

A scenic photograph of the Washington Monument in the background, partially obscured by a large orange circular graphic. In the foreground, there are rows of cherry blossom trees in full bloom, with people walking along a path. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The water in the foreground reflects the sky and the monument.

FINAL REPORT DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

INDEPENDENT REVIEW OF THE
PROPOSED BUDGET AND RATES FOR
FY2025 AND FY2026

February 27, 2024

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- Ensure that water and sewer rates, the metering fee, the water system replacement fee and the Clean Rivers Impervious Area Charge ("CRIAC") rates are sufficient to meet funding requirements for all current and long-term liabilities and debt obligations.
- Understand and explain the logic and reasonableness of the assignment of costs to the CRIAC and to the wastewater volumetric rates.
- Understand and explain the impacts on typical customers in each class as well as examples of customers that may be significantly impacted by the proposed changes in rates and charges.
- Understand and explain the impacts of DC Water's affordability assistance programs on the bills of qualifying customers under the rate proposals for FY 2025 and FY 2026.
- Examine DC Water practices and policies relative to those of peer utilities in conducting the review.
- Ensure that the proposed rates that have been developed are consistent with the Board of Directors' rate-setting policies.
- Review the assumptions in the DC Water rate model for the equitable allocation of costs and retail rates.
- Review the proposed Water Is Life Amendment Act of 2024 and explain the impacts this proposed change would have on revenue and the ability of DC Water to meet the Financial Policies of the Board.
- Present the results of this review to the Retail rates Committee and the Board of Directors and testify at the public hearing about the efficacy of the proposed rates.

Independence:

Independence is a key aspect of this Review.

- Arcadis has not assisted DC Water with the development of the current retail water and wastewater rates and charges, and customer assistance programs.
- The Review was approached with an independent perspective and Arcadis seeks to offer DC Water professional considerations to improve its rates and customer assistance programs.

Arcadis Expertise:

Arcadis is a leading utility consulting and engineering firm both in the United States and across the globe.

- Our team consists of approximately 27,000 worldwide and 5,000 U.S. employees.
- Key staff disciplines include finance, management, engineering, science, planning, architecture, and other areas to help our clients solve their most challenging environmental, infrastructure, and business issues.
- Arcadis' Business Advisory unit includes our Financial Advisory Services team, which focuses on water, wastewater, and stormwater industry cost of service, rates and charges, and other financial and management issues faced by utilities such as DC Water.

Independent Review and Arcadis Qualifications (Continued)



Arcadis Expertise (Continued):

- Arcadis has performed financial and rate reviews for clients across the U.S., which provides us with unique perspective on industry trends and best practices in the area of rates and charges.
- This independent review was conducted by industry leading professionals, Robert Ryall, Fernando Pasquel and Jeffrey Yeschick. Combined, these professionals have over 75 years of water, wastewater and stormwater utility experience. Industry leadership includes contributions to the American Water Works Association Manual of Practice M1; Principles of Water Rates, Fees and Charges and Water Environment Federation's User-Fee-Funded Stormwater Programs.

Rate-Setting and Budgetary Policy

It is the policy of the Board of Directors of DC Water in setting retail rates, including charges and fees, pursuant to its statutory authority to strive to achieve the following:

- 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 units of service.
- Rates based on annually updated forecasts of operating and capital budgets.
- Rates structures that are legally defensible, based on objective criteria, and transparently designed.
- Rates structures customers can understand and DC Water can implement efficiently and efficaciously.
- Rate increases, if required, that are implemented transparently and predictably.
- To the extent annual revenues exceed costs, the Board's policy will continue to utilize all available options to mitigate future customer impacts and annual increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

Financial Policies

DC Water's Board of Directors has adopted a series of key financial policies for financing, rate-setting, and cash and investment management. These policies have served as the key parameters used to successfully develop DC Water's ten-year financial plan, Capital Improvement Program, and operating budgets. The policies guide the development and implementation of the Authority's long term financial plans.

Capital Financing and Reserves Policy

- Combined debt service coverage will be 160% per Board policy, exceeding DC Water's bond indenture requirements of senior debt service coverage at 120% and subordinate debt service coverage at 100%.
- Cash reserves will be maintained at a level equivalent to 250 days operating expenses for the current fiscal year. The 250 days cash requirement does not include balances of the Rate Stabilization Fund. DC Water will work to achieve 350 days of cash by 2032 as established in Resolution 23-58.
- The Operating Reserve Fund target balance is equivalent to 60 days operating costs.
- The Renewal and Replacement Fund target balance is \$35 million.
- A portion of the capital program will be financed on a pay-go basis from cash reserves that exceed the operating and maintenance reserve level, thereby reducing the need for long-term debt.
- The budget and the financial plan will be structurally balanced; DC Water will use one-time revenues for onetime expenses.
- DC Water will secure the least costly financing for capital projects based on careful evaluation of the Authority's financial position and capital operating needs.

Rate Stabilization Fund Target Balance and Contributions

- The objective of the Rate Stabilization Fund is to “smooth” rate increases and help reduce the growth of customer rates
- The Rate Stabilization Fund has a goal of maintaining a balance equal to five percent in annual retail revenues
- Contributions and transfers to the Rate Stabilization Fund may be directed by the Board either through the annual budget or through the allocation of year-end surplus. The General Manager may also designate contributions to the Rate Stabilization Fund from savings obtained by the use of the Rate Stabilization Fund.
- Rate Stabilization Funds can be used to smooth rate increases; cover one-time emergency costs (operating and capital) associated with emergency or unplanned events (catastrophic failures, dramatic increase in operating costs); fund investments (such as technology) that produce annual savings that would have an impact on annual rate increases; and defease higher cost debt or for PAYGO (cash-financed construction).
- The General Manager may transfer funds from the Rate Stabilization Fund at any time and must notify the Board within 30 days of the reason and amount of transfer, and if any funds will be repaid to the Rate Stabilization Fund.
- Interest earned on the Rate Stabilization Fund account will be accounted for as general revenues and be transferred out of the Rate Stabilization Fund at anytime.

Cash Management and Investment Policy

The purpose of DC Water’s investment policy is to set forth the investment and operational policies for the management of public funds of the Authority. The policy are designed to ensure the prudent management of Authority funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial marks indices. The goals of DC Water's cash management and investment policy are safety, liquidity, diversity and return on investment.

Debt Policy

The purpose of DC Water’s Debt Policy and Guidelines (the “Debt Policy”) is to provide DC Water officials and staff a comprehensive guide to DC Water’s issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt.

Review recent financial performance

- Review the DC Water budget versus actual results from prior years (FY2022 and FY2023) and FY2024 year-to-date results.
- Review DC Water financial performance versus key financial policies and metrics as established in Financial Policies of the Board as well as our industry experience serving other water, wastewater and stormwater service providers.

Review budget versus historic actual results for FY2025 and FY2026

- Review the DC Water FY 2025 and FY 2026 operating and capital budgets and financial plans compared to actual results from FY 2022 and FY 2023.

Review rates and rate-setting practices

- Prepared comparisons of typical bills for various customer class to evaluate the impact of rate adjustments on these customers.
- Review Cost of Service study methodology, assumptions, and results including the assignment of costs to the Clean Rivers Impervious Area Charge and wastewater volumetric rates.
- Conducted interviews with DC Water representatives to gather data and information, review questions, and discuss preliminary observations.

Arcadis Procedures for Reviewing the Proposed Rates (Continued)

Comparison of rates and affordability

- Compare DC Water rates and charges with industry peers and regional utilities (forty-four comparable utilities). This step consists of bill comparisons developed using data provided by DC Water and recent rate survey efforts completed by Arcadis. The comparable utility rates are effective as of November 1, 2023.
- Review Customer Assistance Program (CAP) effectiveness and the potential impact on affordability of the proposed changes in rates and charges. Comparisons are made with assistance programs offered by other regional utilities as well as water and sewer utilities across the United States. The comparison includes summarizing the bill reductions of DC Water and other industry peer utilities based on the CAP discounts offered.

Conduct interviews with DC Water representatives

- Gather data, review questions, and discuss preliminary observations.

Prepare a text report and presentation summarizing the work performed

- The report and presentation are prepared in an agreed-upon format summarizing the work performed, comparisons with other utilities, findings of our independent review, as well as factors to consider in the rate making process and our conclusions.

Customer Statistics and Service Area



- DC Water has a service area of approximately 725 square miles provides water and wastewater service to approximately 700,000 residents and over 21 million annual visitors in the District of Columbia.
- DC Water also treats wastewater for approximately 1.6 million people in the neighboring Counties of Montgomery and Prince George in Maryland and the Counties of Fairfax and Loudoun in Virginia.
- Similar to most utilities, the largest percentage of DC Water customers are residential at approximately 92% (including Residential, Multifamily, and DC Housing Authority customer account classifications). Commercial accounts make up approximately 7% of the customer base.
- In total, Residential, Multifamily, and DC Housing Authority customers account for approximately 50% of the water consumption, while commercial customers account for approximately 32% of the total consumption.
- The following tables show the number of accounts and water consumption by customer class for FY2021 through FY2023.
- DC Water and Washington Aqueduct consumption does not generate revenue. The increase in DC Water consumption was reported as due to leaks and watermain breaks that were addressed (repaired) in 2022 and 2023.

Customer Accounts	FY2021	FY2022	FY2023	Average Annual Growth
Commercial	9,131	9,092	9,051	-0.4%
Federal	463	461	458	-0.5%
DC Housing Authority	1,062	1,058	1,059	-0.1%
Municipal	515	513	514	-0.1%
Multifamily	8,463	8,600	8,688	1.3%
Residential	106,799	107,082	107,231	0.2%
DC Water	27	27	24	-5.7%
Washington Aqueduct	1	1	1	0.0%
Total	126,461	126,834	127,026	0.2%

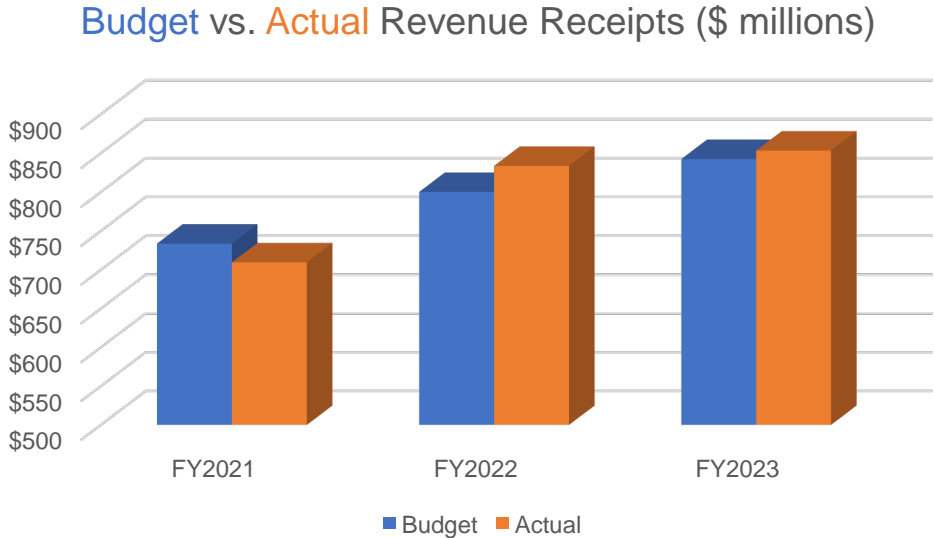
Water Consumption	FY2021	FY2022	FY2023	Average Annual Growth
Commercial	9,098,077	10,561,267	10,665,543	8.3%
Federal	4,813,337	4,006,115	4,350,621	-4.9%
DC Housing Authority	808,267	824,862	889,780	4.9%
Municipal	876,602	920,542	834,604	-2.4%
Multifamily	9,260,560	9,243,028	9,274,129	0.1%
Residential	6,620,451	6,319,378	6,148,086	-3.6%
DC Water	319,160	322,669	491,483	24.1%
Washington Aqueduct	312,179	264,432	231,289	-13.9%
Total	32,108,633	32,462,293	32,885,535	1.2%

Recent Financial Performance: Revenue



Over the past three years, operating revenues have increased from \$710 million in FY2021 to \$853 million in FY2023. The lower cash receipts in FY2021, shown in the chart below, are mainly due to a decline in water consumption due to the impact of the COVID-19 pandemic. The FY2022 budget was prepared during the pandemic and prior to the release of a vaccine. Revenues increased following the recovery from the pandemic with actual cash receipts greater than budgeted revenue for FY2022 and FY2023. The combined FY2023 receipts for Residential, Commercial, and Multi-Family, which makes up most of DC Water revenue, was 103% of the budgeted amount.

FY2022 revenue increased 17.5% YoY compared to a 7.8% increase in rates, mainly due to an increase in consumption following the pandemic. FY2023 revenue increased 2.4% YoY compared to a 9.5% increase in rates with a decrease in Residential and Federal consumption.

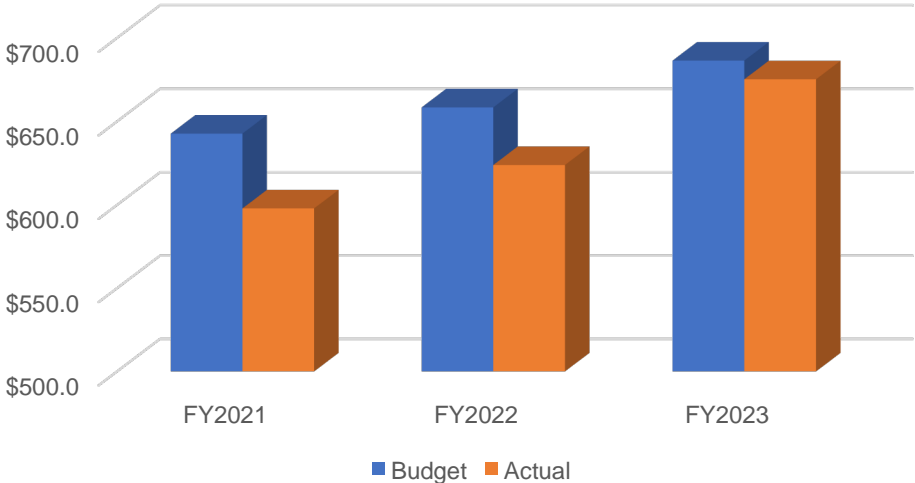


Recent Financial Performance: Expenditures

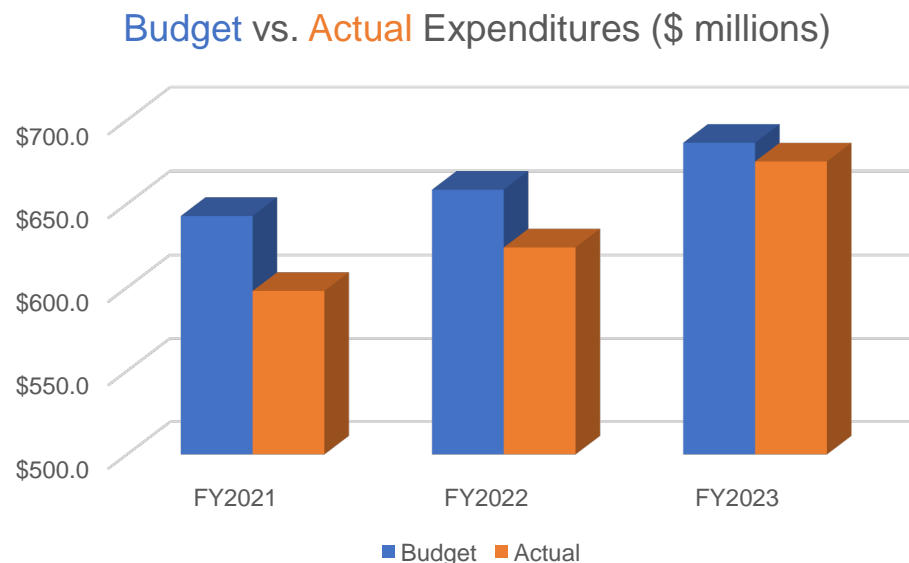


From FY2021 through FY2023, expenditures increased from \$598 million to \$675 million; however, expenditures were less than the budgeted amounts in each of these years. The variance in actual versus budgeted expenditures in FY2021 and FY2022 were related to the COVID-19 pandemic. Underspending in FY2021 resulted from lower Personnel Services caused by a pause in hiring along with lower benefits and overtime costs, plus lower Contractual Services spending aligned with the decrease in Personnel Services and other non-critical expenses. In addition, Supplies & Chemicals and Utilities expenditures were lower than budgeted due to lower unit prices and lower usage. Debt service payments were lower than budgeted due to refinancing and lower interest rates on existing debt.

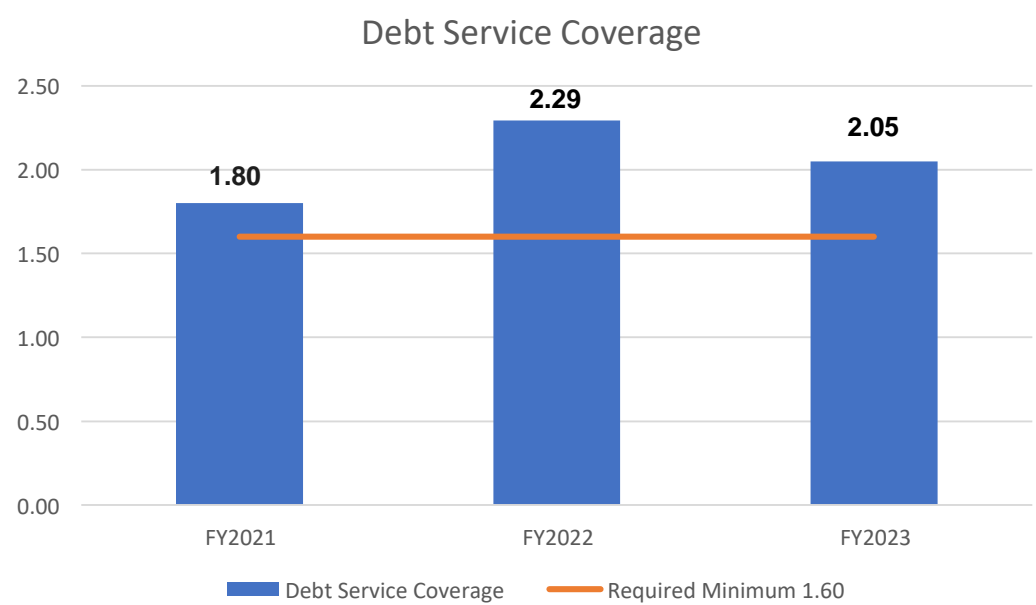
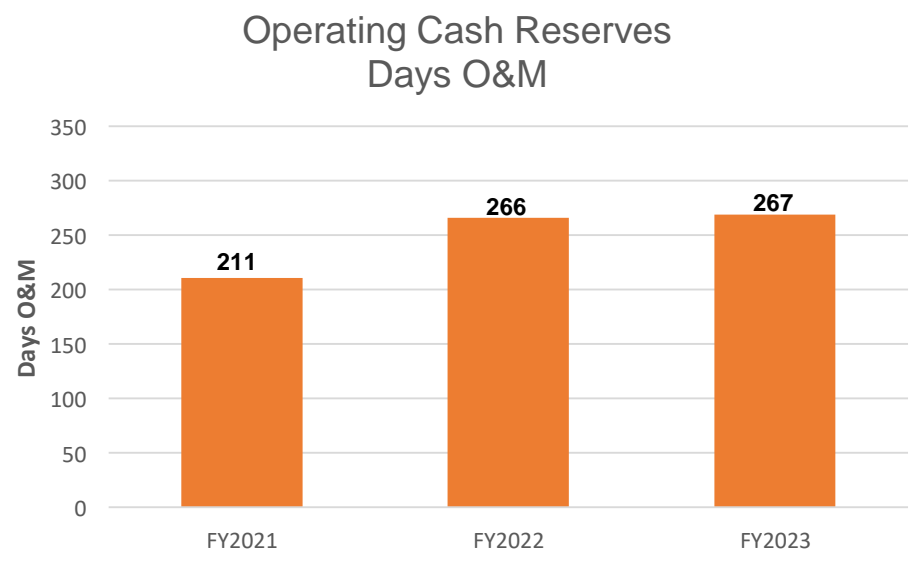
Budget vs. Actual Expenditures (\$ millions)



The pandemic related pause in hiring was lifted, and positions were filled in FY2022 and FY2023. The vacancy rate decreased from 12% in FY2022 to 8% in FY2023, and DC Water experienced a 6.6% increase in Personnel expenses year over year. FY2022 Contractual Services were lower than budgeted reportedly due to lower than anticipated costs for software maintenance, claims, legal, backflow prevention program, and delays in the leak detection program. Debt service costs were lower than budgeted in FY2022 due to a \$3.0 million release from the Debt Service Reserve Fund and refinancing of higher cost debt. Supply & Chemical costs increased in FY2022 and FY2023 due to higher unit prices caused by supply chain disruptions. Utilities related costs increased in FY2022 and FY2023 due to higher energy costs. In addition, DC Water experienced an increase in water usage due to water leaks. In June 2022, a water leak discovered from a 6-inch service line at the Main Pump Station was resolved.



- On October 7, 2021, (beginning of FY2022), Resolution 21-84 established a target minimum cash balance of 250 days O&M expenses and minimum target debt service coverage of 160%.
- On October 5, 2023, (beginning of FY2024), Resolution 23-58 set a goal to achieve a cash balance of 350 days O&M expenses by 2032.
 - Operating cash reserves increased from \$196.3 million to \$287.7 million from FY2021 to FY2023, or the equivalent of 211 days to 267 days of O&M expenses as DC Water works towards achieving a balance of 350 days O&M expenses by 2032.
 - DC Water maintained a debt service coverage greater than the required minimum of 160% from FY2021 through FY2023.



- The Blue Plains facility is in compliance with the August 26, 2018, NPDES permit.
- DC Water continues to operate in accordance with the Consent Decree with the EPA for the Combined Sewer Overflow – Long Term Control Plan (LTCP).
- FY2023 capital disbursements totaled \$435 million, which was 86.8% of the revised budget of \$501 million and an increase from \$345 million in FY2022.
- The annual capital program is increasing with the Ten-Year CIP totaling \$7.7 billion, an average annual planned spending of \$770 million.
- The FY2023 year end vacancy rate was 11.6% with 1,144 positions filled. The current job vacancy rate as of December 2023 was 13% based on an amended headcount for FY2024 or 1,325 FTEs.
- Major capital funding initiatives include the Potomac River Tunnel and the lead service line program plus upgrades at the Blue Plains facility.
- The most recent Independent Engineering Assessment, pursuant to the stipulations of the Master Indenture of Trust, was completed on September 30, 2023. The report summarizes major initiatives such as the Clean Rivers Project, Lead Free DC Program, and Blue Drop and addresses how DC Water is preparing for future events that can impact operations such as addressing sustainability, adapting to the impact of climate variability, and energy efficiency. The report concludes that DC Water's performance is above average relative to its peers, and in some areas, is at or near best in class.

DC Water continues to be recognized by its peers and has received numerous awards for performance and innovation. This industry recognition is evidence of the high level of performance DC Water delivers and provides assurance to ratepayers and stakeholders that their resources are being spent wisely they and are receiving maximum value.

- The Government Finance Officers Association (GFOA) offers three awards for budget presentation and financial publications. DC Water’s Budget has won two of these awards and been recognized every year for the last 22 years. This year for the first time, DC Water’s Popular Financial Report was recognized, winning all three awards. This unique recognition is regarded as the “Triple Crown”. So, for the first time, **DC Water is a Triple Crown Winner**.
- In May 2022, the Authority was awarded the **prestigious Smart Water Project of the Year**, at the Global Water Awards. This award recognizes of the impact of the new Event Management System which utilizes system data to pinpoint problems, generate alerts and to facilitate improved coordination with the District and their first responders.
- The Institute of Supply Management awarded DC Water the **Trailblazer Award for the second consecutive year** in 2023 in recognition of DC Water’s initiatives that have optimized processes and set benchmarks within supply chain management.



- Blue Plains Advanced Wastewater Treatment Plant was recipient of the **2021 Peak Performance Award after ten consecutive years of full compliance with its NPDES permit**. The Peak Performance Awards recognizes National Association of Clean Water Agencies (NACWA) member agency facilities for excellence in permit compliance.
- Awarded **Gold Level, Excellence in Management**, by the NACWA in 2022. This program honors member agencies that are implementing management practices that address the range of challenges identified in the Ten Attributes of Effectively Managed Water Sector Utilities.



Strong financial performance leads to higher bond ratings which results in lower interest rates and borrowing costs. Capital projects are significant for utilities as the process of providing water and sewer service is very capital intensive. A strong credit rating reduces the cost of debt which minimizes the financial burden of the utility and benefits ratepayers through lower rate increase requirements.

Current Bond Ratings

- Fitch: AA+
- Moody's: Aa1
- Standard & Poor's: AAA

Solid financial performance resulting from the Financial Policies of the Board have supported strong bond ratings. This provided DC Water opportunity to refinance debt at lower interest rates in FY2021 and FY2022. DC Water continues to update their financial metrics and goals which will maintain the strong credit ratings and allow for securing future debt at competitive interest rates. Approximately \$3.3 billion is planned to be borrowed to fund the capital program over the next 10 years.

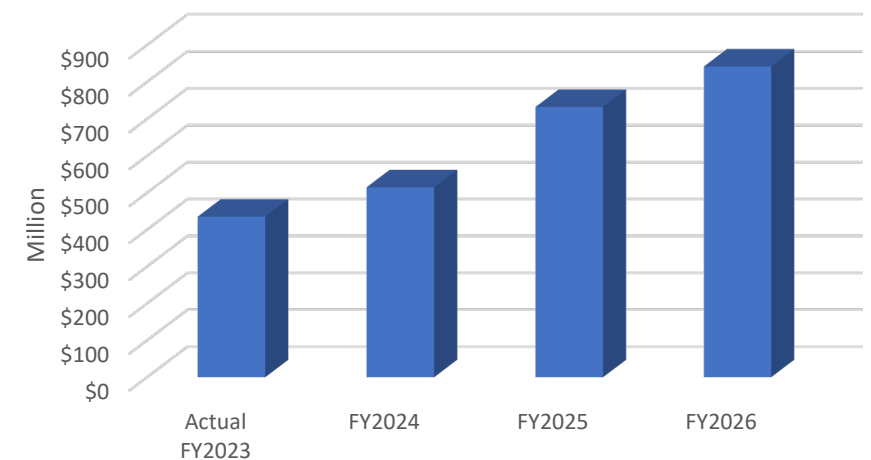
In addition to traditional borrowing, DC Water's strong financial performance has allowed the Authority to secure \$156 million in federal low interest loans for 20 projects under the Water Infrastructure Finance and Innovation Act (WIFIA) program. These loans have below market fixed interest rates of 2.33%, repayable over a term of up to 35 years from substantial project completion.

The need to repair and replace aging infrastructure is a significant issue for water and sewer providers. The cost of addressing aging infrastructure needs is placing significant pressure on rates throughout the industry.

Capital Improvement Program Expenses

- The CIP expense budget is projected to increase to \$732.1 million in FY2025 and \$841.8 million in FY2026. This represents a 68% and 94% increase in FY2025 and FY2026, respectively, compared to the FY2023 actual capital spend.
- Debt service payments are projected to increase from \$225.9 million in FY2023 to \$249.5 million and \$277.0 million in FY2025 and FY2026, respectively, and are projected to continue to increase beyond FY2026.
- With the increase in the capital budget, the cash financed CIP budget is projected to increase from \$35.7 million in FY2023 to \$60.4 million and \$71.9 million in FY2025 and FY2026, respectively.
- The proposed ten-year total CIP budget is \$7.7 billion, which includes a \$792 million increase over the Board approved CIP.

Capital Improvement Program Budget

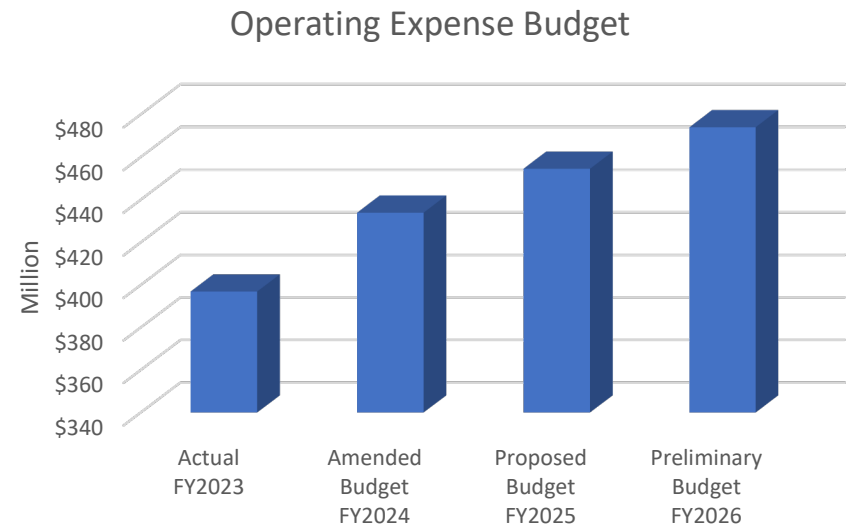


Source: FY 2025 10-Year CIP

DC Water relies on revenue from water and sewer service charges as the primary source of funding capital and operating needs. Unlike some cities, DC Water does not receive any type of sales tax or property tax subsidy. Inflationary increases in items such as chemicals, energy, materials, and labor, have resulted in increased utility operating costs.

Operating Expenses

- The operating expense budget is projected to increase to \$454.5 million in FY2025 and \$476.2 million in FY2026. This represents a 14.5% and 20.0% increase in FY2025 and FY2026, respectively, compared to the FY2023 actual operating expenditure.
- Personnel Services accounts for approximately 46% of the total O&M budget. The FY2025 proposed budget shows a 4.0% increase in Personnel Services compared to the Amended FY2024 budget with a 7.0% increase in Overtime expenses. The budget accounts for merit increases and forecasts for changes in benefits costs. Personnel Services is projected to increase 4.0% in FY2026.
- The authorized headcount for FY2025 is 1,325 FTE. A budgeted job vacancy rate of 7% is assumed for FY2025. The current vacancy rate, as of November 2023, is 13%, with a total of 1,143 positions filled.



Why are Rate Increases Necessary (Continued)

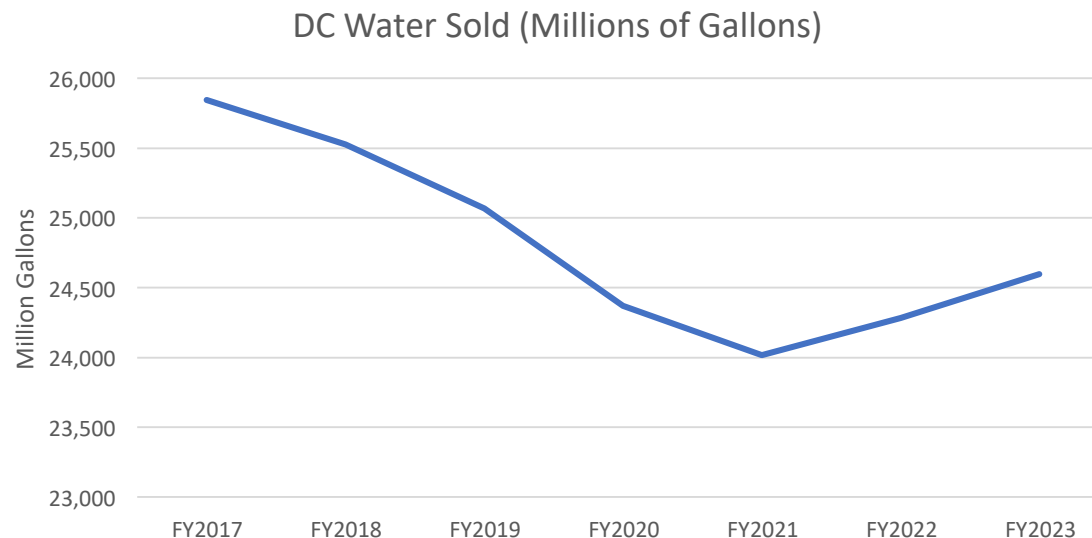
Operating Expenses (Continue)

- DC Water utilizes Contractual Services to avoid staffing up and then reducing staff when completing major initiatives. Contractual Services are budgeted to increase by 9.9% in FY2025 and 3.6% in FY2026. The largest share of Contractual Services is for Professional Services such as legal, community outreach programs, employment and other compliance services.
- The FY2025 and FY2026 Chemicals and Supplies budget includes increases of \$1.0 million and \$5.1 million, respectively, for critical parts and supplies for maintenance of equipment and facilities.
- The budgeted Water Purchases is projected to increase 2.9% and 7.1% in FY2025 and FY2026, respectively, following a 31.0% increase in the FY2024 budget. This expense includes drinking water purchases from the Washington Aqueduct and funds for DC Water's share of the McMillan Sewer backwash.

Line No:	Operating Expenditures (\$ Millions)	Actual FY2023	Amended Budget FY2024	Proposed Budget FY2025	Preliminary Budget FY2026	FY2025 YoY Change	FY2026 YoY Change
1	Regular Pay	\$132.7	\$147.2	\$154.1	\$160.3	4.7%	4.0%
2	Benefits	\$40.8	\$45.9	\$46.4	\$48.3	1.2%	4.0%
3	Overtime	\$9.8	\$8.5	\$9.1	\$9.5	7.0%	4.0%
4	Total Personnel Services	\$183.3	\$201.6	\$209.6	\$218.0	4.0%	4.0%
5	Chemicals and Supplies	\$53.1	\$54.6	\$55.6	\$60.7	1.9%	9.2%
6	Utilities	\$37.4	\$39.2	\$40.3	\$41.8	2.8%	3.6%
7	Contractual Services	\$88.3	\$93.1	\$102.3	\$106.0	9.9%	3.6%
8	Water Purchases	\$33.6	\$44.0	\$45.3	\$48.6	2.9%	7.1%
9	Small Equipment	\$1.2	\$1.4	\$1.4	\$1.3	-5.1%	-6.6%
10	Total Non-Personnel Services	\$213.6	\$232.3	\$244.9	\$258.2	5.4%	5.5%
11	Total O&M	\$396.9	\$433.9	\$454.5	\$476.2	4.7%	4.8%

Declining Water Use

- The cost of service analysis shows approximately 76.5% of revenue is generated from volumetric sales.
- Prior to the COVID-19 pandemic, from FY2017 through FY2019, water sold decreased by an average of 1.5% annually.
- The water demand increased with recovery from the pandemic, but the overall trend between FY2017 and FY2023 shows a decline in water sales. The average annual decrease in water sold from FY2017 through FY2023 is 0.8%.
- DC Water has projected that water consumption will continue to decline at 1.0% annually in FY2025 and FY2026.



Why Invest in Capital Improvements

The capital budget is projected to increase to \$732.1 million and \$841.8 million in FY2025 and FY2026, respectively.

The proposed 10-year CIP budget is \$7.7 billion and will fund the following infrastructure:

- Fully fund the Clean Rivers Program including completion of the Potomac River tunnel to meet the consent decree requirement by 2030
- Allocates funding for the Lead-Free DC program
- Funds more than 150 miles of small diameter water main replacement
- Invests \$3.5 billion in the aging water and sewer system infrastructure. The current age of water and sewer piping systems average over 80 and 86 years, respectively, approaching end of service life.
- Directs \$1.3 billion for major rehabilitation and upgrades at Blue Plains Advanced Wastewater Treatment facility

Line No:	Category	Actual FY2023	FY2024	FY2025	FY2026
1	Non Process Facilities	\$10.3	\$13.1	\$19.9	\$25.2
2	Wastewater Treatment	\$50.4	\$65.2	\$103.3	\$133.5
3	Combined Sewer Overflow	\$93.8	\$123.8	\$213.4	\$231.3
4	Stormwater	\$3.5	\$7.3	\$13.6	\$8.0
5	Sanitary Sewer	\$57.7	\$80.6	\$92.2	\$123.9
6	Water	\$118.4	\$158.7	\$222.5	\$252.4
7	Additional Capital Projects	\$101.2	\$66.1	\$67.2	\$67.6
8	Total Capital Budget	\$435.1	\$514.7	\$732.1	\$841.8
9	YoY Change		\$79.6	\$217.4	\$109.7
10	YoY Percent Change		18.3%	42.2%	15.0%

- Allocates \$357.5 million for DC Water’s share of the Aqueduct’s infrastructure program
- Provides \$347.4 million for the purchase/replacement of vehicles, heavy-duty equipment, mechanical equipment, operational facilities, meters, office renovations, and IT projects

Proposed Change in Rates for FY2025 & FY2026



The table below presents the proposed rate changes for FY2025 and FY2026. Majority of the proposed increases are related to the recovery of water costs.

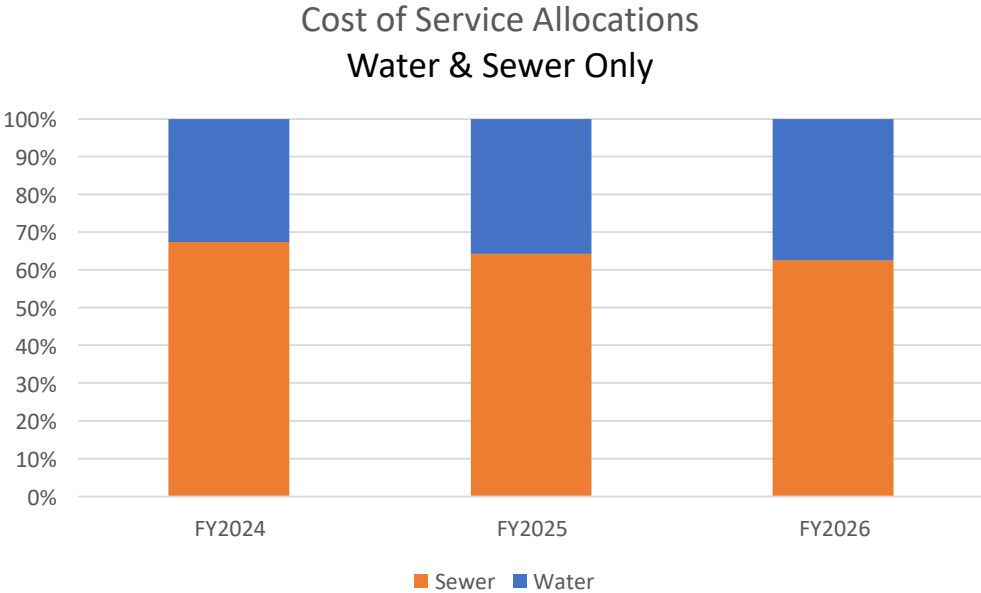
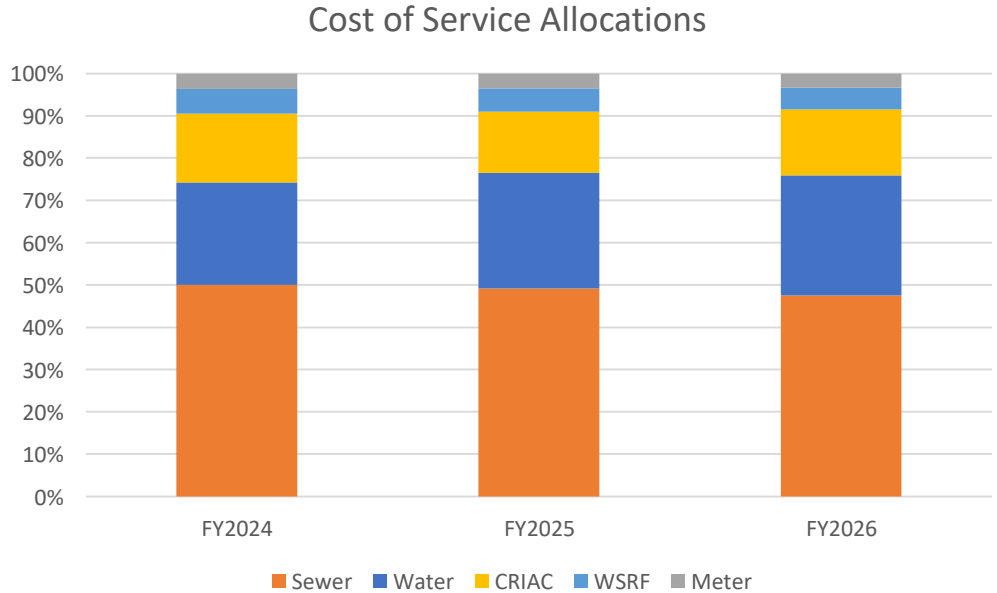
- Overall system proposed revenue increases for FY2025 and FY2026 are 8.0% and 6.0%, respectively.
- Cost recovery primarily impacts water rates mostly due to costs associated with Source of Supply & Treatment and Distribution.
- No adjustments in monthly metering charges and system replacement fees are proposed.
- DC Water bills and collects the PILOT Fee, Right of Way Fee, and Stormwater Fee on behalf of the District of Columbia.

Rates	Units	Current FY2024	Proposed FY2025	Proposed FY2026	Incr. /(Decr.) FY2025		Incr. /(Decr.) FY2026	
					\$	%	\$	%
DC Water Retail Rates								
Water								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$4.38	\$5.21	\$5.78	\$0.83	18.9%	\$0.57	10.9%
Residential – (> 4 Ccf)	Ccf	\$5.70	\$6.81	\$7.60	\$1.11	19.5%	\$0.79	11.6%
Multi-family	Ccf	\$5.00	\$5.82	\$6.47	\$0.82	16.4%	\$0.65	11.2%
Non-Residential	Ccf	\$5.89	\$7.03	\$7.84	\$1.14	19.4%	\$0.81	11.5%
Sewer	Ccf	\$11.70	\$12.07	\$12.52	\$0.37	3.2%	\$0.45	3.7%
Clean Rivers IAC	ERU	\$21.86	\$21.23	\$24.23	\$-0.63	-2.9%	\$3.00	14.1%
Customer Metering Fee	5/8"	\$7.75	\$7.75	\$7.75	\$0.00	0.0%	\$0.00	0.0%
Water System Replacement Fee	5/8"	\$6.30	\$6.30	\$6.30	\$0.00	0.0%	\$0.00	0.0%
District of Columbia Rates								
PILOT Fee	Ccf	\$0.61	\$0.61	\$0.62	\$0.00	0.0%	\$0.01	1.6%
Right of Way Fee	Ccf	\$0.19	\$0.19	\$0.20	\$0.00	0.0%	\$0.01	5.3%
Stormwater Fee	ERU	\$2.67	\$2.67	\$2.67	\$0.00	0.0%	\$0.00	0.0%

Rate Structure & Cost Allocation Review



The proposed rates, presented on the preceding slide, are developed based on a bi-annual Cost of Service (COS) analysis. The figures below provide the allocated proportion of revenue requirements allocated to each Rate Component as well as the cost of service allocated to each service type, water and sewer.



From review of the COS analysis, Arcadis draws the following observations:

- The COS analysis is prepared based on industry guidelines as established in the AWWA Manual M1; Principles of Water Rates, Fees, and Charges.
- The COS analysis incorporates several initiatives including:
 - The fully phased reallocation of some costs, previously recovered through the Clean Rivers Impervious Area Charge (CRIAC), to the sewer volume rate. In 2018 DC Water's Department of Engineering and Technical Services completed a study which indicate the need to shift 37% of cost from CRIAC to the sewer volumetric rate. This allocation change was made to more equitable recover costs associated with stormwater and wastewater contributions. This cost shift was completed using a 3-year phased approach.
 - Revenue collected from the Water System Replacement Fee (WSRF) funds the annual cost of 1% of DC Water's renewal and replacement program and offsets costs recovered through the water volumetric rates. The WSRF was established in 2016 and approved at its current level for a 10-year period.
 - The Groundwater Charge and Washington Aqueduct Discharge Rates were established in 2018 and 2022, respectively. The COS study provides a review and update of these rates.
- Proposed rate adjustments in FY2025 are primarily driven by increases in the water volumetric rates resulting from a shift in cost recovery from sewer to water. The FY2025 CRIAC fee declines slightly from the FY2024 level due to changes in debt assumptions resulting from refinancing efforts.
- Proposed water volume rates for FY2026 increase as a result of cost shifts and the proposed FY2026 CRIAC fee increases by \$3.00 per ERU, based on the results of the COS analysis.

Proposed FY2025 & FY2026 Rates: Bill Impacts

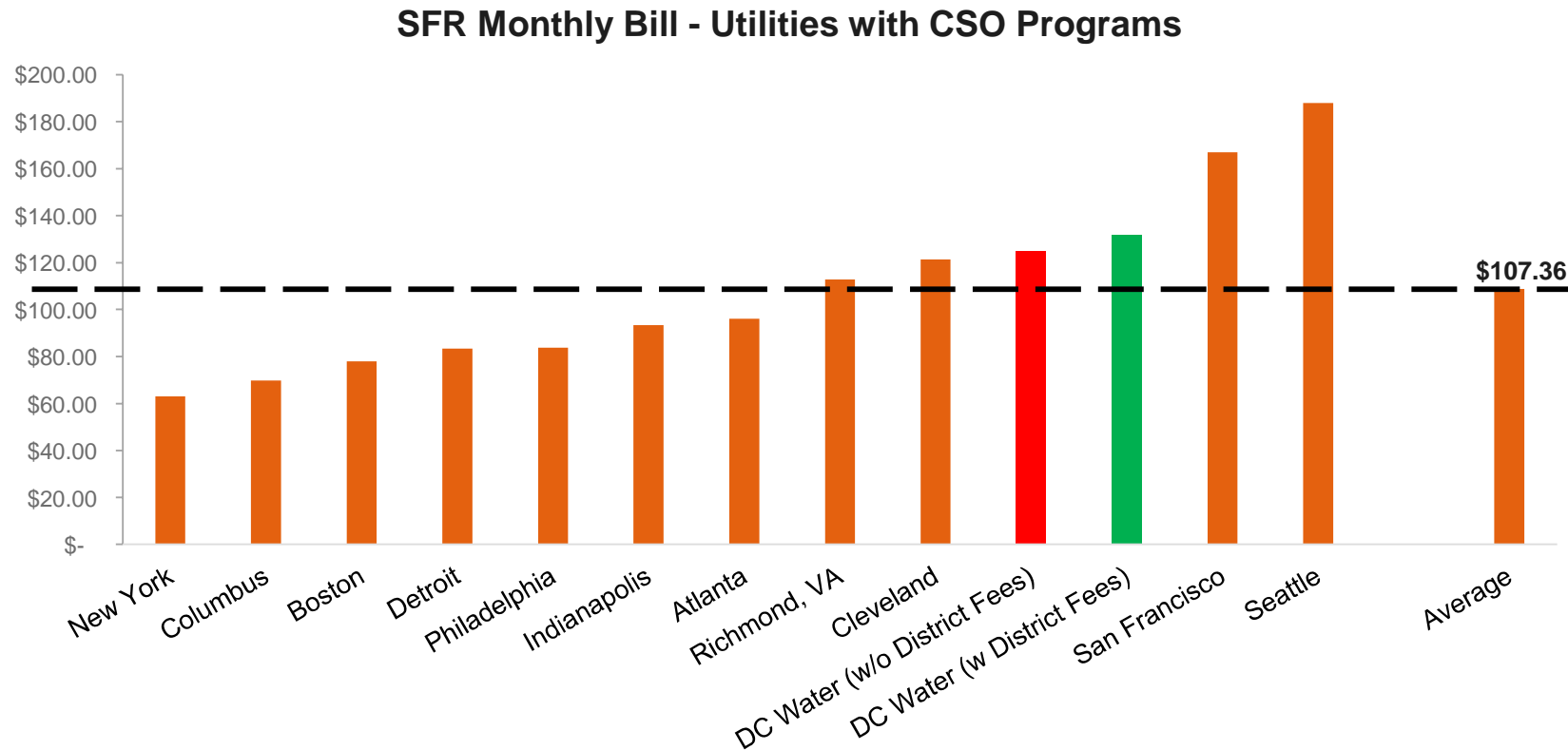


	Avg SFR	Avg SFR in CAP	High Volume SFR	Ave Multi-Family	Avg Commercial	High Volume Commercial	Sample Cemetery	Sample Non-profit-low usage	Sample Non-profit -high usage
Monthly Bill - 2024 Rates (\$)	\$131.95	\$41.73	\$330.83	\$1,779.33	\$6,531.12	\$73,082.96	\$2,923.89	\$1,686.42	\$18,778.24
Monthly Bill - 2025 Rates (\$)	\$138.22	\$43.68	\$350.65	\$1,880.88	\$6,560.58	\$77,877.15	\$2,858.47	\$1,660.23	\$19,911.36
Monthly Bill - 2026 Rates (\$)	\$147.16	\$46.21	\$374.67	\$2,001.00	\$7,252.08	\$83,274.13	\$3,209.79	\$1,847.25	\$21,326.37
%Change 2024-2025	4.8%	4.7%	6.0%	5.7%	0.5%	6.6%	-2.2%	-1.6%	6.0%
%Change 2025-2026	6.5%	5.8%	6.9%	6.4%	10.5%	6.9%	12.3%	11.3%	7.1%
Assumptions:									
Consumptions (ccf/month)	5.42	5.42	15.00	88.95	98.20	3,332.33	4.70	7.36	804.07
Meter Size	5/8"	5/8"	5/8"	1.5"	2"	8 x 2"	5/8"	2"	4"
ERU	1	1	2	6.83	188.6	377.2	115.1	59.2	128.6

- Typical single-family customers would experience increases of 4.8% and 6.5% in 2025 and 2026, respectively, or about \$6 to \$9 per month in each year.
- CAP customers would experience slightly smaller bill percentage increases of 4.7% and 5.8% in 2025 and 2026, respectively, or about \$2 to \$2.50 per month.
- Impacts on other customer classes in each year depend on water use and the number of ERUs.

Comparison of Charges

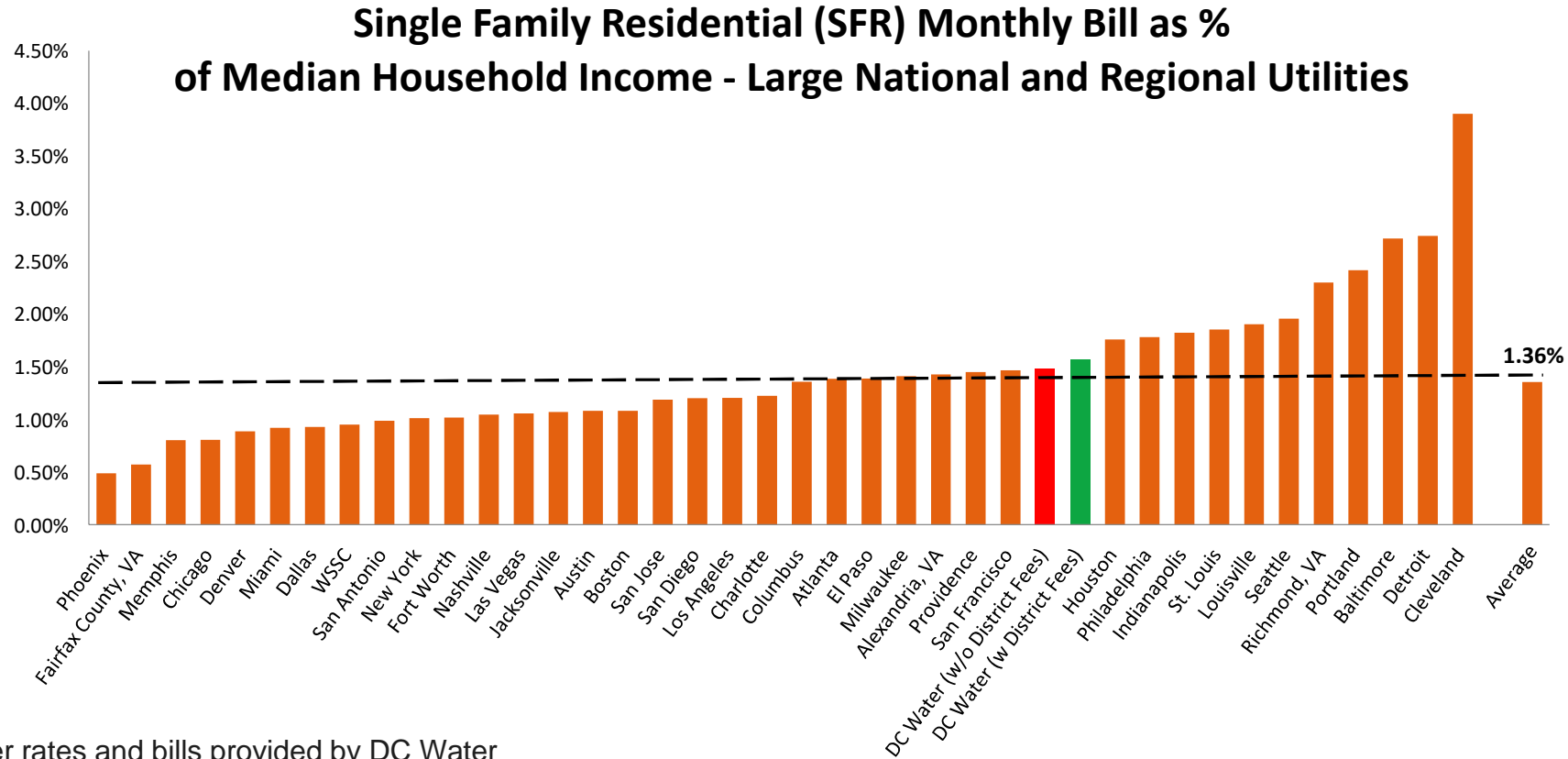
- Charts reflect rates and fees in place as of November 1, 2023. Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons per month.
- CSO Utilities: DC Water charges are comparable to the average of the utilities surveyed that have combined sewers and CSO control programs.



Source: Peer utility rates and bills provided by DC Water

Comparison of Charges (Continued)

DC Water's water, sewer, stormwater charges (without District fees) as a % of median household income are *reasonable* at 1.48% and are competitive with industry peer utilities. Charges are slightly higher when District fees are included but are still competitive.



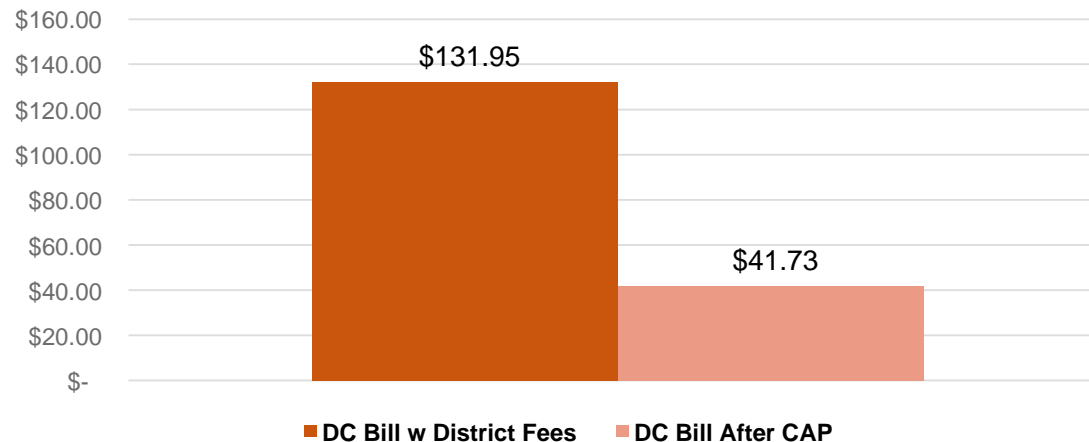
Source: Peer rates and bills provided by DC Water

Note: User charges are based upon information provided by the identified cities and standardized assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors. Actual charges in each city will vary in accordance with local usage patterns. There may be significant differences in typical single family residential usage among cities which results in charges that are different than shown above. Some cities bill for sewer use on the basis of winter water consumption which could affect sewer billings if a customer's use was not uniform throughout the year. Sewer charges include stormwater charges in those cities where separate stormwater fees are assessed. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater or stormwater services. In such situations, the user charges will not reflect the full cost of water, wastewater or stormwater services. Some cities impose charges that become part of the cost of water/sewer services. Water/sewer bills in some cities are subject to sales taxes, gross receipts taxes and/or other fees. Affordability programs are used by many cities to reduce the annual charges to eligible customers.

The customer assistance programs offered by DC Water are robust compared to other utilities, providing a meaningful impact on participating customer bills.

- After Customer Assistance Program (CAP) credits, a family of four at the 2023 Federal Poverty income level, using an average residential consumption of 5.42 Ccf, or 4,054 gallons, per month spends only 1.67% of income on DC Water bills, excluding District Charges, with FY2024 rates.

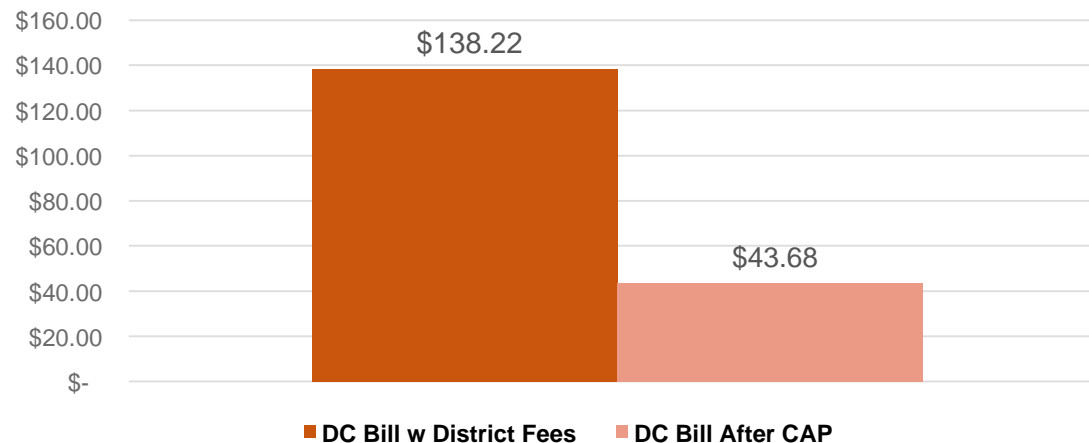
FY 2024 Single Family Residential Average Monthly Bill, Excluding District Charges, With and Without CAP Credits



The customer assistance programs offered by DC Water are robust compared to other utilities, providing a meaningful impact on participating customer bills.

- After Customer Assistance Program (CAP) credits, a family of four at the 2023 Federal Poverty income level, using an average residential consumption of 5.42 Ccf, or 4,054 gallons, per month spends only 1.75% of income on DC Water bills, excluding District Charges, with the proposed FY2025 rates.

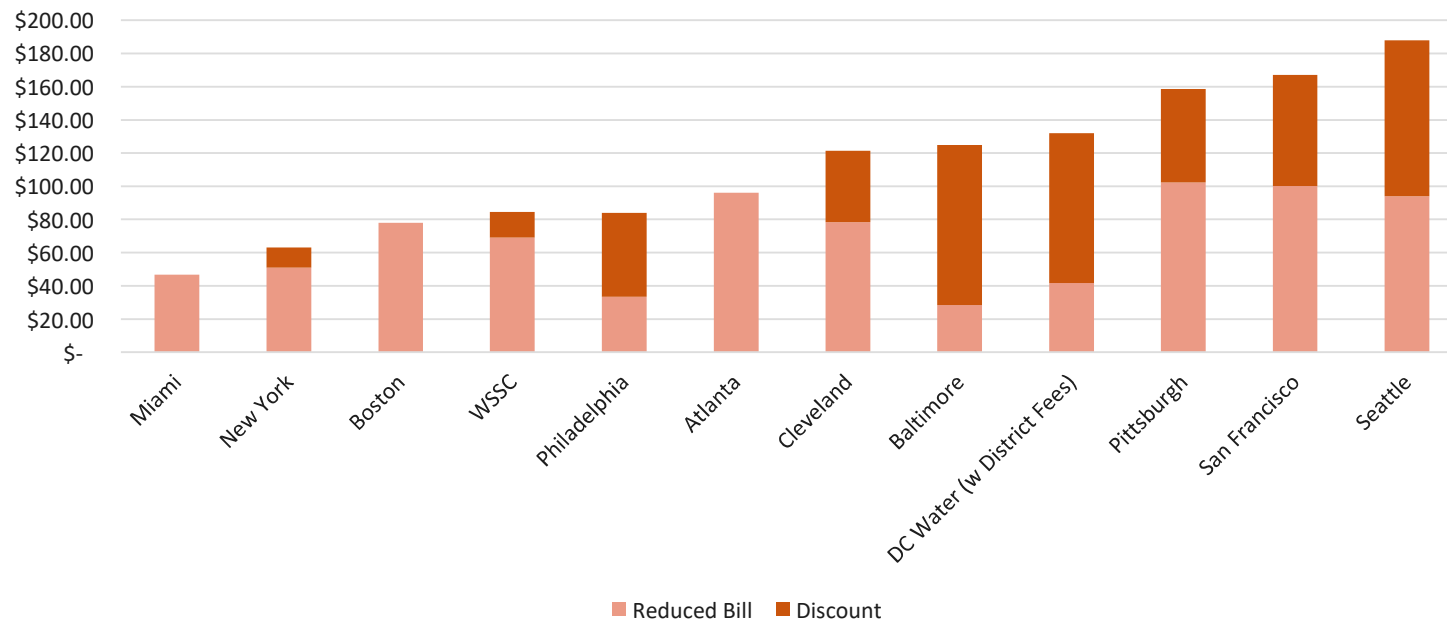
FY 2025 Single Family Residential Average Monthly Bill, Excluding District Charges, With and Without CAP Credits



Affordability of User Charges (Continued)

- DC Water CAP assistance compares favorably with peer water and sewer utilities.
- DC Water CAP programs provide a monthly bill reduction \$90.20 or 68% to participating customers. This level of support is among the highest of the peer utilities systems in the benchmarking survey.
- Support from CAP programs result in participating customer bills, which as a proportion of income, are similar to a single-family resident at median household income (1.67% and 1.48%)

SFR Monthly Bills - Comparison of Charges With & Without Income-Based Affordability Programs



Affordability of User Charges (Continued)

DC Water offers Numerous Customer Assistance Programs:

Program	Description	Eligibility
Customer Assistance Program (Monthly Discounts for Residential Customers)	Eligible households receive discounts on water and sewer services and/or discounts on some fees. (CAP 1, CAP 2, CAP 3) -Discounts range from \$196 to \$1,080 annually.	CAP 1: Residents with household income of 60% of AMI (Area Median Income) CAP 2: 80% AMI CAP3: 100% AMI
CAP+ *	All CAP benefits plus two (2) CCF of water and sewer credit. This is an additional credit of approximately \$39.00 per month per eligible customer.	20% AMI and approved by DOEE
Leak Assessment *	DC Water will offer resources that will provide private side leak assessment to help customers identify the source of leaks and associated high usage.	CAP, CAP 2, and CAP+ customers that have received consecutive usage notifications indicating that there may be a leak on the property.
Residential Assistance Program (Emergency Residential Relief)	Up to \$2,000 to help income-eligible customers eliminate their past due balance.	Income eligible customers verified by DOEE.
CRIAC Relief for Nonprofit Organizations	Credits of up to 90% of the CRIAC portion of a nonprofit's water bill.	Income eligible non-profit organizations, verified by DOEE.
Extended Payment Plans	Repay past due balances over time. More flexible options now available. No late fees accrue while meeting payment plan obligations.	Customers with a balance may be eligible.
SPLASH (One-time Emergency Assistance)	Up to \$350. DC Water employees, customers and others donate to this one-time assistance fund for those facing disconnection.	Income eligible customers, verified by Greater Washington Urban League.
Payment Plan Incentive Program*	DC Water will adjust 40% of the outstanding balance when an eligible customer maintains their payment plan. DC Water will post after three (3) months of on-time payments if current charges and payment terms are maintained.	Residential customers with an outstanding balance aged 60 days or greater and totals \$500 or more.

* Upcoming programs in FY2024/ FY2025

Arcadis was provided a February 1, 2024, letter and enclosed copy of proposed legislative changes from the Council of the District of Columbia summarizing proposed changes to the Code of the District of Columbia, referred to as the Water Is Life Amendment Act of 2024. From review of this letter and legislative changes, the Water Is Life Amendment Act of 2024 introduces the following impacts:

- Prohibits water service disconnections for nonpayment at Residential Property
- Expands the current Code definition of Residential Property to include properties that contain ambulatory care, group home, sleeping unit, dwelling unit, housing unit, custodial care facility, or foster care facility
- Introduces the term Nonresidential Building which means a building that does not contain ambulatory care facility, group home, sleeping unit, dwelling unit, housing unit, custodial care facility, or foster care facility

DC Water provided delinquency data which shows delinquent accounts increased from approximately \$10.6 million (1.53% of total revenue) in FY2019, prior to the COVID-19 pandemic, to approximately \$26.3 million (3.71% of total revenue) in FY2021, during the COVID-19 pandemic, an increase of 2.18, when a service disconnection moratorium was in place. During this time DC Water provided nearly \$15 million in new customer assistance programs, likely lessening the increase in delinquencies. From Arcadis' work in the industry, other water and sewer utilities experienced even higher delinquencies resulting from disconnect moratoriums, increases in delinquencies as high as 10%.

Proposed Water Is Life Amendment Act of 2024 (Continued)



Based on our review, revenue from the proposed FY2025 and FY2026 rates, adjusted for an increase in delinquencies to pandemic moratorium levels experienced by DC Water, are estimated to decrease by approximately \$9.4 million and \$10.0 million, respectively. The adjusted forecasted results show revenues that would not meet all Financial Policies of the Board and would reduce available PAYGO funding, which in turn, would increase future borrowing requirements.

Additional borrowing could negatively impact the Authority’s credit, resulting in a possible bond rating downgrade which would result in higher costs of borrowing. Higher costs of borrowing would place greater pressure on the need to increase rates. Additionally, increased delinquencies resulting from the proposed legislation would diminish cost of service rate making justification as paying customers would experience rate increases to cover the costs of delinquencies. The authority and ability to enforce collections through service disconnect is a critical element of maintaining stable revenue streams.

Line No:	Financial Plan (Millions) ¹	FY2025	FY2026
1	Beginning Operating Cash Balance	\$296.6	\$304.3
2	Proposed Revenue	\$926.3	\$977.5
3	Revenue Reduction	(\$9.4)	(\$10.0)
4	Operating Expenses	(\$444.2)	(\$464.9)
5	Debt Service	(\$249.5)	(\$277.0)
6	Cash Financed CIP	(\$60.4)	(\$71.9)
7	Wholesale/Federal True-Up	(\$21.5)	(\$15.1)
8	Projected Billing Refunds	(\$2.0)	\$0.0
9	PAYGO	(\$135.6)	(\$133.5)
10	Operating Cash Balance	\$300.2	\$309.3
11	Operating Cash Balance (Days of O&M)	247	243
12	Required Cash Balance to Meet 250 days of O&M Minimum	\$304.3	\$318.5
13	Reduction in PAYGO to Meet 250 days of O&M Minimum	\$4.0	\$9.2

1 Source: DC Water Ten-Year Financial Plan

- DC Water's proposed FY2025 and FY2026 rates have been reasonably developed, based on industry cost of service principles, and reflect the budgeted revenue requirements of the system. In addition, the rates adhere to Board policies and are comparable to the rates of other utilities.
- The allocation of CRIAC and wastewater costs is based on functional allocations of revenue requirements to operating elements of the system; Water, Meter Charge, Wastewater, and Combined Sewer Overflow (CSO). CSO revenue requirements are further allocated to CRIAC for stormwater (63%) and wastewater (37%) based on engineering studies evaluating stormwater and wastewater contributions. This approach is reasonable and based on sound principles.
- The proposed FY2025 and FY2026 rates result in consistent bill impacts at similar levels for typical water users within in each customer class. Given proposed increases in water volumetric rates, high volume use customers, regardless of customer class, will experience a greater impact in their bills.
- Affordability is a current and long-term challenge for the water and wastewater industry as the cost of providing these services continues to increase. DC Water has established innovative and industry leading Customer Assistance Programs (CAP) in order to address affordability for its customers. Typical residential bills calculated using the proposed FY2025 and FY2026 rates, excluding adjustments from CAP programs, result in water and sewer bills of 1.48% of median household income. General industry guidelines indicate water and sewer bills less than 4.50% of median household income are considered affordable. A customer with income at the 2023 Federal Poverty level, with typical usage and participating in DC Water's CAP programs, will receive a bill reduction of approximately 66%. This will result in a bill of 1.67% of the participating CAP customers income.

- DC Water has established practices and policies to ensure that the revenue from the rates cover current costs and meet or exceed all bond and other financial requirements of the system. This includes meeting metrics for debt service coverage, cash reserves, and capital funded by pay-go. Establishment of these policies will ensure the financial health of the systems, allowing for continued needed investment in infrastructure and ensuring proper levels of service are maintained for customers. The practices and policies are consistent with industry best practices and peer utilities.
- DC Water provided delinquency data for 2019 through 2023 which represents pre and post COVID-19 pandemic. During the pandemic, a service disconnect moratorium was in place and an increase in delinquency resulted. Applying delinquency rates observed during the pandemic disconnect moratorium, which would reasonable be expect as a result of the proposed Water Is Life Amendment Act of 2024, would result in FY2025 and FY2026 revenue below forecasted levels and would impact DC Water's ability to meet all of the Financial Policies of the Board. Estimates show the decrease in revenue would reduce PAYGO funding, increasing borrowing, potentially impact credit ratings, and place greater pressure on future rates adjustments.
- The Board of Directors has established through Resolution, a series of rate setting policies. The proposed FY2025 and FY2026 rates are developed to cover current costs and meet or exceed all bond and other financial requirements, yield a reliable and predictable stream of revenues, based on annually updated forecasts of operating and capital budgets, developed based on legally defensible principles, understandable and reasonably implemented, and as such are consistent with Board rate-setting policies.

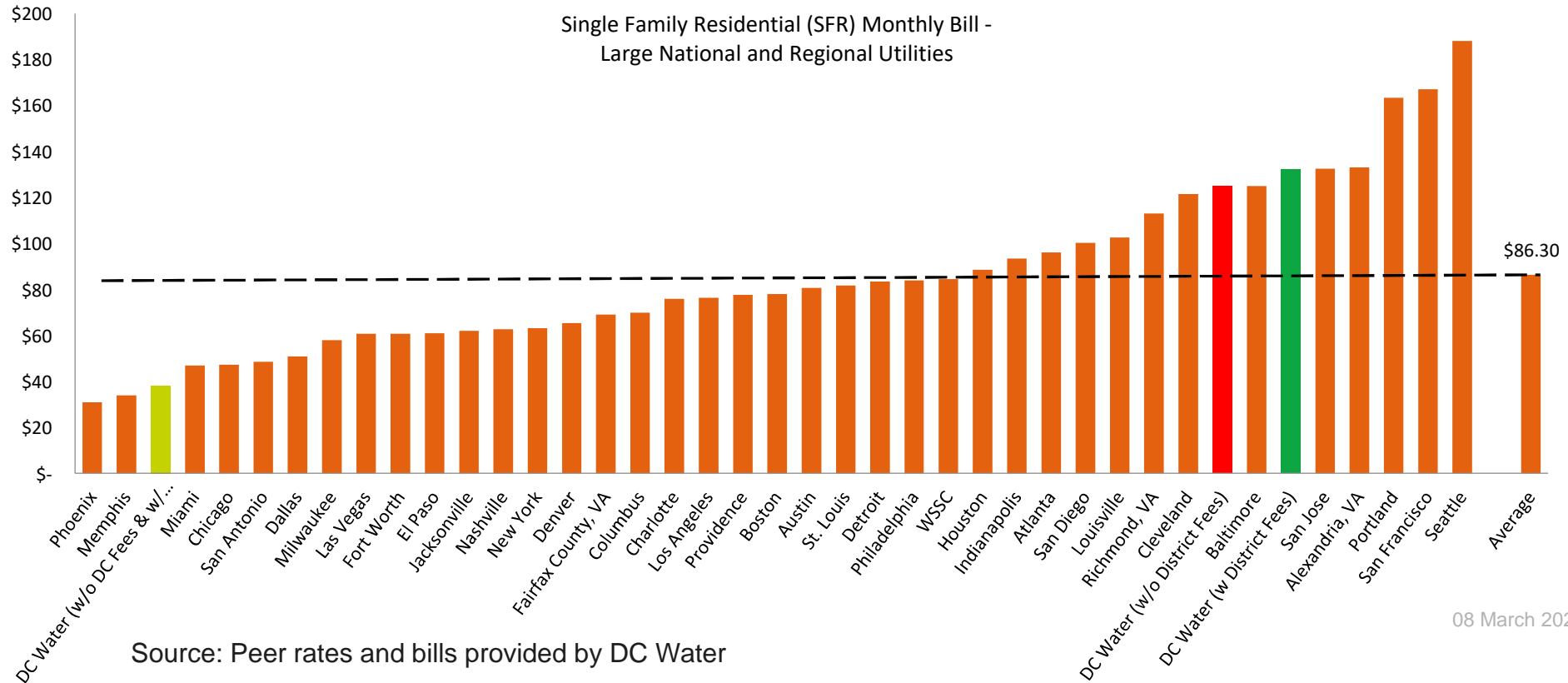
- The proposed FY2025 and FY2026 rates are developed using a cost of service analysis prepared based on industry guidelines as established in the AWWA Manual M1; Principles of Water Rates, Fees, and Charges. The proposed rates are developed in a manner yielding equitable allocation of costs and resulting in equitable retail rates.

- The District has experienced significant redevelopment in recent years. During its next parcel analysis, DC Water should consider conducting a review to validate the current ERU basis. DC Water should continue to conduct parcel analysis on a regular basis to maintain an up to date and accurate ERU for the CRIAC.
- The Water System Replacement Fee (WSRF) was implemented in 2016 and approved at its current level for a 10-year period. The WSRF is a fixed charge, graduated by meter size based on meter size capacities. As the current WSRF is set at the same level for a 10-year period, Arcadis recommends a cost-of-service update be performed to update the WSRF to ensure appropriate cost recovery between fees.
- Since a decline in water sold during the COVID-19 pandemic, DC Water has experienced an increase in water demand and associated revenue. However, data shows water sold is declining at an average annual rate of 0.8% between FY2017 and FY2023. The FY2025 and FY2026 forecasts incorporate a 1.0% annual decline in water sold. DC Water should continue monitoring declining water sales and incorporate any necessary adjustments into future forecasts.

Appendix- National Comparisons

Charts reflect rates and fees in place as of November 1, 2023. User charges are based upon information provided by the identified cities and assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors. Actual charges in each city will vary in accordance with local usage patterns.

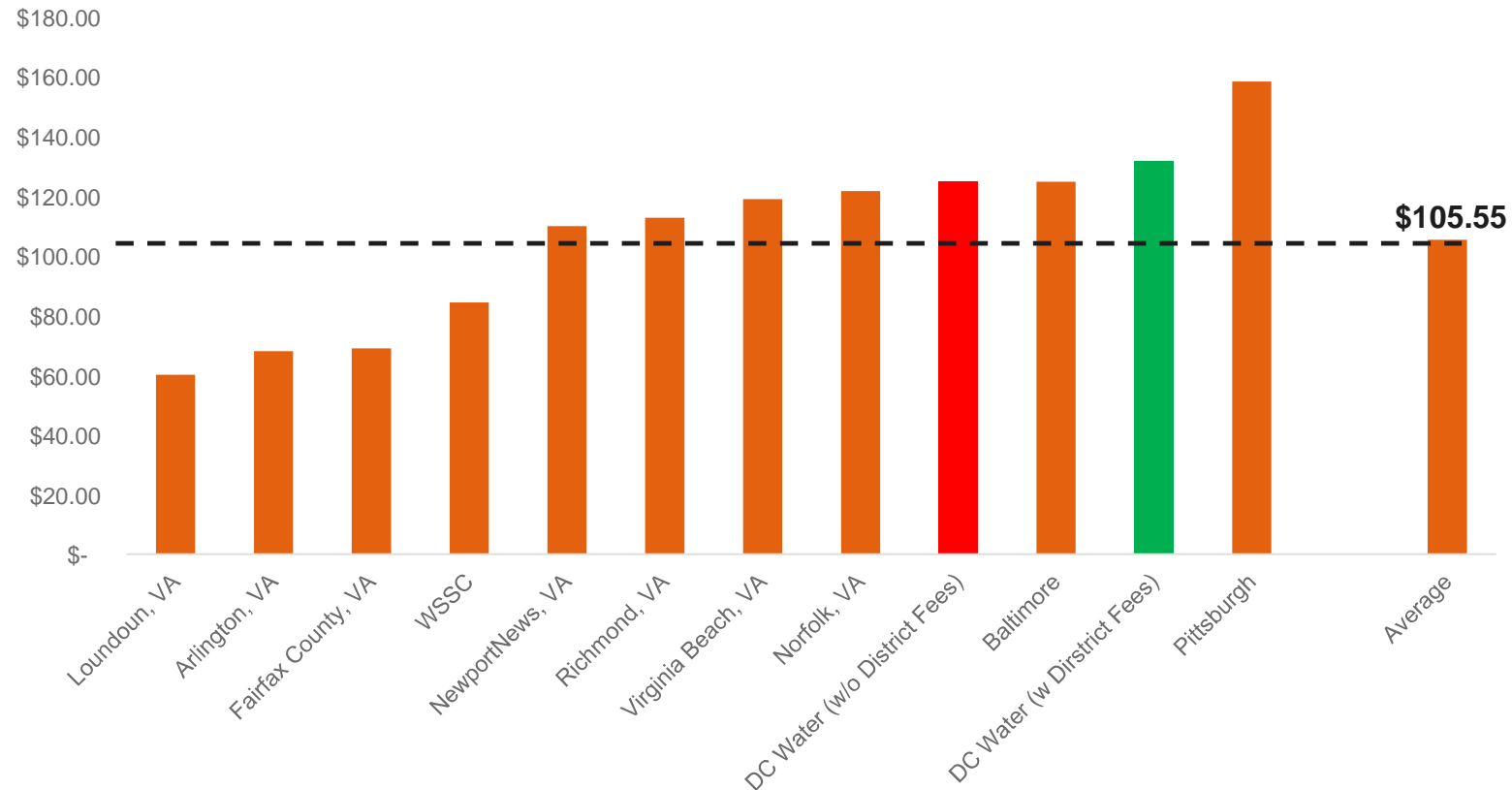
- DC Water typical monthly bills (in red and green), without incorporating CAP benefits, are higher than the average of national and regional utilities included in the survey. However, it is important to note, DC Water receives no property tax revenue or other subsidies to reduce its user charges. Typical bills for participating CAP customers are lower than the average bill amounts.



Appendix- Regional Comparisons

- Regional Utilities: DC Water charges are somewhat higher than the average of the regional utilities included in the survey; however, unlike some utilities, DC Water receives no property tax revenue or other subsidies to reduce its user charges.

SFR Monthly Bill - Regional Utilities



Appendix- Affordability Comparisons

DC Water offers affordability programs that are more robust compared to programs of other utilities in the region.

Utility Assistance Program	Level of Assistance	Eligibility
DC Water: Customer Assistance Program (CAP+, CAP1, CAP2, and CAP3)	CAP1: discount on the first 4Ccf of water and sewer use each month, a 75% reduction in CRIAC fee, and a Water Service Replacement Fee waiver. CAP2: discount on the first 3Ccf of water and sewer use each month (exclude PILOT/ROW) and 50% reduction in CRIAC fee. CAP3: 75% off the monthly CRIAC fee. CAP+: All CAP benefits plus two (2) CCF of water and sewer credit. This is an additional credit of approximately \$39.00 per eligible customer.	Income eligible customers verified by DOEE. During FY2025, for a family of 4, \$91,250 for CAP1 (60% of AMI) , \$121,700 for CAP2 (80% of AMI), and \$152,100 for CAP3 (100% of AMI.) For CAP+ (starting in FY2025,) it will be 20% of AMI.
PEPCO: Residential Aid Discount Program (RAD)	About 25% discount on electric bills, excluding generation and transmission service.	Income eligible customers verified by DOEE.
PEPCO: Arrearage Management Program	A monthly credit or matching payment that goes toward unpaid account balances for a year.	Current RAD customer with balance of \$300 or more that is at least 60 days past due.
PEPCO: Low-Income Home Energy Assistance Program (LIHEAP)	Customers can receive up to \$1,800 as a one-time Regular Energy Assistance benefit once a year from Oct.1 through Sept. 30.	Maximum annual income (October 1, 2022 - September 30, 2023) can't be more than \$91,225.
PEPCO: Senior Citizens and Disabled Resident Credit*	Seniors and individuals with disabilities may be eligible to receive a monthly \$7.50 credit on their Pepco bill.	Seniors and individuals with disabilities who are receiving either the D.C. Homestead Deduction or the Senior Citizen/Disabled Property Tax Reduction, and do not receive the Pepco Residential Aid Discount (RAD).
Washington Gas: Low-Income Home Energy Assistance Program (LIHEAP)	Through this program, the federal government distributes funds to the District of Columbia which, in turn, provides grants to qualified applicants to help them pay their energy bills.	Income eligible customers verified by DOEE.
Washington Gas: Residential Essential Service (RES) or Utility Discount Program(UDP)	Discount on a portion of the natural gas they use each month during the heating season from Nov. 1 to April 30.	Use natural gas as the principal source for home heating and eligible for the LIHEAP.

Appendix- Affordability Comparisons (Continued)



Utility Assistance Program	Level of Assistance	Eligibility
Comcast/ Xfinity: Internet Essentials	Provides 50/5 Mbps internet service for \$9.95 a month plus tax. No activation fees and no equipment rental fees.	Eligible for public assistance programs and is not an existing customer. Should not have outstanding debt to Comcast that is less than one year old.
Verizon Fios: Lifeline Service Program	1. Voice Dial Tone Line and Unlimited Local Usage - \$1 - \$3 per month (after Federal & State discounts) 2. Broadband (internet) - \$9.25 monthly discount off any Fios plan	Participate in certain government assistance programs or your annual income is 135% or below the Federal Poverty Guideline.
RCN: Internet First	50 Mbps Internet service for \$9.95 a month plus tax	Participate in public assistance programs and have not subscribed to RCN services within the sixty (60) day period immediately prior to applying for the program.
Amazon	50% Discount on Prime Membership	Eligible for government assistance programs

Why are rate increases needed: O&M expenses and disbursements are increasing, and consumption is decreasing.

- Long-term water demand is decreasing; total water sold has declined by 4.8% from 2017 through 2023

Water Sold (Millions of Gallons)

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
25,845	25,526	25,067	24,370	24,017	24,282	24,598

- Historical financial performance supporting numbers:

Actual versus Revised Budget (\$ Million)

Actual vs. Revised Budget	FY2021	FY2022	FY2023
Budgeted Revenue	\$733.70	\$800.10	\$842.40
Actual Revenue	\$709.60	\$833.60	\$853.30
Budgeted Expenditures	\$642.66	\$658.42	\$686.40
Actual Expenditures	\$591.54	\$630.64	\$681.57

Appendix- Supporting Tables

Total O&M expenses are expected to increase by \$20.6 million in FY2025 and \$21.7 million in FY2026, or 4.7% and 4.8%. Cash Financed CIP is projected to increase by \$1.9 million in FY2025 and \$11.5 million in FY2026 to fund portions of the capital plan balance the use of additional debt to manage debt service coverage and support the credit rating.

Line No:	Operating Expenditures (\$ Millions)	Amended Budget FY2024	Proposed Budget FY2025	Preliminary Budget FY2026	FY2025 YoY Change	FY2026 YoY Change
1	Regular Pay	\$147.2	\$154.1	\$160.3	4.7%	4.0%
2	Benefits	\$45.9	\$46.4	\$48.3	1.2%	4.0%
3	Overtime	\$8.5	\$9.1	\$9.5	7.0%	4.0%
4	Total Personnel Services	\$201.6	\$209.6	\$218.0	4.0%	4.0%
5	Chemicals and Supplies	\$54.6	\$55.6	\$60.7	1.9%	9.2%
6	Utilities	\$39.2	\$40.3	\$41.8	2.8%	3.6%
7	Contractual Services	\$93.1	\$102.3	\$106.0	9.9%	3.6%
8	Water Purchases	\$44.0	\$45.3	\$48.6	2.9%	7.1%
9	Small Equipment	\$1.4	\$1.4	\$1.3	-5.1%	-6.6%
10	Total Non-Personnel Services	\$232.3	\$244.9	\$258.2	5.4%	5.5%
11	Total O&M	\$433.9	\$454.5	\$476.2	4.7%	4.8%
12	Debt Service	\$221.6	\$249.5	\$277.0	12.6%	11.0%
13	PILOT & ROW	\$23.4	\$23.8	\$24.2	1.6%	1.6%
14	Cash Financed CIP	\$58.6	\$60.4	\$71.9	3.2%	19.0%
15	Total Non-O&M	\$303.6	\$333.7	\$373.1	9.9%	11.8%
16	Total Operating Expenditures	\$737.6	\$788.2	\$849.3	6.9%	7.8%
17	Capital Labor Charges	(\$32.0)	(\$34.1)	(\$35.5)	6.6%	4.0%
18	Net Operating Expenditures	\$705.6	\$754.2	\$813.9	6.9%	7.9%

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