austin	✓	✓		Residential water (Tiers 1-3) and wastewater (Tiers 1-2) volume rates are reduced by 10% until 9/30/20. Austin Water will contribute an additional \$5M to fund assistance programs.
Baltimore	✓	✓		Billing delayed from March to May 8; offers emergency discount program (same as existing affordability program) good for 1 year to customers with proof of unemployment
Boston	✓	✓		
DC Water	✓	✓	✓	The District will provide emergency billing assistance for up to \$2000 per customer; CRIAC discount under CAP will be expanded; CAP II will be made permanent
Fairfax County				
New York City	✓			Postponed the sale of water and sewer property liens
Newport News	✓			HRSD (WW) canceled FY 2021 rate increase effective 7/1/20
Philadelphia	✓	✓	✓	Suspended rate-making process
Seattle	✓	✓		Offers deferred payment plan and suspends down payment requirements, extends payment period, and suspends income documentation to join the affordability program
WSSC	✓	✓		Included an additional \$324K to fund its assistance programs in the FY21 budget

Note: Reflects publicly available information as of June 2020.

Changes in DC Water customer policies in response to COVID-19 are in line with regional and national utilities

Slide 10

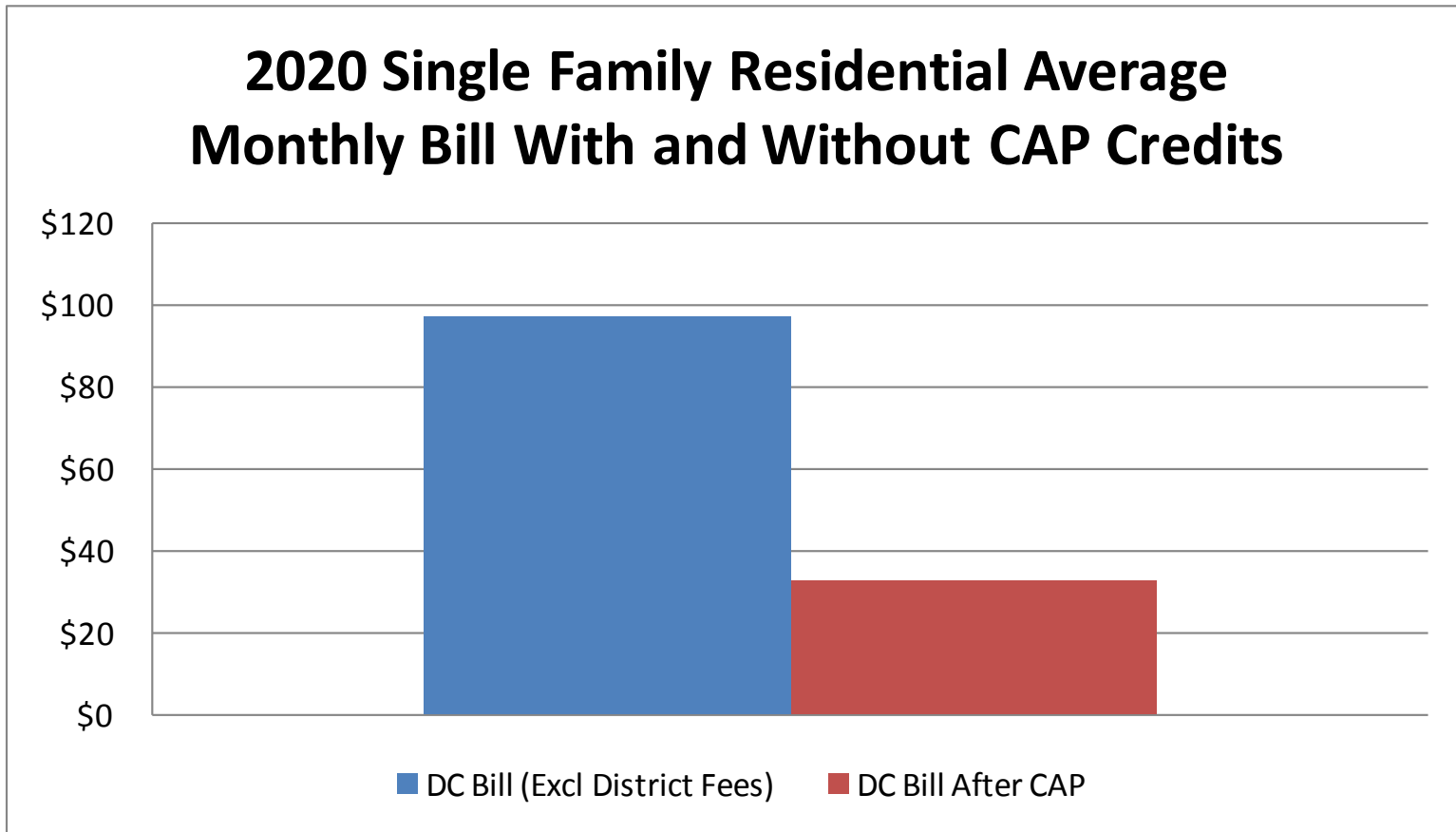
DC Water COVID-19 Responses

FY 2020 Impacts of COVID-19	Outcomes/DC Water Actions
Non-residential shutdowns or limited operations resulting in reduced water sales & resulting revenue	<ul style="list-style-type: none"> • Revenues YTD are somewhat lower than budgeted • Non-residential reductions in usage are partially offset by an increase in residential consumption as more people stay at home, but there will likely be a net decline in sales and resulting usage-based revenue from April 1 - September 30 of FY 2020. Potential annual revenue reduction (versus budget) of \$5 million to \$10 million • In response to the COVID-19 challenges, DC Water is pursuing initiatives so that its O&M spending will be \$22 million under budget • DC Water’s current DETS forecast anticipates its capital spending to be \$81 million lower than budget; the benefits will be reflected in reduced cash-financed construction payments in FY 2020 & lower debt/debt service beginning in FY 2021 • DC Water Board has the option to transfer funds from the RSF into the operating budget, if needed
Delayed payment of DC Water bills	<ul style="list-style-type: none"> • CRIAC Residential Relief Program to provide up to a \$2,000 one-time benefit, funded by the District • Robust assistance programs including CAP, CAP2, CAP3, SPLASH as well as extended payment plans • Through 6/30/20, the impact on bill-paying has been modest
Potential Impacts of COVID-19 in FY 2021 & Later Years	Outcomes/DC Water Actions
Assumption: Non-residential customers gradually reopen and increase operations resulting in reduced water sales & resulting revenue vs. pre-COVID	<ul style="list-style-type: none"> • FY 2021 revenue is expected to be lower than budgeted • Again in response to the COVID-19 challenges, DC Water plans to reduce its O&M spending and its Capital spending in FY 2021 and FY 2022; the benefits of Capital spending reductions will be reflected in reduced cash-financed construction payments beginning in FY 2021 & lower debt/debt service beginning in FY 2022 • DC Water plans to transfer \$2.5 million and \$10.5 million in FY 2021 and FY 2022, respectively, from the RSF into the operating budget; additional transfers can be made by the Board, if needed
Delayed payment of DC Water bills	<ul style="list-style-type: none"> • CRIAC Residential Relief Program to provide up to \$2,000 one-time benefit, funded by the District, during the COVID-19 public health emergency and 105 days thereafter; • Robust assistance programs including CAP, CAP2, CAP3, SPLASH as well as extended payment plans
Federal customers	<ul style="list-style-type: none"> • Federal billing may be affected in FY 2022 and FY 2023 since consumption and other charges are billed two years in advance.

DC Water’s responses to the potential revenue impacts of COVID-19 are prudent in assisting customers and preserving financial integrity.

Slide 11

Affordability of User Charges: DC Water Customer Assistance Program (CAP)

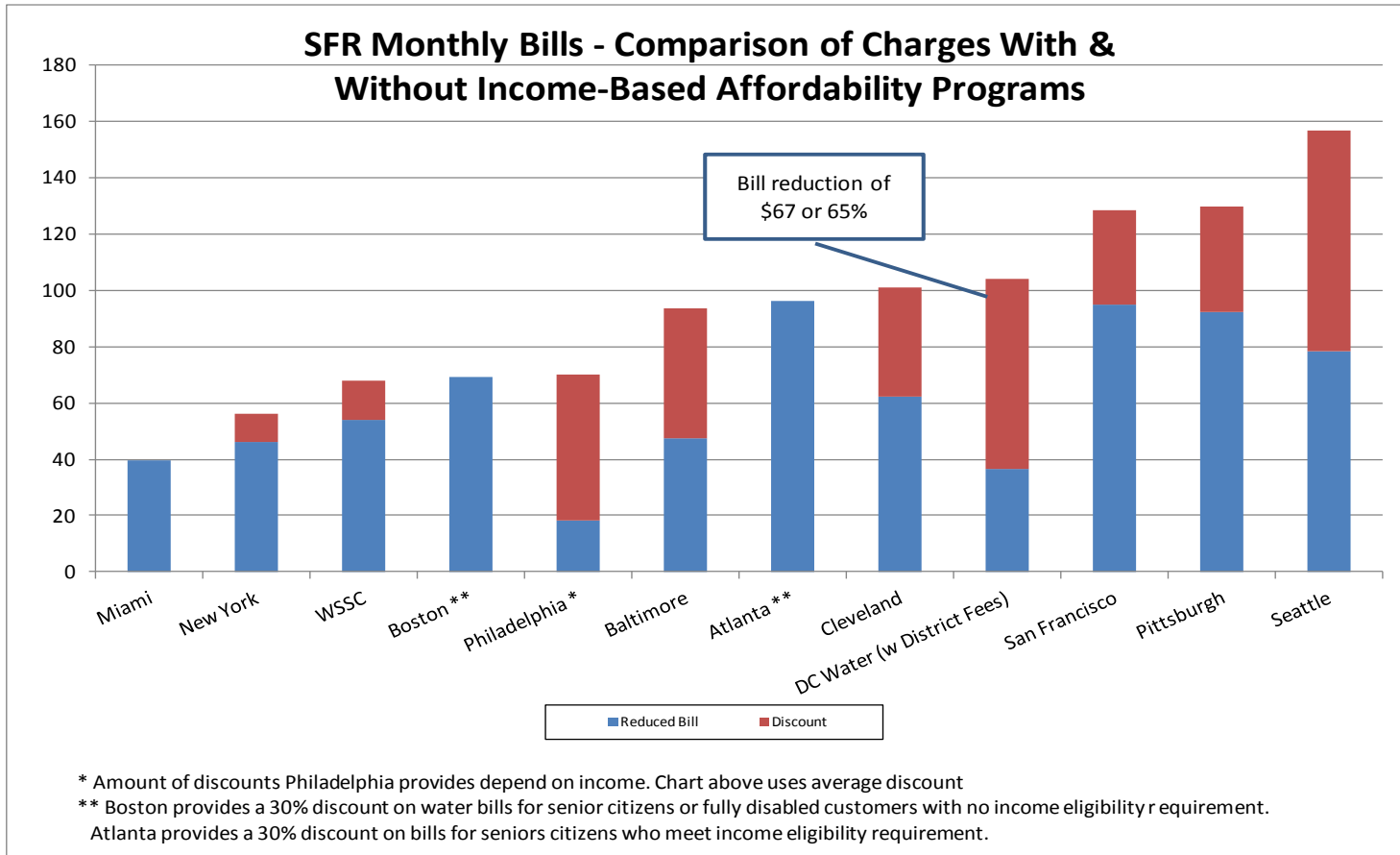


Note: After CAP credits, a family of 4 at the 2019 Federal Poverty level spends a little less than 1.5% of income on DC Water bills.

The proposed increase in CRIAC discount to 75% under CAP for FY 2021 is not incorporated in the chart above.

Slide 12

Affordability of User Rates: DC Water CAP With Peers



Note: Reflects rates and fees in place as of November 2019. Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

The affordability assistance provided by DC Water is robust compared to other utilities, providing a meaningful impact on a customer bill.

Affordability of User Charges - Current & New Initiatives

- **Customer Assistance Program (CAP)** – Existing program that uses LIHEAP (Low Income Home Energy Assistance Program) criteria to provide DC Water-funded discounts to residential customers with incomes up to 60% of the State Median Income (SMI). DC Water proposes to increase CRIAC discount from 50% to 75%
- **Customer Assistance Program II (CAP2)** – DC Water’s expanded program for residential customers who do not qualify for CAP with household income up to 80% Area Median Income (AMI). DC Water proposes to make it permanent in 2021
- **Customer Assistance Program III (CAP3)** – District-funded program to provide benefits to DC Water customers with household income greater than 80% and up to 100% AMI who do not qualify for CAP or CAP2
- **CRIAC Nonprofit Relief Program** – District-funded program to provide CRIAC credits to nonprofit organizations as determined by the District Department of the Environment (DOEE)
- **CRIAC Credits** – up to 20%.

Slide 14

Affordability of User Charges - Current & New Initiatives

- **CRIAC Residential Relief Program** – The Mayor and the D.C. Council has authorized emergency funding to provide emergency relief to District residents struggling with unpaid DC Water bills during the COVID-19 public health emergency and 105 days thereafter. Eligible households may receive bill assistance up to \$2,000 as a one-time emergency benefit. In addition, eligible households will receive billing discount under CAP, CAP2, or CAP3.

Conclusions

- DC Water's proposed 2021 and 2022 rates have been reasonably developed, reflect the anticipated revenue requirements of the System, adhere to Board policy and are comparable to other utilities.
- If water usage declines at a faster rate than assumed rate, interest rates are higher than expected or unforeseen major expenses are encountered, the actual financial results could differ from current projections. The rate structure of DC Water with charges not tied to consumption helps mitigate the risks of lower usage. The potential for some underspending in 2021 and 2022 and the availability of the RSF also provides flexibility and risk mitigation in such circumstances.
- COVID-19 presents significant challenges to the water and wastewater industry as a whole; the potential effects are subject to change in this fiscal year and in future years. In addition to the measures noted above, DC Water initiatives for targeting potential operating and capital savings, prioritizing capital spending, and modifying the use of cash-financed construction are significant tools for addressing the potential COVID-19 impacts on revenues. The reserve funds of DC Water provide liquidity and help support strong credit ratings.

Conclusions

- Affordability is a growing concern in the water and wastewater industry as the cost of providing service continues to increase. DC Water's CAP programs (original, II & III) and SPLASH and its use of a lifeline rate are: 1) in line with industry practices and 2) progressive in providing assistance to low income billpayers. The further increase of CRIAC discount helps low income billpayers. The District assistance to customers and DC Water initiatives in response to COVID-19 are in addition to the affordability assistance outlined above.
- It is noted that the potential outcomes of COVID-19 presented are subject to change. DC Water is monitoring the effects of COVID-19 on usage and revenues closely. It is noted that major water utilities throughout the country are experiencing similar impacts.

Appendix – Supporting Information

Water & Wastewater Industry Challenges

■ **Increases in capital spending:**

- Growing regulatory mandates require significant investments; in addition, state-of-good-repair investments are also needed to ensure that the underlying assets (e.g., pipes) provide reliable service.

■ **Increases in operating expenses:**

- Salaries and wages, fringe benefits and pensions.
- Growing regulatory requirements for stormwater management.
- Certain costs that previously would be capitalized are now counted as expenses.

■ **Long-term water use is declining:**

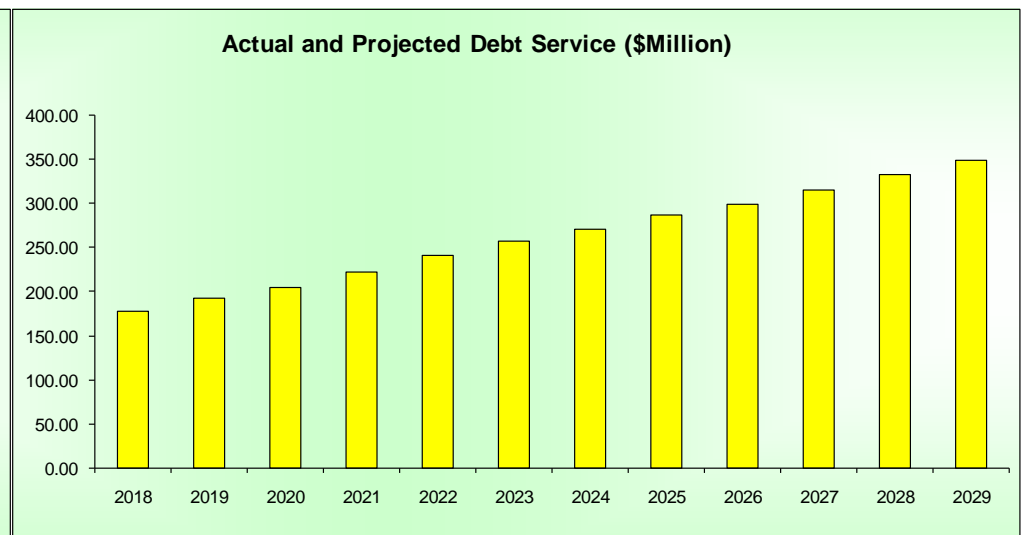
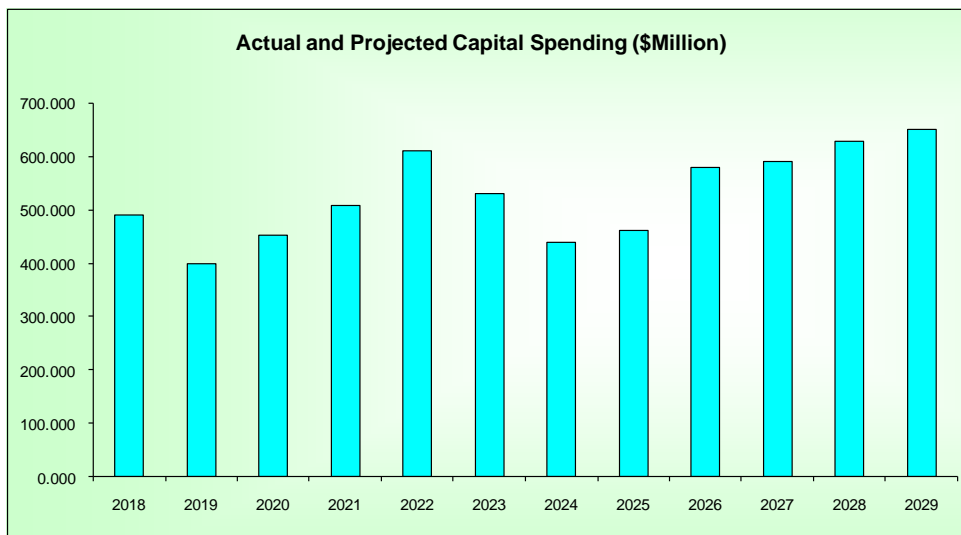
- Most revenues are derived from water usage-based charges but long-term water demand is declining in the east coast cities such as New York, Philadelphia, the District & Boston.

■ **Affordability of rates and charges:**

- Charges as a % of median household income (MHI) is a common measure of affordability but a portion of customers may be well below MHI.

Why Rates Should Increase in 2021 and 2022 – Capital Investment/Debt Service

- DC Water is investing in its water and sewer infrastructure to ensure that high quality services are provided on a reliable basis. As result of the commitment by the Board to continue to address infrastructural challenges, DC Water doubling its investment in water and sewer infrastructure by FY 2022 to reach a 1% replacement cycle, and triple its investment by FY 2027 to reach a 1.5% replacement cycle.
- Debt service payments increase by \$17.1M in 2021 and \$18.2M in 2022; such payments are an increasing % of total disbursements: 35.9% in 2021 and 36.7% in 2022.



Slide 20

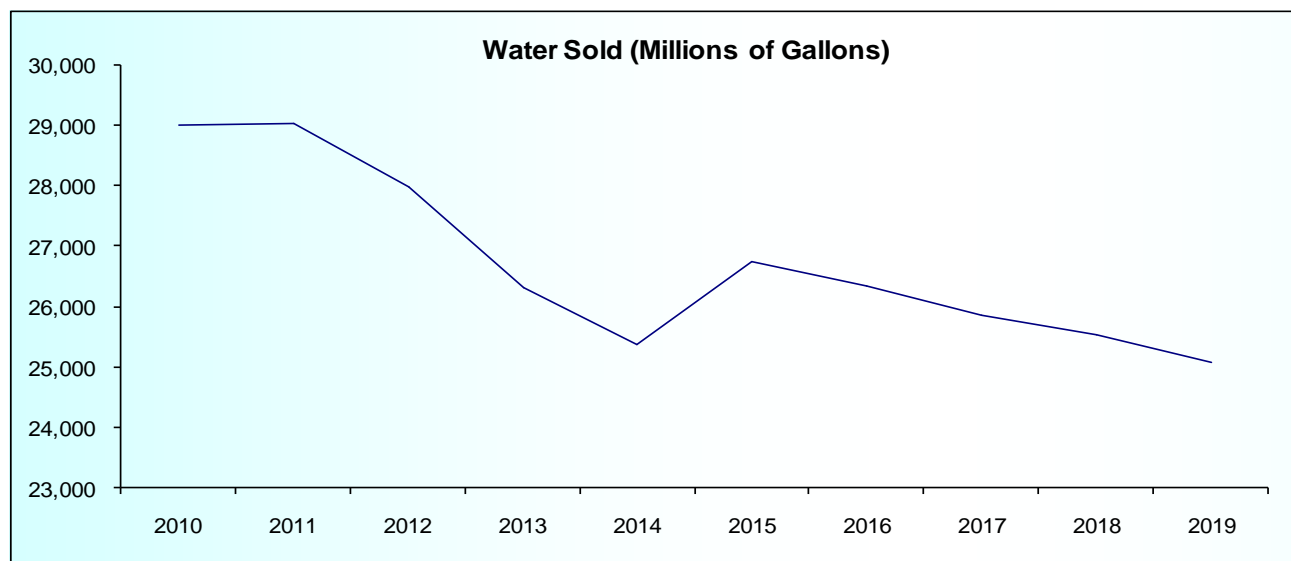
Why Rates Should Increase in 2021 and 2022 – O&M Expenses

- Total O&M expenses, excluding PILOT/ROW, are expected to increase by \$17.4M in 2021 and \$10.3M in 2022.
- DC Water budgeted \$28.6M in 2020 for cash-financed construction/bond defeasance; this increases to \$30.4M in 2021 and \$37.8M in 2022. The purpose is to avoid debt, enhance coverage and provide cash flow flexibility.

O&M Expenditure (\$ M)	2020 Projected	2021 Approved Budget	2022 Approved Budget	2021 Budget vs 2020 Projected	2022 Budget vs 2021 Budget
Personnel Services	147.9	153.5	159.6	3.8%	4.0%
Contractual Services	81.9	88.5	88.6	8.1%	0.1%
Water Purchases	34.9	36.3	37.7	3.8%	4.0%
Chemicals & Supplies	33.2	36.1	37.5	8.8%	4.0%
Utilities & Rent	27.0	27.9	29.0	3.6%	4.0%
Small Equipment	1.0	1.0	1.1	4.1%	4.0%
Total	325.8	343.3	353.6	5.4%	3.0%
PILOT/ROW Fees	22.0	22.4	22.7	1.5%	1.5%
Debt Service	205.1	222.3	240.5	8.4%	8.2%
Defeasance D.S./Cash Financed Capital Construction	28.6	30.4	37.8	6.3%	24.6%
Total Operating Disbursements	581.6	618.3	654.6	6.3%	5.9%

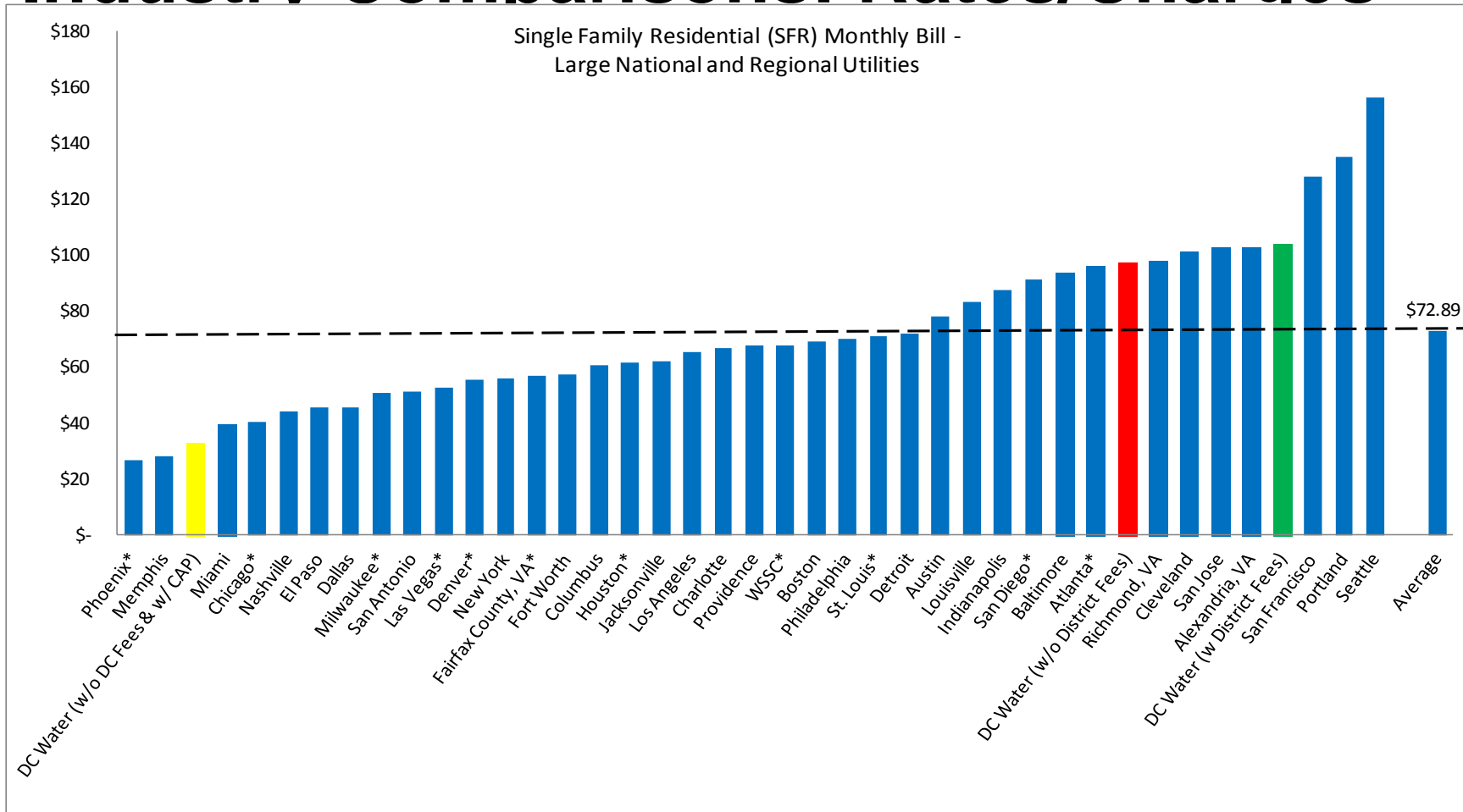
Why Rates Should Increase in 2021 and 2022 – Conservation/Declining Demand

- About 59% of total cash receipts in 2021 and 2022 are expected from consumption-related retail charges.
- Long-term retail water demand is slowly declining.
- Year-to-date 2020 water sales as of June 30 are 1.2% higher than in 2019. However, it is anticipated that commercial accounts will experience significant decline as a results of COVID-19 impacts.
- It is assumed that water usage will decline at the rate of 1.5% per year in 2021 and 1.0% per year in 2022 and each year thereafter. New York, Boston & Philadelphia assume annual declines in sales.



Slide 22

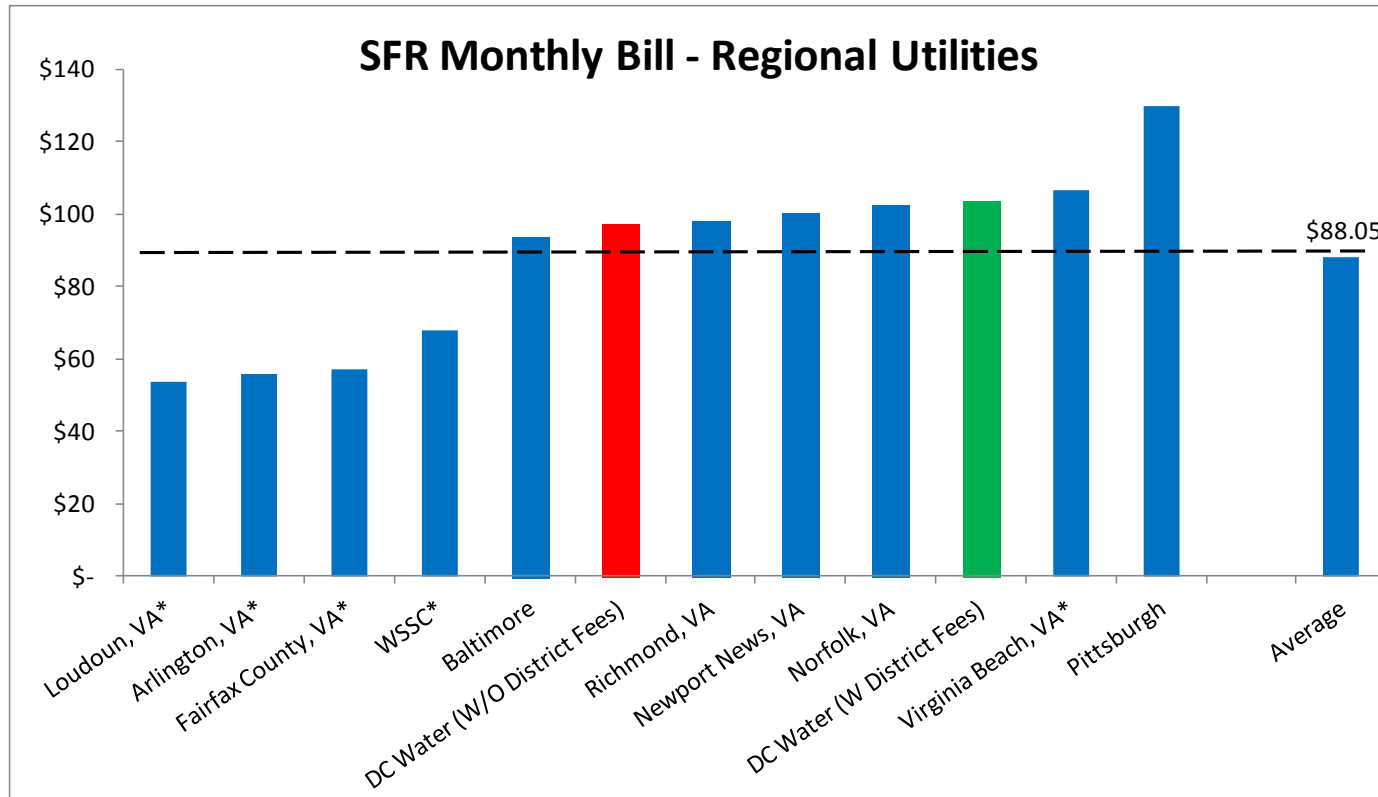
Industry Comparisons: Rates/Charges



Note: Reflects rates and fees in place as of November 2019. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services.

DC Water charges, without the benefits of CAP, are higher than the average of the universe of national and regional utilities that we survey each year on behalf of DC Water.

Industry Comparisons: DC Water & Regional Utilities



Note: Reflects rates and fees in place as of November 2019. Some cities utilities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graph above. Assumes average residential consumption of 5.42Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

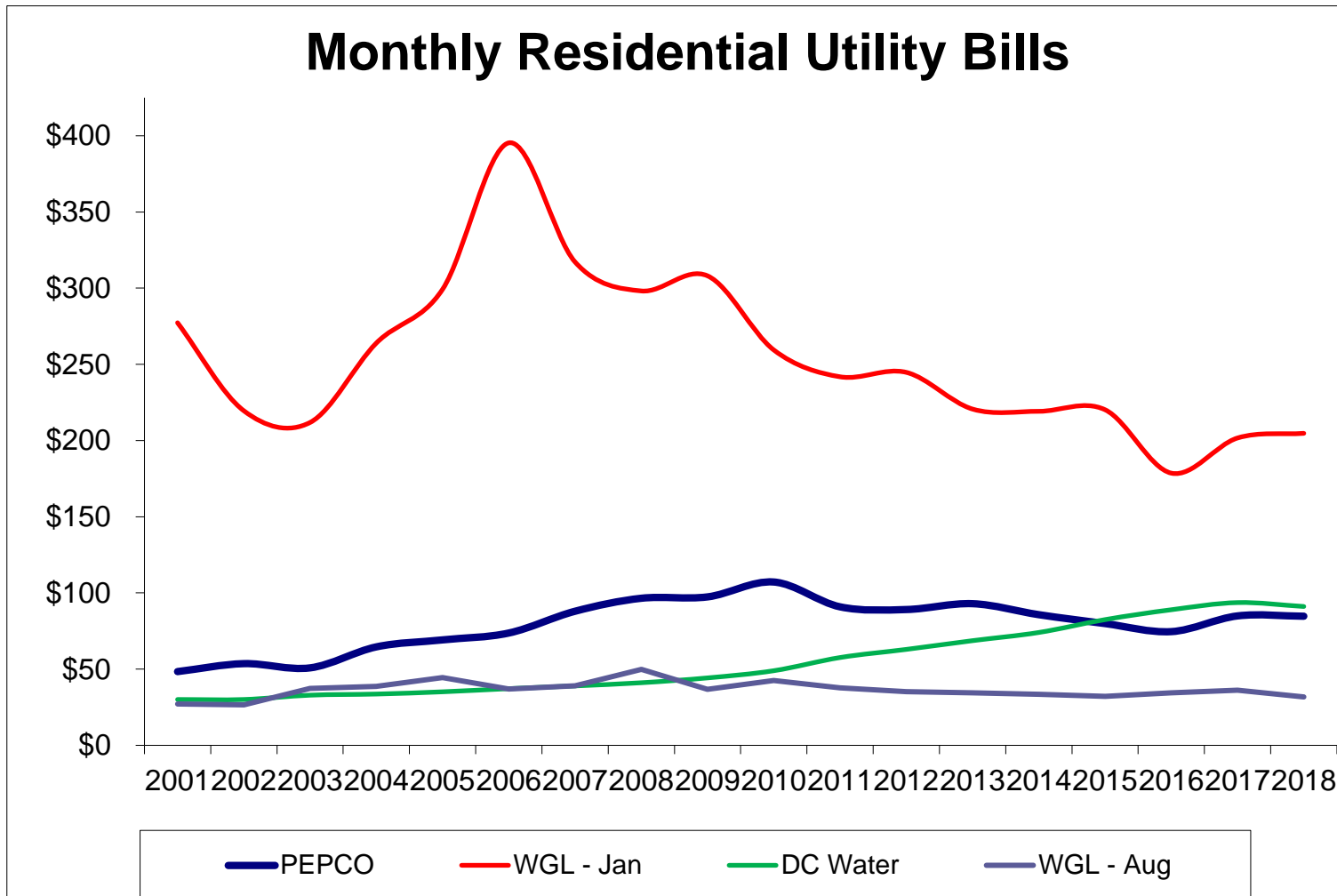
DC Water charges are somewhat higher than the average of the regional utilities that we survey; however, unlike some utilities, DC Water receives no property tax revenue or other subsidies to reduce its user charges.

Affordability of User Charges – Existing & New Initiatives

	CAP	CAP2	CAP3	CRIAC Non-Profit
	Existing	New	New	New
Funding	DC Water	DC Water	District	District
Income Eligibility (Households of four persons)	\$63,104	\$97,050	\$121,300	Non-residential customers
Water and Sewer	4 CCFs	3 CCFs	-	-
District Fees	4 CCFs	-	-	-
Water System Replacement Fee	Waived	-	-	-
CRIAC	75% discount	50% discount	75% discount	90% discount
Approx. Monthly Discount	\$65	\$45	\$15	Varies based on # of ERUs

COVID-19 related assistance by the District & DC Water is in addition to the programs listed above Slide 25

Comparison – Electricity and Gas Bills



Source: DC Public Service Commission and DC Water

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