



**Overview of Proposed FY 2021 and FY 2022 Rates, Charges and Fees
Presentation to Retail Rates Committee, January 28, 2020**

District of Columbia Water and Sewer Authority



Blue Plains Advanced Wastewater Treatment Plant

💧 Provide information to the Committee on the:

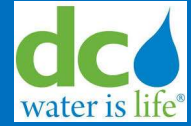
💧 Multi-year Rate Proposal

- FY 2021 & FY 2022 Rates, Charges and Fees

💧 FY 2020 – FY 2029 Financial Plan

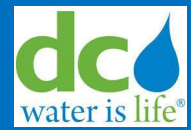
- Projected residential water and sewer rates
- Projected average residential customer bills
- 10-year CIP disbursement budget

- 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:
 - Cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board
 - Yield a reliable and predictable stream of revenues
 - Are based on annually updated forecasts or operating and capital budgets
 - A rate structure that is legally defensible, based on objective criteria, and transparently designed
 - A rate structures that customers can understand and DC Water can implement efficiently
 - Rate increases that are implemented transparently and predictably
- To the extent annual revenues exceed costs, the Board will utilize all available options to mitigate future customer impacts and annual rate increases, including transferring excess funds to the Rate Stabilization Fund



Proposed Rates and Revenue

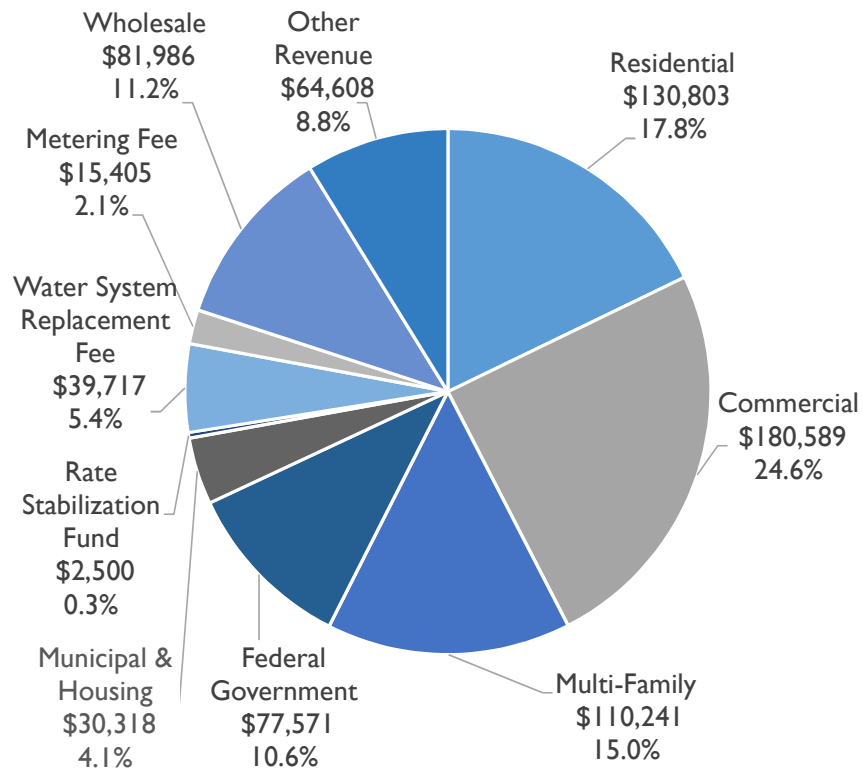
- Cost of Service Study advanced to align with rate proposal
- Combined rate increase for average household customer lowered from 8.1% forecasted last year to 6.6% for FY 2021 and from 6.9% to 6.7% for FY 2022
 - Proposed annual water and sewer rate increase of 9.9% for FY 2021 and 7.8% FY 2022
 - Continue 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) will remain the same
 - Customer Metering Fee for 5/8” meters will increase from \$3.86 to \$4.96 in FY 2021 and to \$7.75 for FY 2022
 - PILOT Fee for FY 2021 and FY 2022 will increase by \$0.03 and \$0.02 per Ccf respectively
 - Right-of-Way Fee will remain the same at \$0.19 per Ccf
 - CAP2 Program made permanent



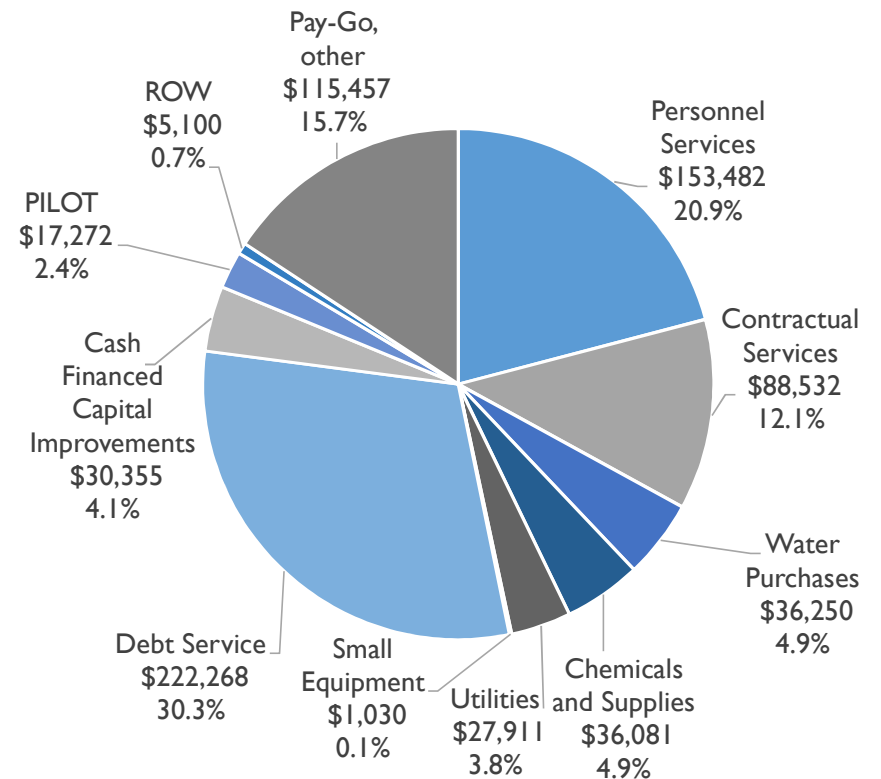
FY 2021 Operating: Sources and Uses of Funds

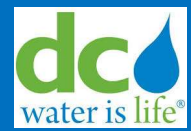
\$ in thousands

Sources - \$733.7 Million



Uses - \$733.7 Million

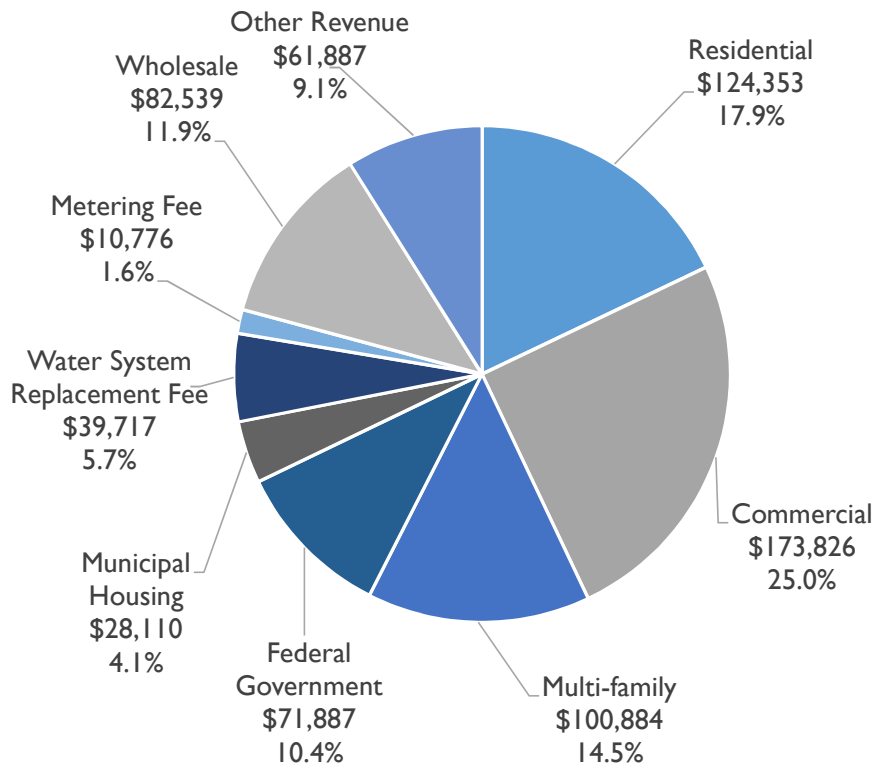




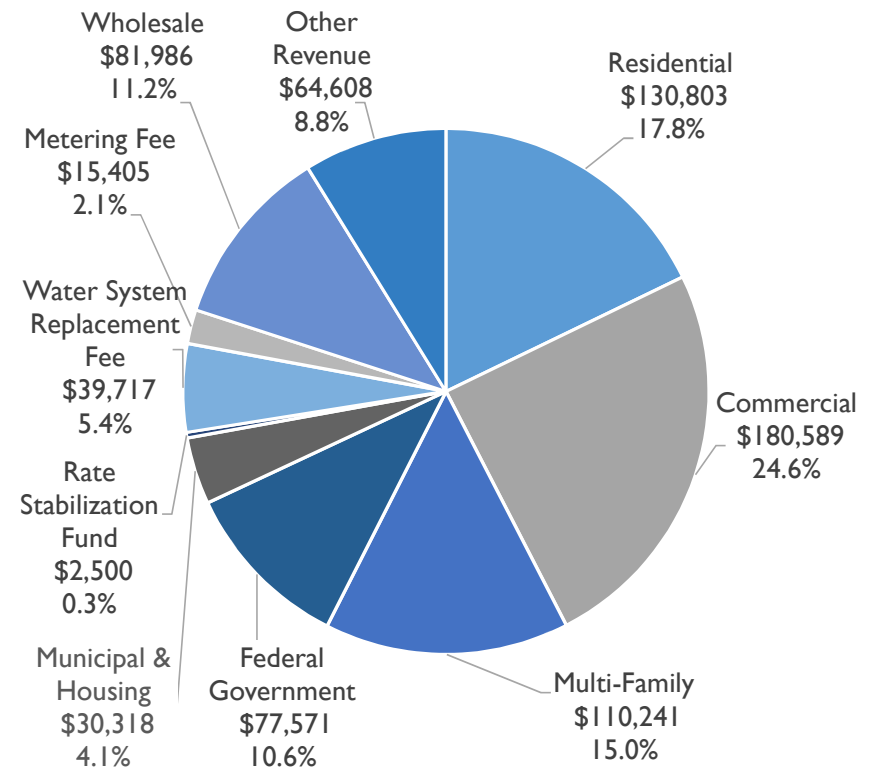
FY 2020 vs. FY 2021 Operating Revenues

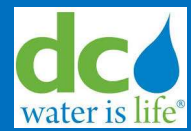
\$ in thousands

Approved FY 2020 \$693,979



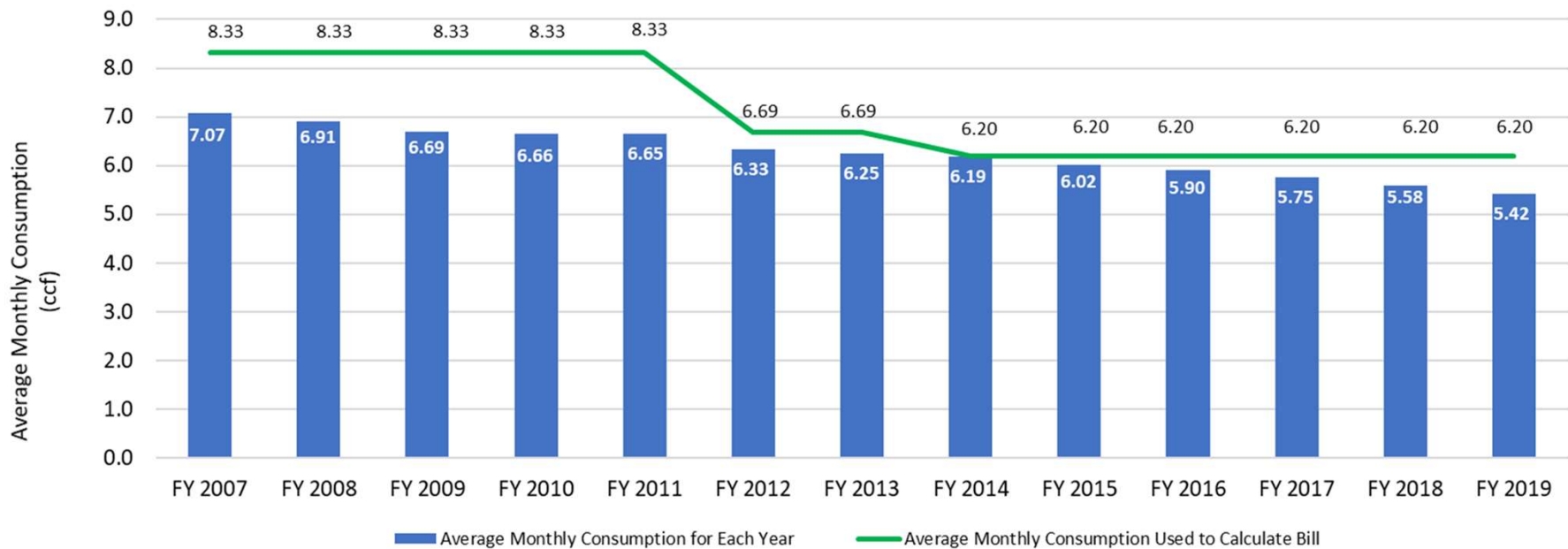
Proposed FY 2021 \$733,738

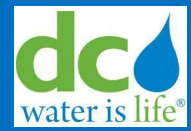




Average Residential Consumption Comparison

- 💧 The current residential use in FY 2019 is about 5.42 Ccfs, less than the 6.20 Ccfs that DC Water has used since FY 2014
- 💧 Since FY 2009, average household water use has declined by 19 percent





Average Residential Customer Monthly Bill

💧 Average Residential Customer Monthly bill based on 5.42 Ccf, or 4,054 gallons

- Updated most recently in FY 2019 from average household usage of 6.20 Ccf to reflect decrease in usage

💧 Gives most households a year over year representation of their water bill:

- 15% or 17,169 households use 1 Ccf or less per month
- 27% or 30,107 households use 2 Ccf or less per month
- 41% or 45,217 households use 3 Ccf or less per month
- 54% or 59,971 households use 4 Ccf or less per month
- 65% or 72,819 households use 5 Ccf or less per month
- 74% or 82,797 households use 6 Ccf or less per month
- 81% or 90,160 households use 7 Ccf or less per month
- 86% or 95,628 households use 8 Ccf or less per month
- 89% or 99,460 households use 9 Ccf or less per month
- 92% or 102,213 households use 10 Ccf or less per month
- 99% or 109,953 households use 20 Ccf or less per month



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)

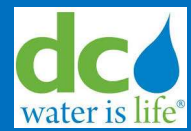
(3) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

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

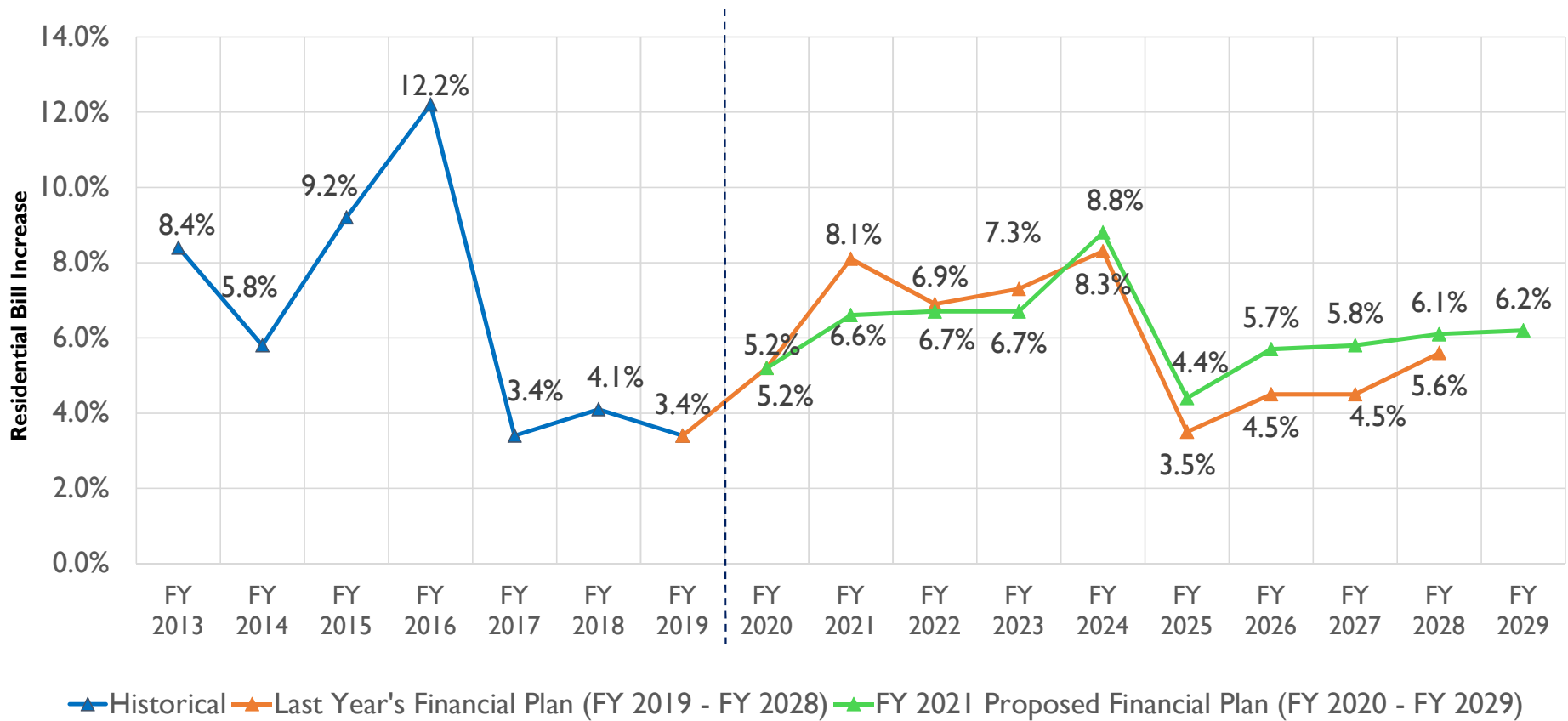
- 💧 **Proposed rates are for FY 2021 and FY 2022**

- 💧 **Multi-year rates provide many benefits:**
 - Revenue certainty
 - Budget discipline
 - Expenditures better aligned with revenues
 - Favorable credit rating agency treatment
 - Better predictability for our ratepayers

- 💧 **Potential risks / considerations:**
 - Reduced financial flexibility
 - Limited ability to modify approved rate increases, if necessary
 - Conservatism in financial projections

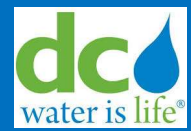


Historical and Projected Combined Rate Increases for Average Residential Customer

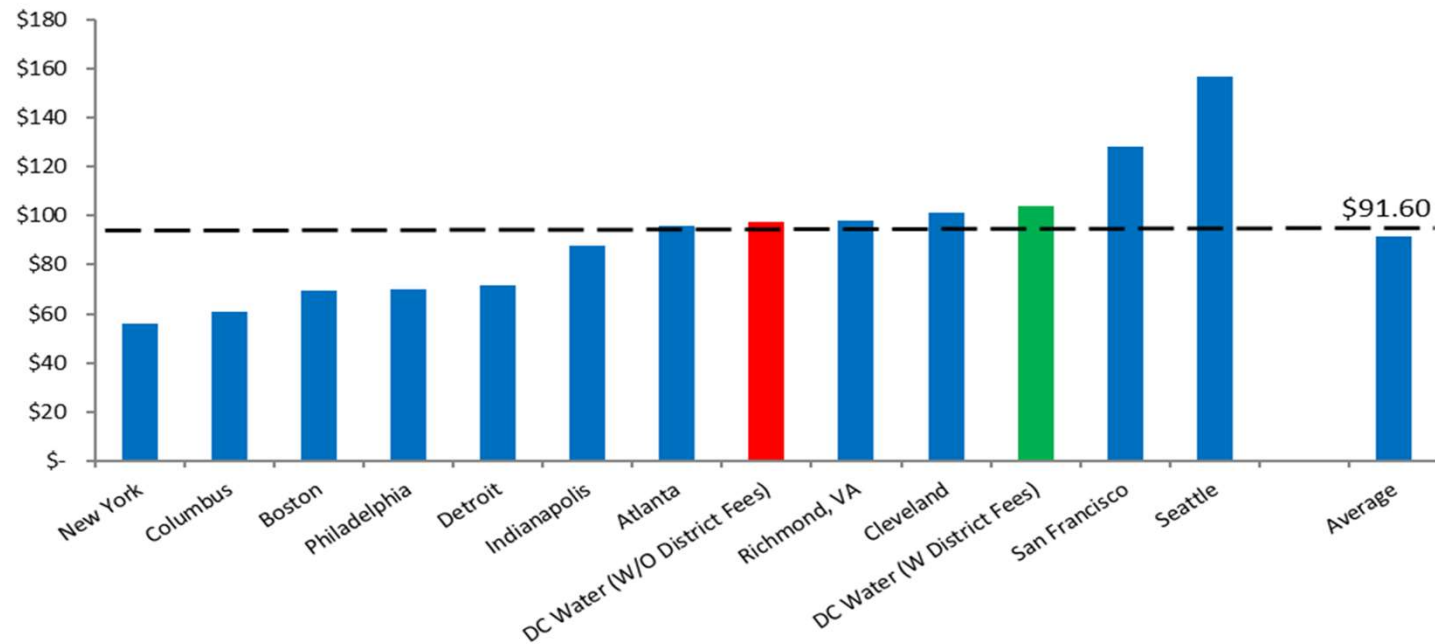


- Budget proposes \$13 million withdrawal over FY 2021 and FY 2022
 - \$8 million in debt service savings in the current fiscal year, plus remaining \$5 million withdrawal from Rate Stabilization Fund to be deposited in FY 2020
 - Budget makes CAP2 program permanent
- Apply \$2.5 million in FY 2021 and \$10.5 million in FY 2022
- Management recommends a Rate Stabilization Fund target that is ten percent of overall revenues
 - During the last recession, from 2007 through 2011, there was a \$41.8 million reduction in Rate Stabilization Fund balance as the Board drew funds to reduce the impact of rising rates

- 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)



DC Water Compared to CSO Communities



* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons
Reflects rates and fees in place as of November 1, 2019



Proposed FY 2021 & FY 2022 Rates, Charges & Fees

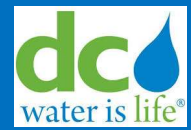
| | Units | Approved FY 2020 | Proposed FY 2021 | Proposed FY 2022 | Incr./ (Decr.) FY 2021 | | Incr./ (Decr.) FY 2022 | |
|---------------------------------------|-------|---------------------|---------------------|---------------------|---------------------------|-------|---------------------------|------|
| | | | | | \$ | % | \$ | % |
| 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 | - | - | - | - |



Revenue Comparison by Customer Class

- Total revenue is projected to increase by \$39.8 million or 5.7% 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> | Approved | Proposed | Proposed | FY 2021 vs | | FY 2022 vs | |
|--|------------------|------------------|------------------|-----------------|-------------|-----------------|-------------|
| | FY 2020 | FY 2021 | FY 2022 | FY 2020 | | 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 | 61,887 | 64,608 | 63,701 | 2,721 | 4.4% | -907 | -1.4% |
| Rate Stabilization Fund | - | 2,500 | 10,500 | 2,500 | - | 8,000 | 320.0% |
| Total Revenues | \$693,979 | \$733,738 | \$766,298 | \$39,759 | 5.7% | \$32,560 | 4.4% |



Customer Assistance Programs (with 50 percent CRIAC Discount for CAP)

- Independent rate review identified that households in CAP program pay greater percentage of household income for water and sewer bills than the newer CAP expansion programs

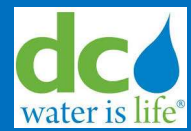
| | CAP Thresholds | Annual Bill as % of Income (before Discount) | Annual Bill as % of Income (w Discount) | Annual Savings |
|---------------------------------------|-------------------|---|--|-------------------------|
| State Median Income | \$105,173 | | | |
| Area Median Income¹ | \$121,300 | Projected FY2021 | Projected FY2021 | Projected FY2021 |
| CAP - Up to 60% SMI | | | | |
| 20% | \$21,035 | 6.32% | 2.21% | \$864.24 |
| 30% | 31,552 | 4.21% | 1.47% | 864.24 |
| 40% | 42,069 | 3.16% | 1.10% | 864.24 |
| 50% | 52,587 | 2.53% | 0.88% | 864.24 |
| 60% | 63,104 | 2.11% | 0.74% | 864.24 |
| CAP2 - Up to 80% AMI | | | | |
| 80% | \$97,040 | 1.37% | 0.76% | \$594.48 |
| CAP3 - Up to 100% AMI | | | | |
| 100% | \$121,300 | 1.10% | 0.95% | \$175.68 |

Notes:

1 - AMI based on 2019 data as published by the U.S. Department of Housing and Urban Development.

💧 History of CAP program –

- Implemented CAP providing a discount of 4 Ccf of water use per month to Households, effective on 6/1/00
 - Expanded Customers eligible for CAP benefits to include Tenants, effective 6/1/04
 - Expanded CAP benefits adding discount of 4 Ccf of sewer per month, effective on 1/30/09
 - Expanded CAP benefits adding discount of 4 Ccf per month of water used on District PILOT & ROW Fees, effective on 10/1/10
 - Expanded CAP benefits adding discount of 100 percent of monthly billed Water System Replacement Fee (WSRF), effective on 10/1/15
 - Expanded CAP benefits adding discount of 50 percent for the Clean Rivers Impervious Area Charge (CRIAC), effective on 5/1/17
- 💧 The CEO and General Manager recommends in the FY'20 Budget increasing the discount for the Clean Rivers Impervious Area Charge from 50% to 75%
- 💧 This will help address the issue identified by the independent rate consultant



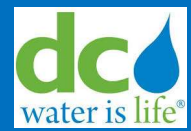
Customer Assistance Programs (with 75 percent CRIAC Discount for CAP)

By increasing the discount for the Clean Rivers Impervious Area Charge, CAP customers would decrease the percentage of household income spent on water and sewer bills

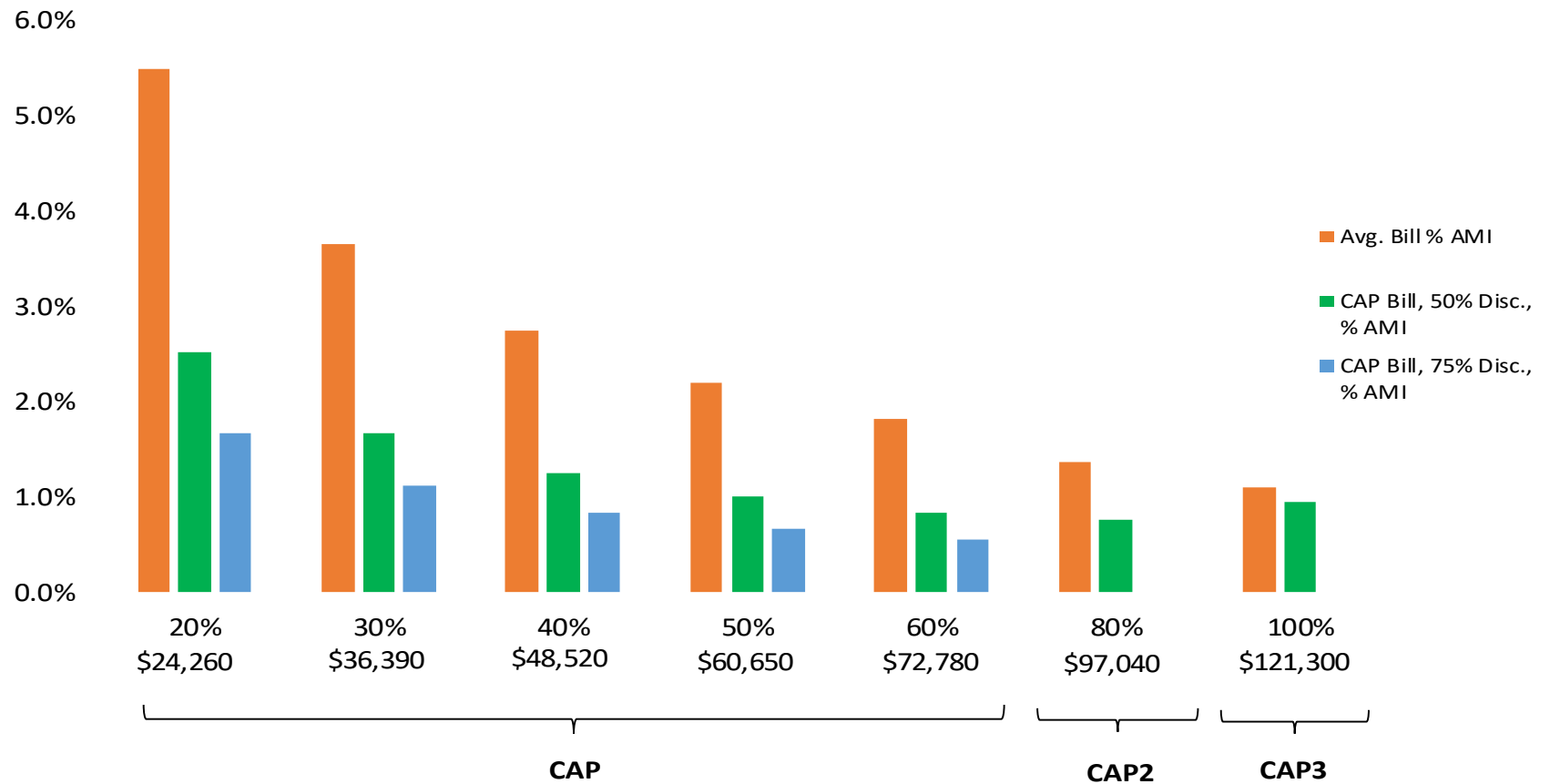
| | CAP Thresholds | Annual Bill as % of Income (before Discount) | Annual Bill as % of Income (w Discount) | Annual Savings |
|---------------------------------------|-------------------|---|--|-------------------------|
| State Median Income | \$105,173 | | | |
| Area Median Income¹ | \$121,300 | Projected FY2021 | Projected FY2021 | Projected FY2021 |
| CAP - Up to 60% SMI | | | | |
| 20% | \$21,035 | 6.32% | 1.93% | \$922.80 |
| 30% | 31,552 | 4.21% | 1.29% | 922.80 |
| 40% | 42,069 | 3.16% | 0.96% | 922.80 |
| 50% | 52,587 | 2.53% | 0.77% | 922.80 |
| 60% | 63,104 | 2.11% | 0.64% | 922.80 |
| CAP2 - Up to 80% AMI | | | | |
| 80% | \$97,040 | 1.37% | 0.76% | \$594.48 |
| CAP3 - Up to 100% AMI | | | | |
| 100% | \$121,300 | 1.10% | 0.95% | \$175.68 |

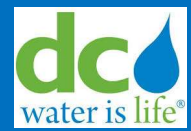
Notes:

1 - AMI based on 2019 data as published by the U.S. Department of Housing and Urban Development.



Average Residential Customer Bill as a Percent of AMI (with 50% & 75% CAP Discount)





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% |

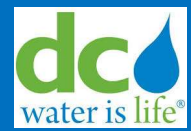
(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(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

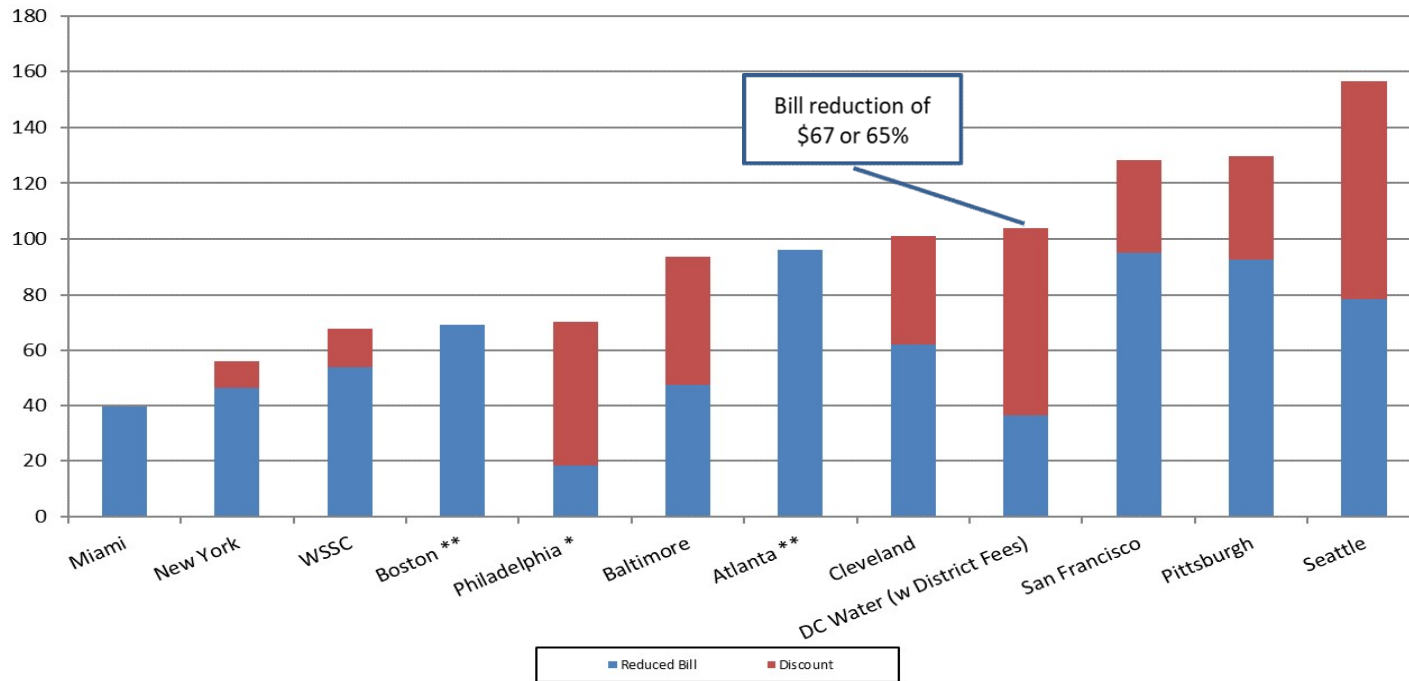
(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

(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



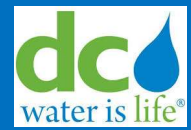
SFR Monthly Bills – Comparison of Charges with & without Income – Based Affordability Programs



* Amount of discounts Philadelphia provides depend on income. Chart above uses average discount

** Boston provides a 30% discount on water bills for senior citizens or fully disabled customers with no income eligibility requirement.
Atlanta provides a 30% discount on bills for seniors citizens who meet income eligibility requirement.

- Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
Note: Reflects rates and fees in place as of November 1, 2019.

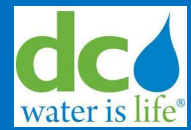


Shifting Cost from CRIAC to Sewer Volumetric Rate

- 💧 This budget continues shifting a portion of Clean Rivers costs to the sewer volumetric rate
 - Gives customers more control over the amount that they pay towards the project
 - As a class, Multi-family and Commercial pays more, while the Federal Government pays less
 - Small volume customers in every class generally pay less
 - Average Residential customers pay about the same

Category-wise Impact of 28% CRIAC Shift to Sewer – FY 2021

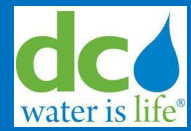
| Category | Pre Shift Sewer | Post Shift Sewer | Pre Shift CRIAC | Post Shift CRIAC | Sewer Incr/(Decr) | CRIAC Incr/(Decr) | Sewer+CRIAC Net Incr/(Decr) |
|---------------|----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------------|
| Residential | \$61,432,669 | \$64,398,839 | \$31,390,976 | \$27,564,186 | \$2,966,170 | (\$3,826,790) | (\$860,620) |
| Commercial | 108,318,384 | 113,548,349 | 37,390,834 | 32,832,617 | 5,229,965 | (4,558,217) | 671,748 |
| Multi Family | 76,517,215 | 80,211,716 | 14,710,368 | 12,917,066 | 3,694,501 | (1,793,302) | 1,901,199 |
| Federal | 38,765,402 | 40,637,122 | 21,658,180 | 19,017,889 | 1,871,720 | (2,640,291) | (768,571) |
| Municipal | 6,921,227 | 7,255,406 | 9,172,047 | 8,053,907 | 334,179 | (1,118,140) | (783,960) |
| Housing | 7,339,532 | 7,693,908 | 1,381,353 | 1,212,956 | 354,377 | (168,397) | 185,979 |
| TOTAL: | \$299,294,430 | \$313,745,341 | \$115,703,758 | \$101,598,622 | \$14,450,911 | (\$14,105,137) | \$345,775 |



Shifting Cost from CRIAC to Sewer Volumetric Rate

Category-wise Impact of 37% CRIAC Shift to Sewer – FY 2022

| Category | Pre Shift Sewer | Post Shift Sewer | Pre Shift CRIAC | Post Shift CRIAC | Sewer Incr/(Decr) | CRIAC Incr/(Decr) | Sewer+CRIAC Net Incr/(Decr) |
|---------------|----------------------|----------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------------|
| Residential | \$66,289,607 | \$69,081,432 | \$29,639,972 | \$25,982,634 | \$2,791,825 | (\$3,657,338) | (\$865,513) |
| Commercial | 116,882,161 | 121,804,721 | 35,305,156 | 30,948,779 | 4,922,559 | (4,356,377) | 566,182 |
| Multi Family | 82,566,755 | 86,044,101 | 13,889,817 | 12,175,923 | 3,477,346 | (1,713,894) | 1,763,453 |
| Federal | 41,830,239 | 43,591,944 | 20,450,077 | 17,926,699 | 1,761,705 | (2,523,378) | (761,673) |
| Municipal | 7,468,427 | 7,782,964 | 8,660,426 | 7,591,798 | 314,537 | (1,068,628) | (754,091) |
| Housing | 7,919,804 | 8,253,351 | 1,304,300 | 1,143,360 | 333,547 | (160,940) | 172,607 |
| TOTAL: | \$322,956,994 | \$336,558,513 | \$109,249,748 | \$95,769,193 | \$13,601,519 | (\$13,480,555) | \$120,964 |



Projected Bills for Sample Customers

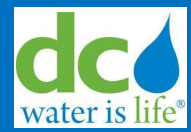
💧 28% CRIAC shift in FY 2021

💧 37% CRIAC shift in FY 2022

| Monthly | Average Household | Average Multi-Family | Sample Commercial | Sample Cemetery | Sample Non-profit (High Con) | Sample Non-profit (Low Con) |
|---|-------------------|----------------------|-------------------|-----------------|------------------------------|-----------------------------|
| Monthly CCF | 5.42 | 86.14 | 3,332.33 | 4.70 | 804.07 | 7.36 |
| ERU | 1 | 6.83 | 52.2 | 115.1 | 128.6 | 59.2 |
| FY2020 Monthly Total Bill | \$104 | \$1,341 | \$49,575 | \$2,793 | \$14,877 | \$1,591 |
| FY 2021 Estimated Total Bill with 28% IAC recovered through Volumetric Charge | \$111 | \$1,447 | \$53,958 | \$2,637 | \$15,788 | \$1,519 |
| FY 2022 Estimated Total Bill with 37% IAC recovered through Volumetric Charge | \$118 | \$1,538 | \$57,966 | \$2,516 | \$16,672 | \$1,466 |

Financial Plan

- 💧 DC Water's 10-year financial plan serves as the fiscal roadmap to achieve the Board's strategic plan
- 💧 It is one of management's key tools to monitor progress in meeting financial goals and targets
- 💧 It also ensures meeting or exceeding all debt-related legal and policy requirements, as well as maintaining sufficient liquidity to meet all current financial obligations
- 💧 DC Water's financial plan objectives focus on:
 - minimizing rate increases while meeting all financial obligations;
 - satisfying all indenture requirements and Board policies; and
 - maintaining the DC Water's current credit ratings of AAA/Aa1/AA+



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



Ten-Year Financial Plan

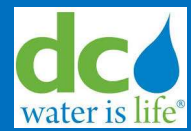
\$ in thousands

| OPERATING | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Retail* | \$ 571,666 | \$ 607,107 | \$ 630,495 | \$ 669,848 | \$ 723,657 | \$ 752,224 | \$ 791,988 | \$ 833,503 | \$ 879,616 | \$ 928,122 |
| Wholesale* | 82,539 | 81,986 | 84,445 | 86,978 | 89,588 | 92,275 | 95,044 | 97,895 | 100,832 | 103,857 |
| Other | 44,774 | 42,145 | 40,858 | 44,081 | 46,959 | 51,637 | 54,692 | 54,970 | 56,935 | 57,752 |
| RSF | - | 2,500 | 10,500 | - | - | - | - | - | - | - |
| Operating Receipts ⁽¹⁾ | \$ 698,979 | \$ 733,738 | \$ 766,298 | \$ 800,907 | \$ 860,204 | \$ 896,136 | \$ 941,724 | \$ 986,368 | \$ 1,037,383 | \$ 1,089,731 |
| Operating Expenses | (347,881) | (365,658) | (376,303) | (387,553) | (399,149) | (411,101) | (423,421) | (436,120) | (449,209) | (462,701) |
| Debt Service | (205,137) | (222,268) | (240,497) | (257,460) | (271,238) | (286,756) | (299,489) | (315,321) | (332,807) | (348,316) |
| Cash Financed Capital Improvement | \$ (28,556) | \$ (30,355) | \$ (37,830) | \$ (46,889) | \$ (50,656) | \$ (60,178) | \$ (71,279) | \$ (75,015) | \$ (79,165) | \$ (83,531) |
| Net Revenues After Debt Service | \$ 117,405 | \$ 115,456 | \$ 111,668 | \$ 109,005 | \$ 139,161 | \$ 138,101 | \$ 147,535 | \$ 159,912 | \$ 176,202 | \$ 195,183 |
| Operating Reserve-Beg Balance | 186,764 | 180,000 | 185,000 | 194,000 | 201,000 | 205,000 | 215,000 | 220,000 | 230,000 | 240,000 |
| Other Misc (Disbursements)/Receipts | | | | | | | | | | |
| Wholesale/Federal True Up | (5,372) | (3,184) | (5,490) | - | - | - | - | - | - | - |
| Project Billing Refunds | (4,000) | (4,000) | - | - | - | - | - | - | - | - |
| Transfers To RSF | (13,000) | - | - | - | - | - | - | - | - | - |
| Pay-Go Financing | (101,797) | (103,272) | (97,178) | (102,005) | (135,161) | (128,101) | (142,535) | (149,912) | (166,202) | (185,183) |
| Operating Reserve - Ending Balance | \$ 180,000 | \$ 185,000 | \$ 194,000 | \$ 201,000 | \$ 205,000 | \$ 215,000 | \$ 220,000 | \$ 230,000 | \$ 240,000 | \$ 250,000 |
| Rate Stabilization Fund Balance RSF ⁽²⁾ | \$ (74,450) | \$ (71,950) | \$ (61,450) | \$ (61,450) | \$ (61,450) | \$ (61,450) | \$ (61,450) | \$ (61,450) | \$ (61,450) | \$ (61,450) |
| Senior Debt Service Coverage | 459% | 502% | 533% | 513% | 616% | 647% | 632% | 618% | 660% | 769% |
| Combined Debt Service Coverage | 171% | 172% | 169% | 170% | 179% | 177% | 181% | 182% | 184% | 187% |
| Actual/Projected Water/Sewer Rate Increases | 11.5% | 9.9% | 7.8% | 8.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% |
| *Operating Receipts \$ Increase/Decrease | | | | | | | | | | |
| Retail | 7,460 | 35,441 | 23,388 | 39,353 | 53,809 | 28,567 | 39,764 | 41,514 | 46,113 | 48,507 |
| Wholesale | 423 | (554) | 2,460 | 2,533 | 2,609 | 2,688 | 2,768 | 2,851 | 2,937 | 3,025 |
| *Operating Receipts % Increase/Decrease | | | | | | | | | | |
| Retail | 1.3% | 6.2% | 3.9% | 6.2% | 8.0% | 3.9% | 5.3% | 5.2% | 5.5% | 5.5% |
| Wholesale | 0.5% | -0.7% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

⁽¹⁾ Includes interest earnings on senior lien revenue bonds' debt service reserve fund

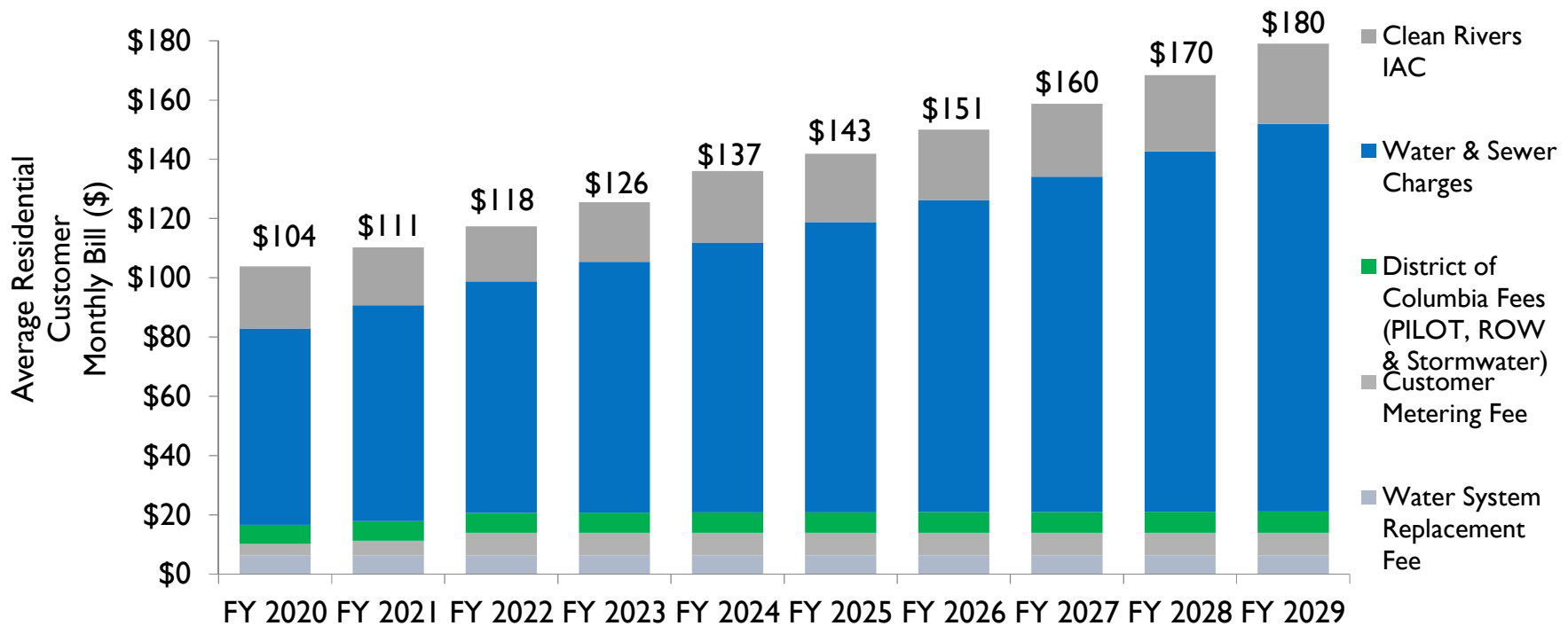
⁽²⁾ FY 2021 planned transfers of \$0.0 million to Rate Stabilization Fund and \$2.5 million utilization will bring the total fund balance to \$71.95 million

| Metrics | Indenture Requirement | Board Policy | Management Target |
|--------------------------------|-----------------------|-----------------------------|------------------------|
| Days of Cash on Hand | — | \$125.5 million or 120 Days | 250 Days |
| Combined Coverage Ratio | — | — | 1.6X |
| Senior Coverage | 1.2X | 1.4X | — |
| Subordinate Coverage | 1.0X | 1.0X | — |
| Debt Service as a % of Revenue | — | — | 33% of Revenue or Less |
| Rate Stabilization Fund | — | — | 10% of Revenue |



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. 5.42 Ccf / 1 ERU Base | 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. 86.14 Ccf / 6.83 ERU Base | 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. 115.82 Ccf / 14.17 ERU Base | 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

- 💧 Board Member Questions & Follow Up
 - Submit budget-related questions to Board Secretary
 - Board Secretary will distribute questions to appropriate staff
- 💧 Wholesale Customer Briefing – **January 10**
- 💧 Committee Reviews, Recommendations & Actions – **January & February**



| | Environmental Quality & Operations | DC Retail Water & Sewer Rates | Finance & Budget |
|---|------------------------------------|-------------------------------|------------------|
| FY 2020 - FY 2029 Capital Budget (Disbursements & Lifetime) | Action Required | | Action Required |
| FY 2021 Operating Budget | | | Action Required |
| Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing | | | Action Required |
| FY 2020 – FY 2029 Financial Plan | | Action Required | Action Required |
| FY 2021 & 2022 Rates, Charges & Fees | | Action Required | |

- 💧 Board Adoption – **March 5**

Appendix

- The proposed FY 2020 disbursement includes the underspending from FY 2019 to remain congruent with previously approved rate increases
- Ramp-up to modified Baseline CIP beginning in FY 2021

| Service Area (\$000's) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | 10-Yr Total | Last Year's CIP | (Increase) /Decrease |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-------------------|---------------------|---------------------|----------------------|------------------------|---------------------|----------------------|
| Non-Process Facilities | \$ 42,066 | \$ 31,849 | \$ 20,665 | \$ 6,831 | \$ 11,058 | \$ 10,396 | \$ 3,901 | \$ 3,553 | \$ 3,560 | \$ 3,600 | \$ 137,479 | \$ 138,067 | \$ 588 |
| Wastewater Treatment | 77,536 | 102,976 | 113,378 | 107,232 | 107,312 | 70,680 | 97,878 | 101,839 | 132,256 | 138,165 | 1,049,252 | 978,738 | (70,514) |
| Clean Rivers | 162,197 | 147,565 | 179,833 | 129,272 | 67,536 | 59,909 | 148,771 | 103,265 | 88,890 | 115,049 | 1,202,288 | 1,262,589 | 60,301 |
| Combined Sewer | 9,239 | 9,493 | 12,816 | 16,553 | 16,731 | 8,568 | 6,699 | 7,572 | 8,972 | 12,435 | 109,078 | 79,178 | (29,900) |
| Stormwater | 6,869 | 9,631 | 7,535 | 4,170 | 5,392 | 4,660 | 4,201 | 4,306 | 6,869 | 5,057 | 58,690 | 68,608 | 9,918 |
| Sanitary Sewer | 44,933 | 63,926 | 115,541 | 88,110 | 91,562 | 138,341 | 159,814 | 176,789 | 175,873 | 174,032 | 1,228,922 | 957,135 | (271,787) |
| Water | 62,163 | 88,677 | 108,878 | 109,000 | 92,905 | 101,765 | 116,319 | 146,791 | 154,916 | 154,697 | 1,136,112 | 945,015 | (191,097) |
| CAPITAL PROJECTS | 405,004 | 454,118 | 558,645 | 461,168 | 392,496 | 394,318 | 537,584 | 544,115 | 571,337 | 603,035 | 4,921,821 | 4,429,330 | (492,491) |
| Capital Equipment | 31,703 | 37,207 | 33,790 | 32,315 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 333,015 | 340,324 | 7,309 |
| Washington Aqueduct | 15,515 | 16,266 | 18,572 | 37,841 | 12,699 | 33,875 | 9,508 | 12,863 | 24,068 | 13,971 | 195,178 | 187,127 | (8,051) |
| ADDITIONAL CAPITAL PROGRAMS | 47,218 | 53,473 | 52,362 | 70,156 | 45,698 | 66,875 | 42,509 | 45,863 | 57,068 | 46,971 | 528,193 | 527,450 | (743) |
| TOTAL CIP | \$ 452,223 | \$ 507,590 | \$ 611,008 | \$ 531,322 | \$ 438,194 | \$ 461,193 | \$ 580,093 | \$ 589,978 | \$ 628,404 | \$ 650,006 | \$ 5,450,013 | \$ 4,956,780 | \$ (493,233) |
| Last Years CIP (Increase)/Decrease | 420,342 (31,880) | 467,016 (40,574) | 561,724 (49,284) | 530,006 (1,317) | 422,607 (15,587) | 450,358 (10,835) | 585,454 5,361 | 535,666 (54,312) | 544,490 (83,914) | 439,117 (210,890) | 4,956,780 (493,232) | | |