



Responses to Comments and Recommendation on Proposed Rates

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DC Water Headquarters from the Anacostia River

- Responses to public comments including comments from the Office of People's Counsel (OPC) and Others on proposed FY 2027 and FY 2028 rates & fees.

Summary of Public Comments

Comments received from the Office of People's Counsel (OPC) and the public cover the following themes:

Affordability

Concern about cumulative bill burden and impacts on residents, especially seniors and fixed-income households.

Transparency

Requests for clearer capital planning, assumptions, and accountability.

Alternative funding

Requests to demonstrate grants, partnerships, and other funding options before rate increases.

Capital costs

Questions about the scale, pace, cost estimates, and scenarios for major programs.

Financing Strategy

Requests about debt financing, pay-as-you-go capital, and interest rate sensitivity.

Assistance programs

Interest in broader eligibility, automatic enrollment, and rate design improvements.

- 💧 **Comment I:** Clarify how DC Water quantifies and ranks asset risk across water, sewer, and treatment systems, and how the FY 2027–FY 2036 CIP measurably reduces those risks. For example, clarify what reductions in break rates, overflow events, or service interruptions are expected from the proposed main replacements, interceptor projects, and Blue Plains investments

DC Water Response:

- DC Water applies a risk-based asset management framework to prioritize capital investments across its drinking water, wastewater collection, and treatment systems based on the likelihood and consequence of asset failure. This includes public health, regulatory compliance, service reliability, and cost considerations
- The FY 2027–FY 2036 Capital Improvement Program focuses on high-risk assets, including aging water mains, critical system components, and structurally vulnerable sewer and interceptor facilities, as well as projects required to meet regulatory obligations, recognizing the age and scale of the system

- 💧 **Comment 2:** For major projects and large programmatic categories, clarify what benchmarking or market analyses support the proposed cost estimates. Explain how DC Water differentiates between scope growth and changes in engineering standards when explaining cost increases

DC Water Response:

- DC Water capital cost estimates are developed using internal historical data, external market benchmarks, independent engineering analyses, and recent bid information
- Complex or high-risk projects are subject to additional reviews reflecting current market and delivery conditions
- DC Water distinguishes between scope growth (additional functional requirements or expanded project limits) and changes in engineering standards (regulatory criteria, safety updates or industry best practices)
- Not all cost increases are discretionary; many reflect compliance with evolving standards or broader market conditions beyond DC Water's control

- 💧 **Comment 3:** Explain what technical or engineering criteria determine whether a project is classified as an emergency capital repair outside the CIP. Explain how these projects are approved, tracked, and reported

DC Water Response:

- DC Water applies a risk-based asset management framework to prioritize capital investments across its drinking water, wastewater collection, and treatment systems based on the likelihood and consequence of asset failure. This includes public health, regulatory compliance, service reliability, and cost considerations
- Emergency repairs are triggered by imminent or active failures threatening public health and safety, environmental compliance, or continuity of essential service. These repairs are approved through established controls and are executed immediately, often at higher cost than planned projects
- Depending on scale and duration, work is executed through on-call Inspection, Repair and Rehabilitation (IR&R) or Indefinite-Delivery & Indefinite Quantity (IDIQ) contracts with pre-negotiated pricing, or through emergency procurement procedures authorized under DC Water policy
- Once emergency conditions have been stabilized, projects are reviewed to determine whether any follow-on work should transition to longer term renewal projects

- 💧 **Comment 4:** For major projects and large programmatic categories, clarify what benchmarking or market analyses support the proposed cost estimates. Explain how DC Water differentiates between scope growth and changes in engineering standards when explaining cost increases

DC Water Response:

- Factors that support DC Water's ability to execute the proposed Capital Improvement Program(CIP) are based on current staffing resources, demonstrated quality performance, and observed contractor participation
- DC Water also acknowledges that execution of the CIP is subject to external factors such as market conditions, labor availability and quality, regulatory, and emergency response uncertainties
- The Authority maintains internal and external resources designed to provide scalable capacity across project phases, and recent procurement activity indicates continued contractor interest in major projects, subject to factors outside DC Water's control

- 💧 **Comment 5:** Clarify what the long-term strategy for steadying debt financing and pay-as-you-go capital funding is

DC Water Response:

- DC Water's long-term strategy is to balance Pay-Go funding with short- and long-term debt financing to support critical infrastructure investment while managing rate impacts and long-term debt levels
- As outlined in DC Water's Financial Policies, key commitments include maintaining combined debt service coverage of at least 160%, cash reserves of at least 250 days of operating expenses, and a structurally balanced budget
- DC Water also maintains a \$250 million commercial paper program for short-term financing flexibility and may use the Rate Stabilization Fund to help mitigate future customer impacts and reduce rate volatility

- 💧 **Comment 6:** Explain how DC Water will demonstrate to customers that rising rates correspond to measurable improvements in reliability, safety, and service quality

DC Water Response:

- DC Water appreciates the feedback.
- DC Water demonstrates the connection between rate adjustments and measurable improvements in reliability, safety, and service quality through targeted capital investments, public performance reporting, and customer outreach
- Key performance metrics are reported publicly, and information on upcoming and ongoing capital projects is available online, including project scope, timelines, and community impacts. This allows customers to see where rate-funded investments are being made and how those investments support system reliability, regulatory compliance, public health, water quality, sewer system performance, and service continuity
- DC Water also conducts community outreach, educational programming, and public engagement to explain infrastructure needs, describe how capital investments improve service, and respond to customer questions in accessible formats

- 💧 **Comment 7:** How do you plan an Interest Rate Sensitivity Analysis for planned borrowing

DC Water Response:

- All planned debt for DC Water must pass an additional bonds test, including interest rate sensitivity for coverage ratios
- DC Water's financial policy requires 1.6x coverage and limits variable rate debt to 20–25%
- DC Water is required to certify revenue sufficiency and meet specific financial tests outlined in its bond indenture to ensure we can meet our annual debt service obligations

- 💧 **Comment 8:** Can you model a five-year extension of the current CIP timeline to evaluate rate smoothing impacts?

DC Water Response:

- DC Water's CIP is updated annually and structured to address critical needs, including priority, scope, and schedule within budget constraints
- The project schedules for mandated projects are difficult to adjust. Reducing or extending the CIP timeline arbitrarily could increase risk for critical infrastructure such as Blue Plains and large water and sewer assets
- The CIP is already financially constrained and balances investment needs with affordability
- DC Water will prepare CIP scenarios as part of the next ratemaking cycle for the Board's consideration

#	Comment	DC Water Response
9	Can you provide peer benchmarking, comparing DC Water's projected debt ratios to those of similarly situated large urban water utilities.	DC Water's financial metrics are in line with its peers in the highest rating categories.

Selected Peers	Type	M/S/F (Senior)	Total Operating Revenues (\$000)	Total Annual Debt Service (\$000)	Debt Ratio	Total Debt Service Coverage	DS as a % of Total Operating Revenues	Days Cash on Hand	Average Bill as % of Median Effective Buying Income ¹
Atlanta, GA	Water & Sewer	Aa2/AA-/AA	507,279	253,373	38.0%	2.0x	49.9%	1,170	2.3%
Charlotte, NC	Water & Sewer	Aaa/AAA/AAA	571,493	154,829	37.5%	2.3x	27.1%	621	1.5%
Dallas, TX	Water & Sewer	Aa2/AAA/AA+	816,678	247,322	48.5%	1.8x	30.3%	320	1.5%
DC Water	Water & Sewer	Aa1/AAA/AA+	978,509	224,506	43.1%	2.4x	23.3%	318	1.8%
Metro St. Louis Sewer District, MO	Sewer	Aa1/AAA/AA+	488,227	128,051	39.6%	2.5x	26.2%	526	1.5%
NE Ohio Regional Sewer District	Sewer	Aa1/AA+/NR	408,124	117,889	47.8%	2.7x	28.9%	1,327	2.7%
NYC Water	Water & Sewer	Aa1/AAA/AA+	4,261,721	1,938,200	86.4%	1.3x	45.5%	375	1.9%
San Antonio, TX	Water & Sewer	Aa1/AA+/AA+	899,525	247,264	35.5%	2.5x	27.5%	489	1.1%

DC Water Data Source: FY2025 financial information and data points from most recently published Moody's report
 All Other Entities Source: Moody's MFRA for the most recently available fiscal year

- 💧 **Comment 10:** Identify the specific asset management or risk assessment framework DC Water uses. Explain how risk is defined, quantified, prioritized, and reduced over time. Indicate whether this framework is an industry-standard methodology or one customized for DC Water's system and asset mix
 - In addition: What specific reductions in key risk indicators (such as asset failures, service interruptions, or compliance risks) are expected as a result of major CIP investments? How does DC Water track and report changes in systemwide risk over the life of the CIP? Please provide an illustrative example or scenario showing how risk is assessed and reduced for a representative critical asset

DC Water Response:

- DC Water uses a risk-based asset management framework—tailored to its system but aligned with industry practice—in which risk is defined as Likelihood of Failure (LoF) × Consequence of Failure (CoF), with LoF driven by condition, and performance data, and CoF reflecting impacts to service, public health, environment, and cost
- Risk is quantified (e.g., 1–100 scores banded into priorities) and used to rank assets, with highest-risk assets prioritized in the CIP alongside regulatory drivers. CIP investments (e.g., main replacements, interceptor rehab, facility upgrades) are expected to gradually reduce the probability of failures such as main breaks, overflows, and service disruptions over time rather than immediately systemwide
- DC Water tracks system risk through annual model updates

- 💧 **Comment 11:** Identify the specific metrics, performance indicators, industry standards, compliance requirements, and external references (such as professional organizations or research institutions) that DC Water relies on when developing capital cost estimates
 - Further, please explain: How DC Water differentiates between cost increases related to scope growth versus changes in engineering, safety, or regulatory standards. What criteria or thresholds are used to determine when a cost increase is justified as non-discretionary. Which specific regulatory or engineering standards have recently resulted in material cost increases for CIP projects

DC Water Response:

- DC Water develops capital cost estimates primarily to support CIP planning and contractor negotiation, using a structured process grounded in industry standards such as Association for the Advancement of Cost Engineering (AACE) classifications, historical bid data, and Engineering News-Record (ENR) based escalation
- Cost increases are evaluated through this framework, with adjustments driven by market conditions—particularly recent construction cost escalation and inflation in labor and materials—as well as evolving regulatory and permitting requirements (e.g., Environmental Protection Agency (EPA), The District Department of Transportation (DDOT) and local agency standards), which are incorporated into project budgets as necessary

- **Comment 12:** Provide a summary of emergency capital repairs undertaken over the past five years. In addition, describe the process from initial threat identification or trigger through repair completion or stabilization
 - The internal controls and decision-making framework used to authorize emergency work., how risk is evaluated during and after emergency conditions
 - Whether DC Water tracks recurring emergency failures by asset type or location, and how this information is used in long-term capital planning

DC Water Response:

- DC Water addresses major and minor emergency repairs (e.g., watermain and sewer interceptor failures and force main collapses) through its Incident Command System (ICS) framework, which provides a structured approach from initial trigger through stabilization and repair
- The ICS enables rapid authorization and deployment of emergency work under clear command authority and established controls, while risk is continuously assessed during the incident and formally evaluated afterward through after-action reviews
- DC Water also tracks recurring failures by asset type and location, using this information to inform condition assessment programs and prioritize long-term CIP investments

- **Comment 13:** Provide historical information on CIP project delivery, including on-time and on-budget performance. Additionally, please describe current and anticipated vacancy rates for engineering, construction management, and related positions supporting the proposed CIP, and required training for DC Water staff involved in CIP delivery minimum qualifications, certifications, or specialties required for external contractors and consultants engaged in CIP projects.

DC Water Response:

- With regards to on-budget performance, over the last 10-years, the average Fiscal Year actual spend, compared to the baseline planned spend has averaged 95% . On-time performance has averaged approx. 55% over the past 3 years, based on the % of the fiscal year schedule milestone KPIs met within the expected 90-day window. This is mainly due to changing the project delivery approach and repackaging, rather than individual project schedule slippage
- With regards to training, DC Water staff have multiple training sessions and SOPs associated with the tools used for our CIP delivery. With regards to minimum qualifications, broadly: for Engineering Consultants; Licensed PE in DC; experience in water/wastewater design; familiarity with DC Water standards
- For Contractors; OSHA safety certification; proven record in utility-scale projects; bonding and insurance per DC Water procurement policy. For Program Mgt; PMP or equivalent certification; experience with public-sector capital programs; ability to manage multi-disciplinary teams
- Vacancy rate within engineering is approx. 15% as of June 2026

- **Comment 14:** Identify the target ranges DC Water anticipates for the use of Pay-As-You-Go funding versus debt financing over the CIP period. Further, please explain:, what market or financial conditions would prompt adjustments to this funding strategy
 - How such adjustments are evaluated to mitigate future rate impacts on customers

DC Water Response:

- DC Water targets a debt service coverage ratio of 1.6x. That means we collect \$1.60 for each \$1.00 of principal and interest cost. Of every \$1.60 collected for debt and coverage, \$0.60 or 37.5% is then available for pay-as-you-go capital
- Changes to the CIP, changes to regulatory requirements, or changes within financial markets may necessitate a change in this funding strategy
- All changes in conditions or funding strategy would be tested using DC Water's Financial Planning Model. This model reflects rates required to meet legal requirements, Board policies and directives over the long-term planning horizon

- **Comment 15:** Identify the specific customer-facing performance metrics or historical key performance indicators that are directly linked to the FY 2027–FY 2028 rate proposals, in addition: how frequently are these performance measures reported
 - How are performance results reviewed internally and communicated to customers and how does DC Water use these metrics to demonstrate that rate increases correspond to improvements in service reliability, safety, or quality

DC Water Response:

- DC Water links its FY 2027–FY 2028 rate proposals to a series of customer-facing performance indicators that measure service reliability, water quality, environmental compliance, capital delivery, affordability, and customer service outcomes
- Metrics are monitored through monthly management reviews, Board committee reporting, and the CEO's Monthly Report. Performance results are communicated publicly through Board meetings, budget and rate presentations, annual budget documents, public hearings, and monthly CEO reports
- DC Water uses these measures to demonstrate that rate increases support customer benefits, including reliable water and wastewater service, regulatory compliance, infrastructure renewal, environmental stewardship, customer affordability programs, and long-term financial sustainability

- 💧 **Comment 16:** Please show the change in interest rate and/or the cost of borrowing or debt servicing, if DC water generates additional capital from grants, the federal government, or pay-go?

DC Water Response:

- Additional grant funding, federal appropriations, or increased PAYGO financing would not directly change the market interest rates assumed by DC Water. Rather, these funding sources would reduce the amount of debt that must be issued to finance the Capital Improvement Program
- As a result, future debt service costs (principal and interest) would decline, reducing long-term financing costs and future rate pressure
- DC Water evaluates these impacts through its Financial Planning Model while maintaining compliance with Board financial policies, including targeted debt service coverage and liquidity requirements

- 💧 **Comment 17:** Regarding peer-group comparison, please show the debt-service per ratepayer served for the peer groups compared. Please show the debt service for the case where DC Water increases “days cash on hand”

DC Water Response:

- DC Water appreciates the feedback. The data requested for peer-group comparison is not readily available and will be evaluated in the next Cost of Service study for Rates
- DC Water measures debt service as a percent of revenues and has established a target of no greater than 33% to ensure a balance of financial sustainability and affordability. DC Water compares favorably in this metric, when compared with many peer utilities
- DC Water increases its days of cash on hand on an annual basis based on the Board-approved Financial Policies which set a goal to achieve days of cash requirement of 350 days by 2032 by prioritizing the allocation of year-end surplus
- For FY 2025, Days of cash on hand was 283 days, excluding Rate Stabilization Fund and the Debt Service was \$224.5 million
- The Days cash on hand in the current Ten-Year Financial Plan (FY2026-FY2035) ranges from 282 to 283 days

- **Comment 18:** Over the past 2-3 years, OPC has recommended disaggregating residential rate classes into 3 or 4 groups based on usage profile. Please state the reasons for not considering this recommendation

DC Water Response:

- DC Water does not concur with this recommendation
- DC Water's rate structure is based on cost-of-service study with class-based water rates reflecting class peaking characteristics
- Currently, customers who consume more water pay more based on metered usage
- In order to disaggregate the single-family residential class as suggested, DC Water would have to demonstrate clear and repeatable usage characteristics that correlate to utility costs
- This data nexus, required by Cost-of Service (COS) standards, has not been identified

- 💧 **Comment 1:** Commenter opposed the proposed rate increases, citing their potential financial impact on seniors, particularly those living on fixed incomes.
 - **Response:** DC Water offers a variety of customer assistance programs to help customers with their water bill. Eligible customers may receive bill discounts, extended payment arrangements, and other assistance. Please contact our Customer Service at 202-354-3600 or visit dcwater.com/cares
- 💧 **Comment 2:** A longtime District homeowner and single parent expressed frustration with rising utility bills after losing her 34-year federal career and struggling to replace her income.
 - **Response:** DC Water offers bill discounts, assistance programs, and interest-free payment arrangements. Please contact our Customer Service at 202-354-3600 or visit dcwater.com/cares
- 💧 **Comment 3:** The customer questions why his water bill is extremely high when he is the only person living in the household.
 - **Response:** Customer assistance and manageable payment options may be available. Contact Customer Service at 202-354-3600 or visit dcwater.com/cares for personalized support
- 💧 **Comment 4:** A senior homeowner on a fixed income cited repeated rate increases, two approximately \$350 bills caused by a running toilet and disputed high-usage alerts, and rising utility costs that are making homeownership increasingly unaffordable. She requested a 10-year moratorium on DC Water rate increases.
 - **Response:** Our review identified several high-usage alerts, and customer's account is enrolled in CAP and may qualify for a free leak assessment. Contact Customer Service at 202-354-3600 or visit dcwater.com/cares. Billing disputes must be submitted within 20 days of the bill date, with hearing requests filed within 15 days of the determination

- 💧 **Comment 5:** The customer requests that the proposed FY2027 and FY2028 increases be reduced by half because they would reduce pension income available for other essential expenses.
 - **Response:** DC Water's proposed rates balance affordability with essential investments in infrastructure, environmental compliance, and reliable service. Customer Assistance Programs, including bill discounts, financial assistance, and flexible payment arrangements, are available at 202-354-3600 or dcwater.com/cares
- 💧 **Comment 6:** The customer expressed concern that low- and middle-income households will struggle with additional increases, particularly as she transitions to a reduced income despite conserving water.
 - **Response:** DC Water's rate structure promotes a discount for water with our Lifeline rate. Our lowest rate is charged for the first 4 CCs, about 3,000 gallons. For more information, please see dcwater.com/lifeline-rate . Bill discounts, financial assistance, and flexible payment arrangements are available at 202-354-3600 or dcwater.com/cares.
- 💧 **Comment 7:** A District resident opposed the proposed FY2027 and FY2028 rate increases until concerns regarding the transparency, accountability, affordability, and independent review of DC Water's lead service line replacement budget are satisfactorily addressed.
 - **Response:** DC Water recognizes the concern regarding Lead Free DC's costs, transparency, and oversight. Replacement costs vary by jurisdiction due to differences in labor, permitting, restoration requirements, regulations, and program scope. DC Water is pursuing cost savings through direct material purchases, streamlined permitting, local workforce support, larger block-by-block projects, and coordinated paving. Current cost information is available on the Lead-Free DC website, and historical spending is available through DC Water's FOIA webpage.

#	Summary of Comments	DC Water Responses
8	Rate Justification and Lead Replacement Costs A District resident urged DC Water to reduce the proposed FY2027 and FY2028 residential rate increases, citing: Water Quality: No perceived improvement despite annual increases. Affordability: Increases exceed inflation. Regional Costs: Rates are higher than Montgomery County. Lead Costs: Replacement costs exceed nearby jurisdictions. Justification: Need is unclear given prior increases and other funding.	DC Water understand the concerns regarding water quality, affordability, regional comparisons, Lead Free DC costs, and the justification for the proposed rate increases. Water Quality: Rates support monitoring, treatment, maintenance, lead replacement, and aging infrastructure upgrades. Rate Need: Increases reflect higher operating costs, debt service, and capital investments—not inflation alone. Regional Comparison: DC Water’s customer bill vary based on rate structures, funding sources, service responsibilities, and major obligations, including the mandated Clean Rivers Project and federally required lead service line replacement. Some jurisdictions also use property taxes or other revenues, so customer charges may not reflect the full cost of service. Lead Costs: DC Water’s costs include permitting, traffic control, roadway work, and property restoration, which may not be included in other jurisdictions’ estimates. DC Water continues pursuing efficiencies through coordinated construction and larger replacement projects. Funding and Cost Control: Federal and District funding reduces but does not fully cover costs; DC Water continues to pursue program efficiencies and cost savings. Affordability: DC Water recognizes affordability concerns but requires rate increases to ensure reliable service, infrastructure, financial obligations, and lead replacement.
9	Clean Rivers Funding and Late Fees The customer opposes another increase, arguing that revenues previously collected for the Anacostia River Tunnel should fund future projects and objects to DC Water’s late fees.	DC Water recognizes concerns about another rate increase. The mandated Clean Rivers Project remains underway through 2030, and continued funding is needed to reduce sewer overflows, improve water quality, and maintain reliable service. Late-payment charges are authorized by District law and help encourage timely payment and manage delinquent balances. Customers facing hardship may call 202-354-3600 or visit dcwater.com/cares for assistance.

#	Summary of Comments	DC Water Responses
10	An affordable housing provider supported necessary infrastructure investment but raised the following concerns: Affordability: Consider the cumulative impact of rising costs on seniors, working families, and low- and moderate-income households. Customer Assistance: Strengthen outreach and connect eligible residents with available assistance programs. Infrastructure Investment: Explain how additional rate revenue will strengthen the water system and measurably improve reliability and customer service. Affordable Housing: Consider the impact on housing providers, resident services, housing stability, and long-term affordability.	DC Water appreciate the testimony and recognizes the need to balance infrastructure investment with affordability. Customer Assistance: DC Water offers bill discounts, emergency assistance, flexible payment arrangements, and other support. Customers may call 202-354-3600 or visit dcwater.com/cares. Affordable Housing: DC Water recognizes that higher utility costs may affect housing stability and long-term affordability. DC Water provides Affordable Housing Units (AHU) credits against the System Availability Fee for eligible AHU in qualifying development and redevelopment projects. Infrastructure Investment: Proposed rates support safe and reliable water and sewer service. DC Water will continue reporting how rate revenues are used, project progress, and resulting service improvements. Ongoing Commitment: Affordability, housing stability, economic mobility, and the needs of long-time District residents will remain important considerations in rate-setting decisions.

#	Summary of Comments	DC Water Responses
II	A DC Water ratepayer opposed the proposed 6.6% FY2027 and 5.3% FY2028 increases and raised the following concerns: Affordability: Rising costs and flat fees disproportionately burden working-class and fixed-income households. Infrastructure Funding: Clean Rivers, Lead Free DC, and other capital projects should rely less on residential ratepayers. Green Infrastructure: Provide greater, permanent rate reductions for River Smart participants. Rate Design: Restructure flat fees and adopt a more progressive system based on usage, property type, or other equitable factors. Senior and Homestead Relief: Offer deeply discounted infrastructure fees and automatic eligibility for qualifying customers. Commercial Cost Recovery: Strengthen billing and enforcement for developers, heavy users, and polluters. Alternative Financing: Maximize grants, bonds, federal loans, private capital, and project-specific financing before raising residential rates. Rate Reconsideration: Reconsider or reject the increases in favor of structural relief, senior assistance, green incentives, and more equitable cost recovery.	DC Water recognizes the need to balance essential infrastructure investment with affordability and equitable cost recovery. Affordability: Proposed rates fund safe and reliable service, while impacts on seniors, fixed-income residents, and working families remain an important consideration. DC Water offers bill discounts, emergency assistance, flexible payment arrangements, and other support. Customers may call 202-354-3600 or visit dcwater.com/cares. Infrastructure Funding: Clean Rivers and Lead Free DC are funded through rates, debt, grants, and other sources; DC Water requires sufficient revenues to operate the system and repay financing. Green Infrastructure: River Smart is administered by DOEE. DC Water will continue coordinating with DOEE and has noted the request for enhanced or permanent incentives. Rate Design: DC Water's rate structure is based on cost-of-service study with class-based water rates reflecting class peaking characteristics. Senior and Homestead Relief: Customer assistance is available, but automatic eligibility would require legal review, data sharing, and coordination with District agencies. Commercial Cost Recovery: New polluter-pays charges or impact fees would require legal authority, cost analysis, and review for fairness and feasibility. Alternative Financing: DC Water uses grants, bonds, federal loans, and other financing tools, but borrowed funds must ultimately be repaid through stable revenues.