

Independent Review of the Proposed Rates for 2027 and 2028



March 16, 2026

Amawalk
Consulting Group LLC

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Objectives of the Independent Review

- Ensure that water and sewer rates, the metering fee, the water system replacement fee and the Impervious Area Charge (CRIAC) rates are sufficient to meet the 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;
- Policy Review: 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;
- Rate Model Assumptions: Review the model assumptions for reasonableness and the equitable allocation of costs and retail rates;
- Identify and Understand the Risks & Opportunities in the Budget;
- Customer Impact: 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;
- Examine the affordability of rates and charges in 2027 and 2028 including the value of customer assistance programs and comparisons with peers; and

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- 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.

Independent Review

- This Report and accompanying PowerPoint presentation to the Committee and the Board summarizes the findings and conclusions of Amawalk's Independent Review of the proposed rates. The review is performed every two years; the last review was performed in FY 2024.
- Amawalk is independent: the firm does not participate in DC Water's Cost of Service Studies; our review is conducted after Authority management prepares its proposal. We bring an unbiased perspective, which ensures that the study is impartial and objective. The firm has specialized knowledge and experience in conducting COS studies. This experience can lead to more accurate and thorough analysis.
- Amawalk first provided an independent review of the proposed rates on behalf of the Committee and the Board in 2009. In addition to having the pleasure of working with DC Water, Amawalk serves as Rate Advisor to New York Water, Financial Feasibility Consultant to the Boston Water and Sewer Commission, Technical Advisor to the Philadelphia Water, Sewer & Stormwater Rate Board and financial feasibility consultant to the Portland (OR) Water Bureau. The firm has completed two Independent Reviews of the Regional Water System of the North Texas Municipal Water District, which provides wholesale water service to nearly 2 million people.

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- Shan Lin and Ed Markus of Amawalk conducted the review and are presenting the results; they have worked together for over 20 years and collectively have over 68 years of experience in providing financial and management consulting services for the water, wastewater and stormwater industry.

Rate-Setting Policies of the Board

- Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board.
- Rates that yield a reliable and predictable stream of revenues, taking into account trends in costs and in units of service.
- Rates based on annually updated forecasts of operating and capital budgets.
- Rate structures that are legally defensible, based on objective criteria, and transparently designed.
- Rate structures that customers can understand and DC Water can implement efficiently and effectively.
- Rates increases, if required, are implemented transparently and predictably.

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- 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 rate increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

Financial Policies of the Board

1. DC Water will maintain financial practices and policies that will lead to a high-quality investment-grade bond ratings so as to ensure the lowest practical cost of debt necessary to finance DC Water's long-term capital program, guide day-to-day financial and management decisions by DC Water, and reduce financial risk associated with events that would interrupt customer payments, require a large unanticipated outlay of cash, or the interruption to financial markets.
2. DC Water will maintain strong levels of operating cash reserves that exceed the Master Indenture requirements. Strong cash reserves are important to maintain DC Water's bond rating. On October 7, 2021, the Board approved a Statement of Financial Policies which established a minimum cash balance of 250 days of projected operating expenses and minimum combined debt service coverage of 160%. On October 5, 2023, the Board approved a revised Statement of Financial Policies that set a cash target of 350 days of projected operating expenses to be achieved gradually by 2032 through the use of year-end surplus. Days of Cash on Hand will be calculated on an average daily balance basis for the projections in the Financial Plan. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets and ten-year plan. The operating reserve requirement will be evaluated every five years by DC Water's independent rate consultant in conjunction with the Indenture-required system assessment.

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3. The operating reserve will, at a minimum, include any reserve requirements contained in DC Water's Master Indenture of Trust, excluding any debt service reserve funds and the rate stabilization fund, as follows:
 - Operating Reserve – equivalent to sixty days' operating costs.
 - Renewal & Replacement Reserve - \$35 million.
4. The Financial Plan developed by the CEO and General Manager and adopted by the Board will contain a minimum combined debt service coverage of 1.60x for the budget and all years of the Financial Plan. Debt service coverage will be calculated in accordance with DC Water's Indenture.
5. DC Water will strive to maintain the balance of the Rate Stabilization Fund at 5% of annual retail revenues.
6. DC Water will, whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of DC Water's capital and operating requirements and financial position for each year.
7. DC Water will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

The Authority will use operating cash in excess of the Board's Operating Cash Reserve requirement and any other significant one-time cash infusions for capital financing, repayment of higher cost debt (debt defeasance), or non-recurring expenses that reduce ongoing costs. The budget and the financial plan will be structurally balanced; the Authority will use one-time revenues for one-time expenses.

Amawalk Procedures for Reviewing the Proposed Rates

- Review background documents including, but not limited to, the following:
 - Approved Capital Budget, including recent updates;
 - Most recent Approved Operating Budgets;
 - Actual versus budgeted cash flow for 2021 through 2025, and for the year-to-date for 2026;
 - 2021 through 2025 actual results and 2026 year-to-date water consumption by class, Accounts Receivable (A/R), and related statistics;
 - Characteristics of typical customers as well as examples of customers in various classes for use in evaluating the effects of the proposed changes in rates and charges;
 - Use of customer assistance programs during 2021 through 2025, and anticipated changes (if any) in 2027 and 2028;
 - Analyses that have been prepared in support of the proposed 2027 and 2028 rates including the Cost of Service (COS) Study;
 - Reserve funds and Rate Stabilization Fund (RSF) balances for year-end 2021 through 2025 as well as for December 31, 2025;
 - Official Statement for the Fiscal Year 2026AB Bonds;
 - FY 2021 through FY 2025 Comprehensive Annual Financial Reports; and
 - Applicable Board Resolutions and the Presentation Documents.

- Review the DC Water 2027 and 2028 Financial Plan spreadsheets and 2026 year-to-date results.

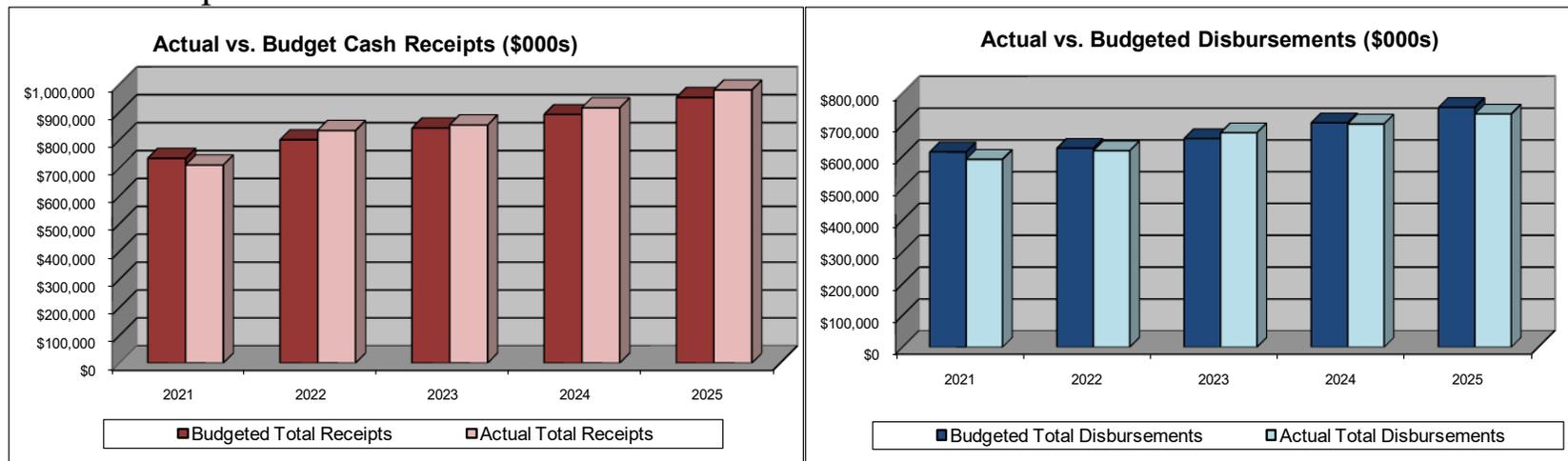
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- Compare DC Water rates, budgeting and rate-setting practices with Board policies, industry practices and the experience of other water and sewer systems.
- Compare DC Water rates and charges, and user charge affordability with forty-four (44) industry peers and regional utilities. This step used data from the most recent rate survey completed by Amawalk of peers with rates effective November 1, 2025.
- An important part of our assessment focuses on the assistance programs offered by DC Water and the potential impact on affordability of the proposed changes in rates and charges. Comparisons were made with the assistance programs offered by other utilities in the District as well as water and sewer utilities in the region and other jurisdictions across the U.S.
- Conduct interviews with representatives of DC Water (as necessary) to gather data, review questions and discuss preliminary observations.
- Prepare a text report and a MS PowerPoint presentation to DC Water in an agreed-upon format summarizing: the work performed, comparisons with other utilities, the findings of our analysis, factors to consider in rate-setting and our conclusions.
- All references to years reflect the fiscal years of the Authority that begin on October 1 and end on September 30 of the year shown. Except where noted, amounts shown for revenues and expenditures are reflected in millions of dollars or \$M.
- This Report summarizes our findings and conclusions; supporting details are provided in the Appendix.

Recent Financial Performance – Receipts/Expenditures

For the past five years, DC Water’s revenues were reasonably predictable and the Authority continued to effectively manage its annual costs. While past performance is not a guarantee of future results, this track record offers a degree of comfort that expenditure and revenue estimates, including those for 2027 and 2028, are prudently developed.

- From 2021 – 2025: actual cash receipts (including interest earned from bond reserve) averaged 1.7% > budget; in 2021 actual cash receipts were 3.3% less than the budgeted amounts mostly due to COVID impacts on the customer base. The Appendix shows the calculations of the average percentage.
- From 2021 – 2025: actual expenditures averaged 1.1% < budget. Please see the Appendix for the calculations of the average percentage.
- YTD 2026 results through December 31 are slightly better than budgeted. No material changes are anticipated for 2027 and 2028.



Recent & Projected Financial Performance – Coverage/Cash

For the past five years, DC Water’s debt service coverage and days cash on hand were reasonably strong and supportive of the Authority’s credit ratings on its bonds. The results in 2021 were affected by reductions in customer usage and receipts during the COVID-19 period which impacted water and sewer utilities across the country. As in the case of receipts and expenditures, while past performance is not a guarantee of future results, this track record offers a degree of comfort that debt service coverage and reserve estimates, including those for 2027 and 2028, are prudently developed.

Debt Service Coverage & Days Cash on Hand – Actual & Projected (Cash Basis):

| | Actual | | | | | Projected | | |
|--|--------|------|------|------|------|-----------|------|------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Combined Coverage | 1.86 | 2.29 | 2.07 | 2.32 | 2.40 | 2.24 | 2.39 | 2.11 |
| Days Cash on Hand (Excl RSF, Assume 360 Days/Year) | 214 | 268 | 267 | 290 | 283 | 282 | 283 | 283 |
| RSF as % of Retail Revenues (Excl PILOT/ROW) | 16% | 6% | 5% | 5% | 5% | 5% | 5% | 5% |

Compliance with Key Financial Policies:

- ✓ Minimum cash balance of 250 days of projected operating expenses (established at the beginning of 2022), with a goal of achieving 350 days by 2032 (established at the beginning of 2024).
- ✓ Combined debt service coverage of 1.60 or greater.
- ✓ RSF at 5% of annual retail revenues.

Benefits of Strong Financial Performance

The ability of DC Water to borrow money over the long-term at attractive interest rates saves ratepayers millions of dollars in interest costs over the term of the borrowing. Prudent use of cash to compliment borrowed funds provides sustainability for long-term debt– a practice that is essential and critically important to the bond rating agencies.

Rating Agency Recognition (as of February 2026):

| Rating Agencies | Standard & Poor's Global Ratings | Moody's Investor Service | Fitch Ratings |
|-----------------------|----------------------------------|--------------------------|---------------|
| Long Term Senior | AAA | Aa1 | AA+ |
| Long Term Subordinate | AA+ | Aa2 | AA |
| Short Term | A-1+ | P-1 | F1+ |

Strong financial metrics of DC Water and rating agency recognition support the efficient borrowing of funds:

- The Authority can borrow funds over 30 or more years at very competitive rates due to its excellent track record and strong bond ratings.
- DC Water secured a \$156M federal loan under the WIFIA Program at an interest rate of 1.87%, repayable over 38 years.
- The successful refunding of certain outstanding bonds with the proceeds of DC Water's 2026AB Bonds further illustrates the strength of the Authority's credit ratings.

Operating and Capital Performance

DC Water continues to meet or exceed the Board's operating goals. Capital needs are significant and will support the long-term delivery of reliable water and wastewater services in the District. Strong operating and capital performance helps manage the cost of providing service and mitigates risks.

- The digester facilities and waste-to-energy facilities are yielding multiple benefits including lower expenses, fewer biosolids and a high quality product.
- Vacancy rates for jobs are somewhat higher than typical levels; not unusual among utilities in the post-COVID period.
- CIP projects are typically on time and close to budget; change orders and claims continue to be a small percentage of costs.
- The most recent Independent Engineering Report, prepared by PEER Consultants, P.C., gave high grades to the facilities and people of DC Water; areas identified as needing attention are being addressed.
- CIP spending in upcoming years is significant, and much higher than recent years: in 2021-25, average annual capital spending was \$447M; the 2026-2028 projected average is \$957M, more than double the amount per year compared to the prior 5 years.

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- Significant drivers of DC Water's CIP are: completion of the Clean Rivers Program, lead service line replacement, upgrading and replacement of aging infrastructure.
- DC Water continues to implement its capital projects with a relatively low percentage of change orders and claims. The Appendix provides additional information.

Industry Recognition

The high level of performance and industry recognition of DC Water provides assurances to ratepayers and investors that their dollars are being spent wisely.

- The Authority earned the coveted ‘Triple Crown’ of governmental financial reporting awards for the second year in a row: the Popular Annual Financial Reporting (PAFR) Award, Excellence in Financial Reporting and Distinguished Budget Presentation.
- In 2025, The National Association of Clean Water Agencies (NACWA) presented the Authority with a Platinum Peak Performance Award for 13 consecutive years of 100% compliance with the requirements of the U.S.EPA discharge permit.
- The Blue Plains Advanced Wastewater Treatment Plant is the largest facility of its kind in the world; its average capacity is 384 million gallons per day. Blue Plains attracts delegations of wastewater engineers from throughout the world.
- NACWA honored DC Water in 2024 with a National Environmental Achievement Award (NEAA) for Community Leadership; specifically recognizing the success in workforce development, contract compliance, and business development teams impacting lives in the community.
- DC Water was recognized by the Underground Construction Association at the annual North American Tunneling Conference. With the impressive success of the Northeast Boundary

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Tunnel, the group honored the Authority with the 2024 Project of the Year Award, among projects in the more than \$500 million category.

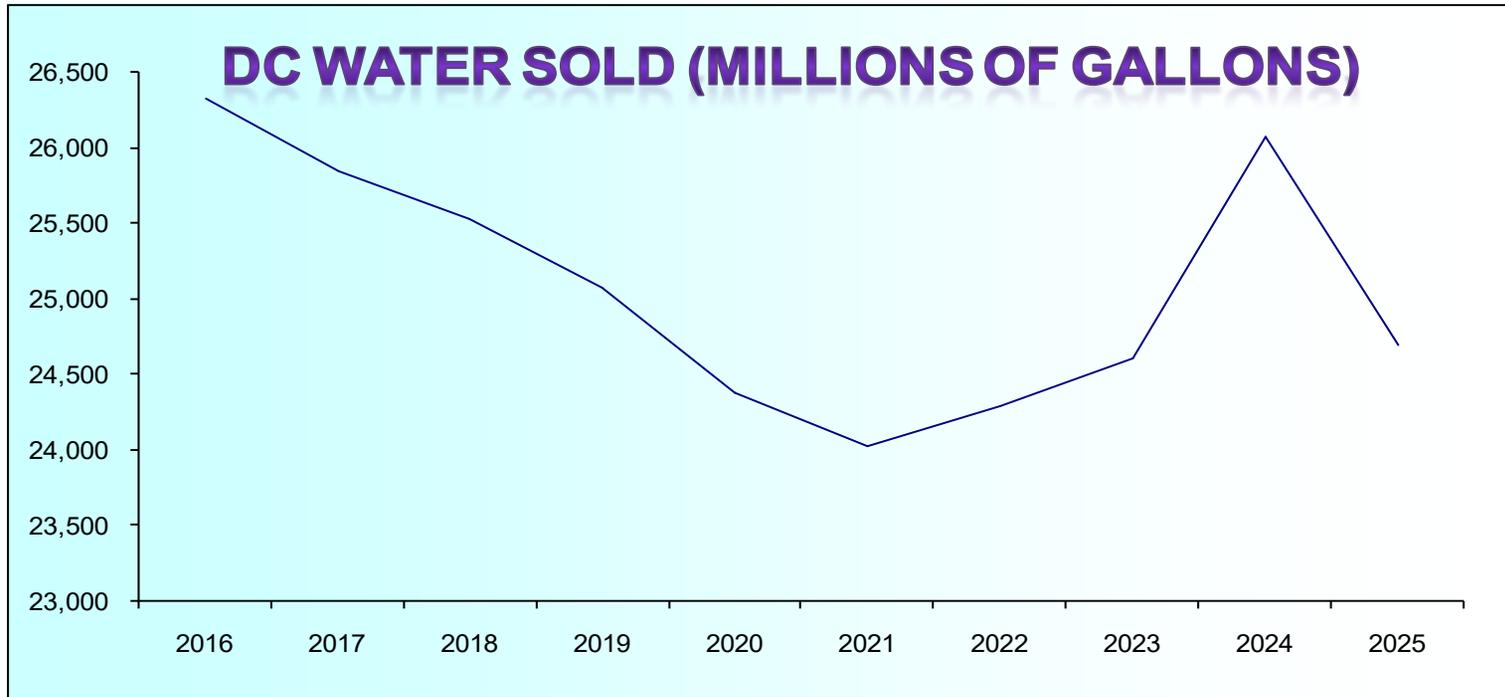
Why Are Rate Increases Necessary

The factors listed below are some of the same reasons that are driving rates up in other cities.

- Increases in capital spending:
 - Debt service will be 31.7% of total disbursements in 2027 and 34.1% in 2028, increasing by \$10.5 million and \$42.9 million or 4.2% and 16.6% vs. the prior year, respectively.
 - Cash-financed construction from all sources increases by an average of 10.7% for the period of 2027 and 2028 compared to 2025 and 2026; the use of cash for construction reduces the need to issue more debt and helps support the strong credit rating of DC Water.
- Increases in operating expenses:
 - Total O&M expenses, excluding District fees, increase by \$15.8M or 3.6% for 2027 and by \$22.3M or 4.9% for 2028.
- Long-term water use is declining:
 - Please see the following page for additional information.
- The new inconvenience fee of the District increases charges for all customers. The fee will raise \$12.7 million annually; a single family customer will see an increase of \$2 per month.
- DC Water receives no tax revenues to offset rates:
 - Unlike cities such as Atlanta (sales tax) or Milwaukee (property tax), DC Water revenues pay all bills.

Why Are Rate Increases Necessary – Declining Demand

- Long-term water use is declining:
 - Long-term retail water demand is slowly declining; total usage has declined by 6.2% from 2016 through 2025. The replacement of older, inefficient water fixtures and appliances with modern, lower water use devices is one factor affecting demand in water utilities across the country. Rising prices for water and sewer services are likely encouraging customers to conserve water.
 - Consumption declined at a greater pace in 2020 and 2021 during the period of the COVID-19 pandemic. There was a recovery in consumption in 2022 and 2023 in the post-pandemic period. The total usage in 2024 was much higher than 2023; however, there was a major federal leak in 2024. Consumption in 2025 was much lower than 2024; the federal leak was repaired for 2025.
 - Year-to-date 2026 water sales as of December 31 are 0.9% lower than in 2025.
 - Usage is assumed to decline at the rate of 1.0% per year in 2027 and 2028 as well as each year thereafter. New York, Boston & Philadelphia assume annual declines in sales.
 - About 61% of total cash receipts from all sources in 2027 and 2028 are expected from consumption-related retail charges.
 - The graph on the following page shows historical water consumption by customers.



Why Invest in Capital Improvements

Three areas of capital improvement programs are highlighted below. These and many other investments support the quality of life in the District.

- Clean Rivers Program:
 - The program began in 2006 and continues through 2030 to build storage tunnels, pump stations, green infrastructure, and other facilities.
 - Reduces flooding in the District during heavy rain; thousands of tons of trash, debris & solids removed; billions of gallons of sewage/stormwater captured instead of entering waterways; much cleaner waterways. When completed, it will reduce the combined sewer overflows by at least 96%.

- Lead, Galvanized and Brass Service Line Replacement:
 - DC Water expects to spend \$1.8 billion to replace 51,000 lines in part by leveraging funds in the federal bi-partisan infrastructure package.
 - Prioritizes replacement for: (1) vulnerable populations most impacted by lead exposure (children and seniors) and (2) communities that are historically underserved, and experience disproportionately poorer health.

- Water Mains & Sewers:
 - Many water mains & sewers are quite old and in need of repair or replacement.
 - The CIP includes nearly \$5 billion for water & sewer projects in 2026-2035.

Proposed Changes in Rates for 2027 and 2028

| | Units | 2026 | 2027 | 2028 | Change 2027 vs 2026 | | Change 2028 vs 2027 | |
|--------------------------------|-------|--------|--------|--------|---------------------|-------|---------------------|------|
| | | | | | \$ | % | \$ | % |
| DC Water Rates | | | | | | | | |
| Water | | | | | | | | |
| Residential 0-4 Ccf (Lifeline) | Ccf | \$5.78 | \$6.49 | \$7.11 | \$0.71 | 12.3% | \$0.62 | 9.6% |
| Residential > 4 Ccf | Ccf | \$7.60 | 8.40 | \$9.40 | 0.80 | 10.5 | 1.00 | 11.9 |
| Multi-Family | Ccf | \$6.47 | 7.21 | \$7.98 | 0.74 | 11.4 | 0.77 | 10.7 |
| Non-Residential | Ccf | \$7.84 | 8.66 | \$9.71 | 0.82 | 10.5 | 1.05 | 12.1 |
| Sewer (Excluding CRIAC) | Ccf | 12.52 | 12.91 | 13.39 | 0.39 | 3.1 | 0.48 | 3.7 |
| Clean Rivers IAC | ERU | 24.23 | 25.50 | 27.22 | 1.27 | 5.2 | 1.72 | 6.7 |
| 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 |
| Groundwater Fee | Ccf | 3.76 | 3.90 | 3.90 | 0.14 | 3.7 | 0.00 | 0.0 |
| District Rates | | | | | | | | |
| PILOT Fee | Ccf | 0.62 | 0.62 | 0.63 | 0.00 | 0.0 | 0.01 | 1.6 |
| Right of Way Fee | Ccf | 0.20 | 0.20 | 0.20 | 0.00 | 0.0 | 0.00 | 0.0 |
| Public Inconvenience Fee | Ccf | | 0.42 | 0.42 | 0.42 | New | 0.00 | 0.0 |
| Stormwater Fee | ERU | 2.67 | 2.67 | 2.67 | 0.00 | 0.0 | 0.00 | 0.0 |

* Ccf = 100 cubic feet or about 748 gallons

- **Management Recommendations:**
 - Percentage increases in water rates are greater than increases in sewer rates in each year to better match revenues with the cost of service.
 - CRIAC rates are increasing to correspond to higher debt service.
 - The proposed rates are intended to raise retail revenue by 4.6% in 2027 and 5.2% in 2028.
 - Reflects the draft Cost of Service Study findings of February 2026.
 - The new inconvenience fee of the District will apply to all customers starting in 2027.
 - Unchanged rates are: Metering Fee, WSRF, ROW Fee and DC Stormwater Fee

Proposed 2027 and 2028 Rates: Billing Impacts

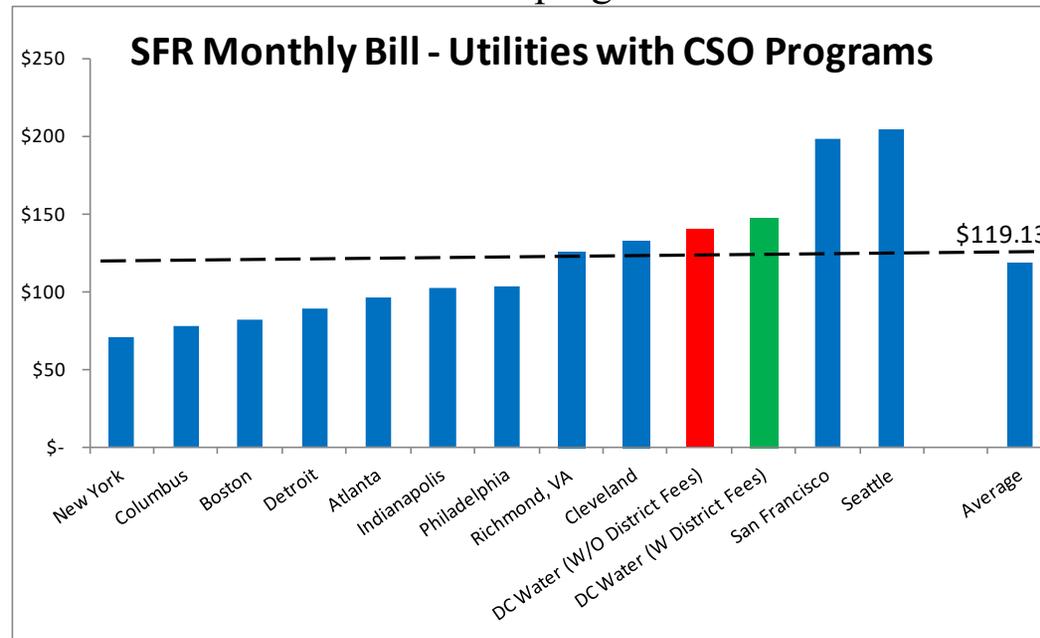
| | Ave SFR | Ave SFR in CAP + | Ave SFR in CAP I | Ave Multi-Family | Sample Commercial | Sample Cemetery | Sample Non-Profit - Low Usage | Sample Non-Profit - High Usage |
|--------------------------------|---------|------------------|------------------|------------------|-------------------|-----------------|-------------------------------|--------------------------------|
| Monthly Bill - 2026 Rates (\$) | 147 | 16 | 46 | 1,945 | 74,532 | 3,210 | 1,847 | 21,345 |
| Monthly Bill - 2027 Rates (\$) | 157 | 19 | 50 | 2,088 | 80,030 | 3,364 | 1,934 | 22,819 |
| Monthly Bill - 2028 Rates (\$) | 165 | 20 | 53 | 2,208 | 85,251 | 3,569 | 2,048 | 24,279 |
| % Change 2026-2027 | 7% | 16% | 9% | 7% | 7% | 5% | 5% | 7% |
| % Change 2027-2028 | 5% | 2% | 5% | 6% | 7% | 6% | 6% | 6% |
| Assumptions: | | | | | | | | |
| Consumption (Ccf/month) | 5.42 | 5.42 | 5.42 | 86.14 | 3,332.33 | 4.7 | 7.36 | 804.07 |
| Meter Size | 5/8" | 5/8" | 5/8" | 1.5" | 8 x 2" | 5/8" | 2" | 1" & 4" |
| ERU | 1 | 1 | 1 | 6.83 | 52.2 | 115.1 | 59.2 | 128.6 |

- New District Public Inconvenience Fee will be first applied to all customers in 2027.
- Typical single family customers would experience increases of 7% in 2027, or about \$10 per month, and 5% in 2028, or about \$8 per month.
- CAP+ customers would experience increases of 16% in 2027, or about \$3 per month, and 2% in 2028, or about \$1 per month. CAP 1 customers would have increases of 9% in 2027, or about \$4 per month, and 5% in 2028, or about \$3 per month.
- Impacts on customer classes other than single family residential depend on water use and the number of ERUs.

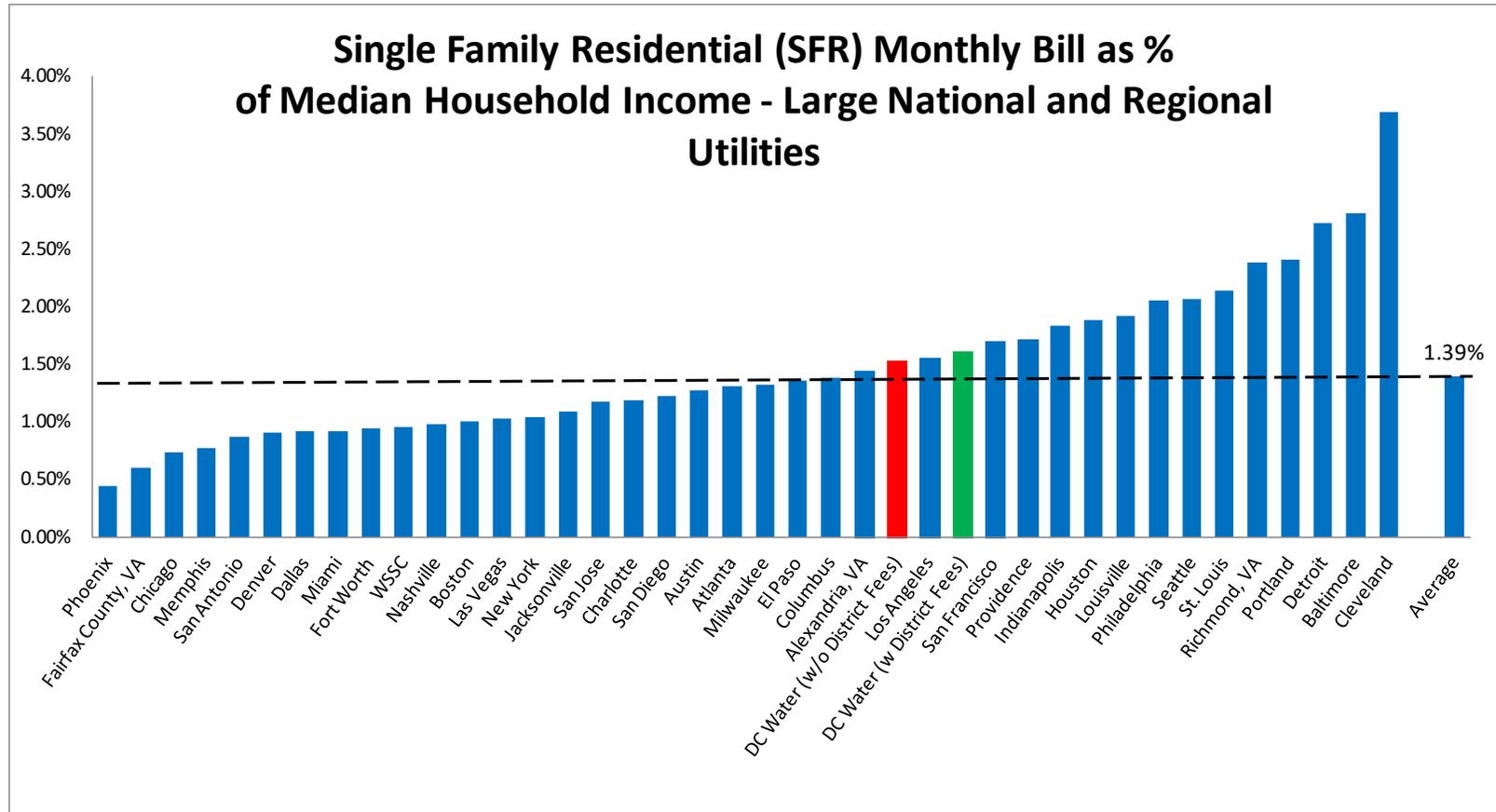
Comparison of Charges

Charts reflect rates and fees in place as of November 1, 2025. Some cities utilities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graphs. 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 that we survey that have combined sewers and CSO control programs.



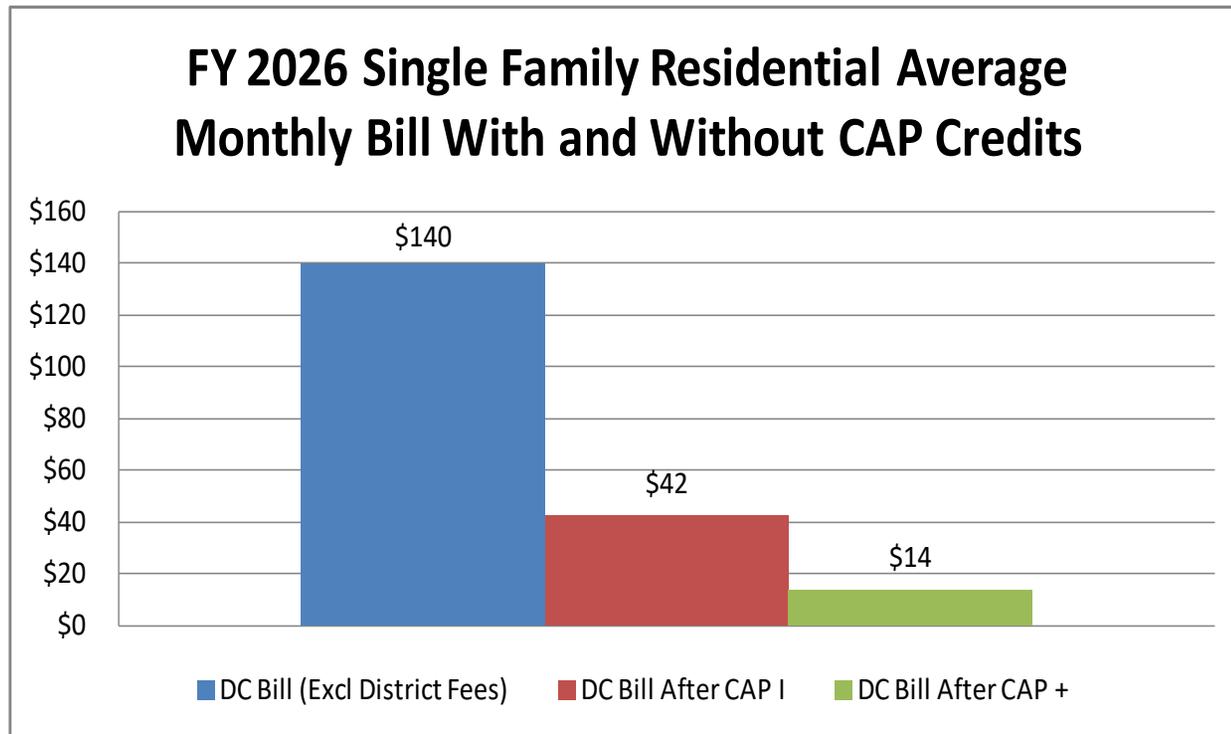
- Water, sewer, stormwater charges (without District fees) as a % of median household income are reasonable at 1.53% and are competitive with peers. Charges are slightly higher when District fees are included but are still competitive.



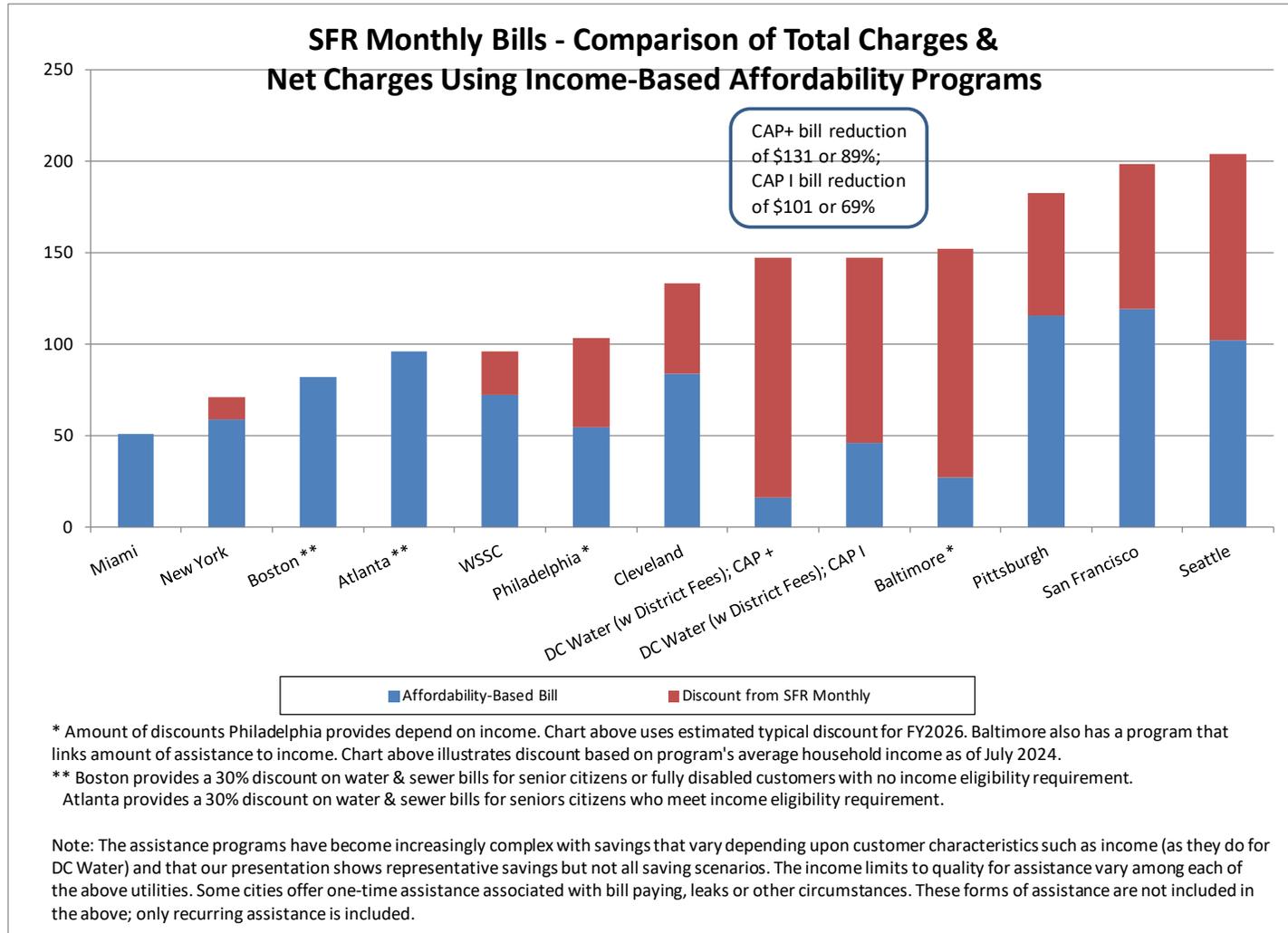
Affordability of User Charges

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

- A family of 4 at the 2025 Federal Poverty level spends 0.5% and 1.6% of income on DC Water bills, respectively, after CAP + and CAP I credits.
- In 2025, 2,177 customers participated in CAP+ and 5,086 customers qualified for CAP 1. An average of 6,438 customers used CAP 1 in 2021-25



- DC Water CAP assistance compares favorably with peer water and sewer utilities.



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- Available assistance programs for DC Water residential water, sewer and stormwater bills are significant:

| PROGRAM | DESCRIPTION | ELIGIBILITY | HOW TO APPLY |
|---|---|---|--|
| Customer Assistance Program (Monthly Discounts for Residential Customers) | <ul style="list-style-type: none"> - Eligible households receive discounts on water and sewer services and/or discounts on some fees. (CAP+, CAP 1, CAP 2, CAP 3) - Discounts range from \$218 to \$1,572 annually. | <ul style="list-style-type: none"> - Income eligible customers verified by DOEE. | <ul style="list-style-type: none"> Call DOEE at 202-350-9649, or visit https://doee.dc.gov/node/1375571. |
| CRIAC Relief for Nonprofit Organizations | <ul style="list-style-type: none"> - Credits of up to 90% of the CRIAC portion of a nonprofit's water bill. | <ul style="list-style-type: none"> - Income eligible non-profit organizations, verified by DOEE. | <ul style="list-style-type: none"> Visit https://doee.dc.gov/node/1375751 or call 311. |
| Flexible Payment Plans | <ul style="list-style-type: none"> - Repay past due balances over time. More flexible options now available. No late fees accrue while meeting payment plan obligations. | <ul style="list-style-type: none"> - Customers with a balance may be eligible. | <ul style="list-style-type: none"> Call DC Water at 202-354-3600 or visit, mydcwater.com |
| SPLASH (One-time Emergency Assistance) | <ul style="list-style-type: none"> - Up to \$350. - DC Water employees, customers and others donate to this one-time assistance fund for those facing disconnection. | <ul style="list-style-type: none"> - Income eligible customers, verified by Greater Washington Urban League. | <ul style="list-style-type: none"> Call the Greater Washington Urban League Mon-Fri 9am-5pm at 202-265-8200. |

- DC Water assistance programs to pay water, sewer and stormwater bills compare favorably with other District utilities as shown in the Appendix (i.e., gas, electric, telephone, cable, etc.).

Conclusions

- DC Water's proposed 2027 and 2028 rates have been reasonably developed, reflect the anticipated revenue requirements of the System, adhere to Board policy and are comparable to other utilities.
- If water usage declines at a faster rate than the assumed rate, interest rates are higher than expected or unforeseen major expenses are encountered, the actual financial results could differ from current projections. The rate structure of DC Water with charges not tied to consumption helps mitigate a portion of the risks of lower usage. The potential for some underspending in 2027 and 2028, the ability to use some money designated for defeasance and the availability of the RSF also provides some flexibility and risk mitigation in such circumstances.
- Affordability is a current and long-term concern in the water and wastewater industry as the cost of providing service continues to increase. DC Water's CAP programs (original, II & III), CAP + and SPLASH and its use of a lifeline rate are: 1) consistent with industry practices and 2) robust in the level of assistance to low income billpayers compared to peers.
- The annual spending for capital improvements is significant and the primary driver of increasing rates in future years. The need for the improvements is well-documented. The use of current cash plus prudent levels of borrowing will help manage increases in total debt as well as annual debt service.

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- The reserve funds of DC Water provide liquidity and help support strong credit ratings. Such funds provide a prudent backup in the event that unexpected financial conditions are encountered. Strong credit ratings help optimize the cost of borrowing money for the capital program. DC Water's reserve fund practices are consistent with those of other highly-rated utilities.

Appendix – Board Policies: Rate Stabilization Fund, Cash Management & Debt

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.

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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 is 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.

Appendix – Supporting Tables

Tables include: Historical revenues and cash used, consumption declines, capital spending and debt service, projected O&M expenses and operating expenditures, projected revenues.

- Historical financial performance - supporting figures (Cash Provided includes interest earned from the bond reserve):

Actual versus Revised Budget (\$000)

| Actual VS. Revised Budget (\$000s) | 2021 | 2022 | 2023 | 2024 | Total 2021- 2025 2025 | |
|---------------------------------------|---------|---------|---------|---------|--------------------------|-----------|
| Budgeted Cash Provided | 733,738 | 800,087 | 842,442 | 890,560 | 951,863 | 4,218,690 |
| Actual Cash Provided | 709,569 | 833,595 | 853,333 | 914,871 | 978,509 | 4,289,877 |
| % Difference | | | | | | 1.7% |
| Budgeted Total Cash Used | 613,956 | 625,687 | 655,968 | 705,593 | 754,138 | 3,355,342 |
| Actual Total Cash Used | 590,437 | 617,912 | 674,029 | 701,603 | 733,120 | 3,317,101 |
| % Difference | | | | | | -1.1% |

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- Long-term water demand is declining; total usage has declined by 6.2% from 2016 through 2025.

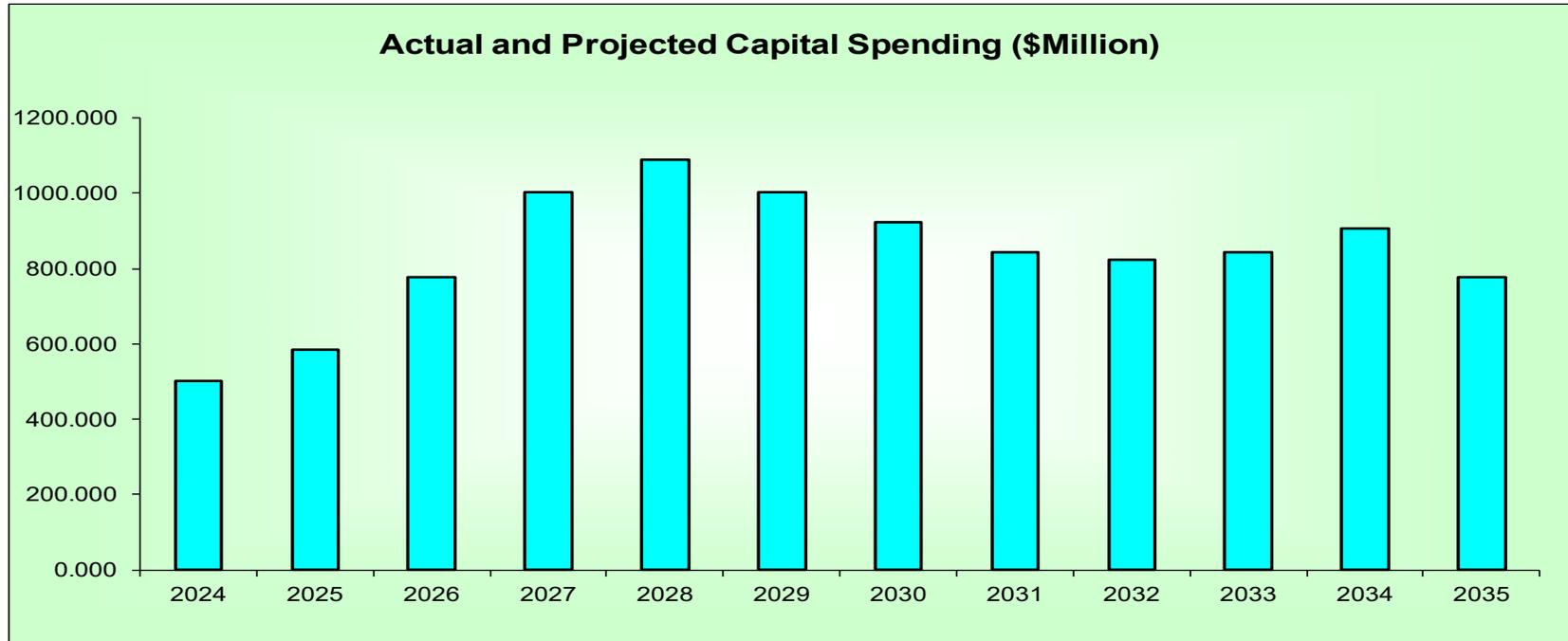
DC Water Sold (Cubic Feet)

| Type | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Commercial | 12,359,896 | 12,019,443 | 12,248,008 | 11,978,815 | 10,154,277 | 9,098,077 | 10,561,267 | 10,665,543 | 11,577,290 | 11,284,191 |
| Exempt | 80,620 | 124,628 | 105,031 | 94,450 | 2 | 0 | 0 | 0 | 0 | 0 |
| Federal | 4,493,362 | 4,335,937 | 4,339,051 | 4,287,024 | 4,587,317 | 4,813,337 | 4,006,115 | 4,350,620 | 5,035,575 | 4,101,985 |
| Housing | 761,401 | 765,900 | 800,225 | 811,670 | 794,435 | 808,267 | 824,862 | 889,780 | 894,653 | 729,367 |
| Municipal | 841,584 | 788,862 | 728,818 | 765,411 | 748,941 | 876,602 | 920,542 | 834,605 | 919,945 | 861,584 |
| Multi-Family | 8,889,754 | 9,013,474 | 8,574,675 | 8,461,957 | 9,017,482 | 9,260,560 | 9,243,028 | 9,274,128 | 9,544,963 | 9,490,956 |
| Residential | 7,262,184 | 7,108,543 | 6,961,844 | 6,793,773 | 6,980,739 | 6,620,451 | 6,319,378 | 6,148,087 | 6,202,811 | 6,099,368 |
| Water | 269,133 | 204,937 | 295,957 | 236,896 | 148,916 | 319,160 | 322,669 | 491,483 | 345,611 | 148,673 |
| Washington Aqueduct | 236,238 | 190,075 | 71,962 | 81,826 | 147,936 | 312,179 | 264,432 | 231,288 | 327,294 | 293,413 |
| | 35,194,172 | 34,551,799 | 34,125,571 | 33,511,821 | 32,580,045 | 32,108,633 | 32,462,293 | 32,885,533 | 34,848,141 | 33,009,538 |

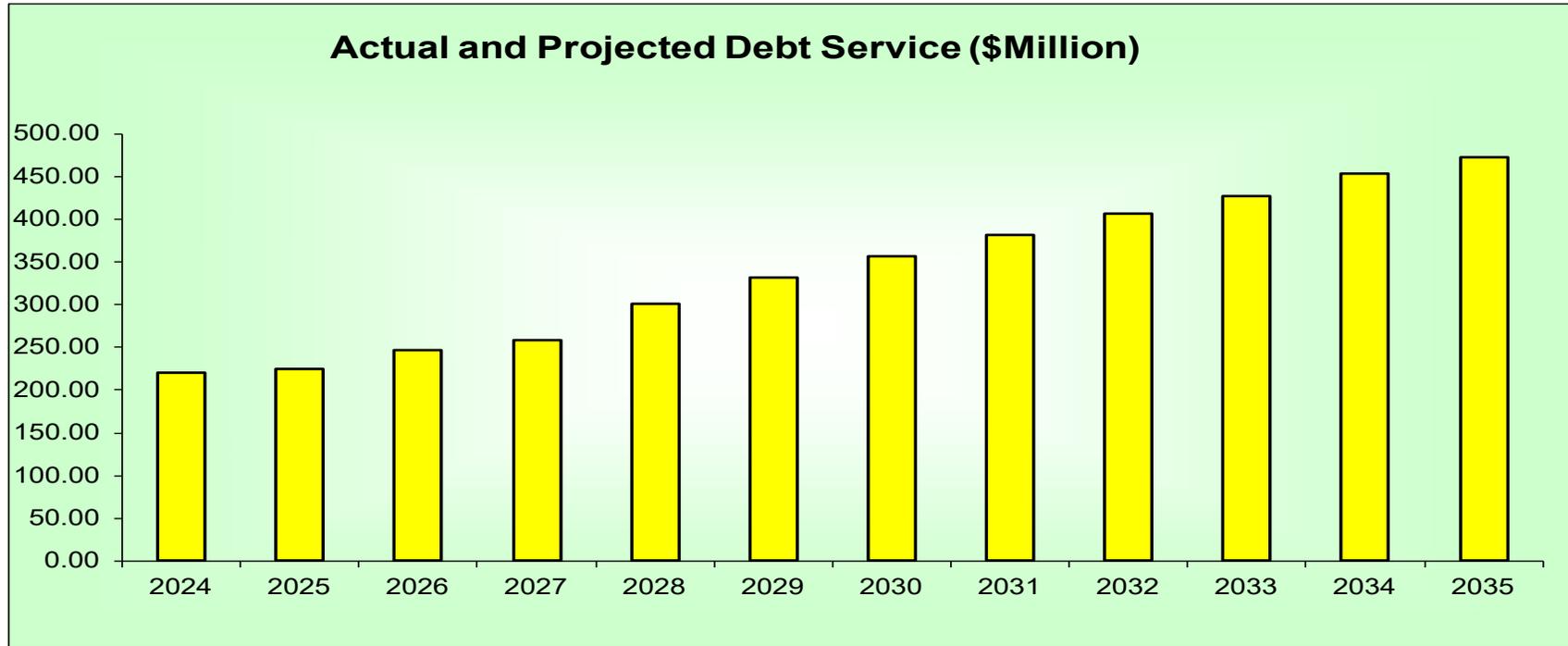
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- Debt service is increasing.

DC Water is investing in its water and sewer infrastructure to ensure that high quality services are provided on a reliable basis.



Debt service on the bonds issued by DC Water will be increasing in 2027 and 2028 as well as in future years.



Debt service compared to the prior year increases by \$10.5M in 2027 and \$42.9M in 2028.

- The Authority effectively manages its construction costs.

A consideration regarding the construction cost estimates is the historical value of change orders relative to the total cost of construction work performed. The cost of construction-related change orders executed by the Authority for contracts (excluding unplanned work performed for emergency repair contracts) in Fiscal Year 2024 and Fiscal Year 2025 was \$15.66 million or 1.9% of the total original value of the contracts of \$777.03 million, inclusive of thirteen construction contracts, one of which included allowances that reduced the need for

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change orders. The relatively low value of change orders compared to the total construction costs incurred is an indication that project designs are thorough and that projects are being effectively managed during construction.

- Total O&M expenses, excluding PILOT/ROW, are expected to increase by \$15.8 million in 2027 and \$22.3 million in 2028, or 3.6% and 4.9%, respectively. Water purchases from the Washington Aqueduct have the largest percentage increase in each year.

| O&M Expenditure (\$ M) | 2026 Projected | 2027 Proposed Budget | 2028 Proposed Budget | 2027 Budget vs 2026 Projected | 2028 Budget vs 2027 Budget |
|--|----------------|----------------------|----------------------|-------------------------------|----------------------------|
| Personnel Services | 186.6 | 195.6 | 203.4 | 4.8% | 4.0% |
| Contractual Services | 102.3 | 100.0 | 103.0 | -2.2% | 3.0% |
| Water Purchases | 48.1 | 54.5 | 60.5 | 13.1% | 11.0% |
| Chemicals & Supplies | 57.5 | 60.2 | 64.0 | 4.7% | 6.3% |
| Utilities & Rent | 41.7 | 42.2 | 43.9 | 1.3% | 4.0% |
| Small Equipment | 1.5 | 1.0 | 1.0 | -34.3% | 3.0% |
| Total | 437.7 | 453.4 | 475.8 | 3.6% | 4.9% |
| PILOT/ROW Fees | 24.2 | 24.6 | 24.9 | 1.6% | 1.6% |
| Debt Service | 247.4 | 257.9 | 300.8 | 4.2% | 16.6% |
| Defeasance D.S./Cash Financed Capital Construction | 97.9 | 76.8 | 80.8 | -21.5% | 5.2% |
| Total Operating Disbursements | 807.2 | 812.7 | 882.4 | 0.7% | 8.6% |

Total authorized positions for 2026 are 1,283. Filled positions as of 12/31/25 are 1,114, or 86.8%. DC Water budgets for 100% of the cost of filled positions and 5% for anticipated vacant positions as part of its budgeting process.

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- With the effects of the rate increases as proposed, the projected water consumption in 2027 and 2028 and the implementation of the new Inconvenience Fee, total revenues (including interest earned from the bond reserve) are expected to increase by \$61.2M in 2027 and \$52.0M in 2028, or 6.1% and 4.9%, respectively. The projected revenues assume that DC Water will maintain the same rate of bill collection as it has experienced in previous years.

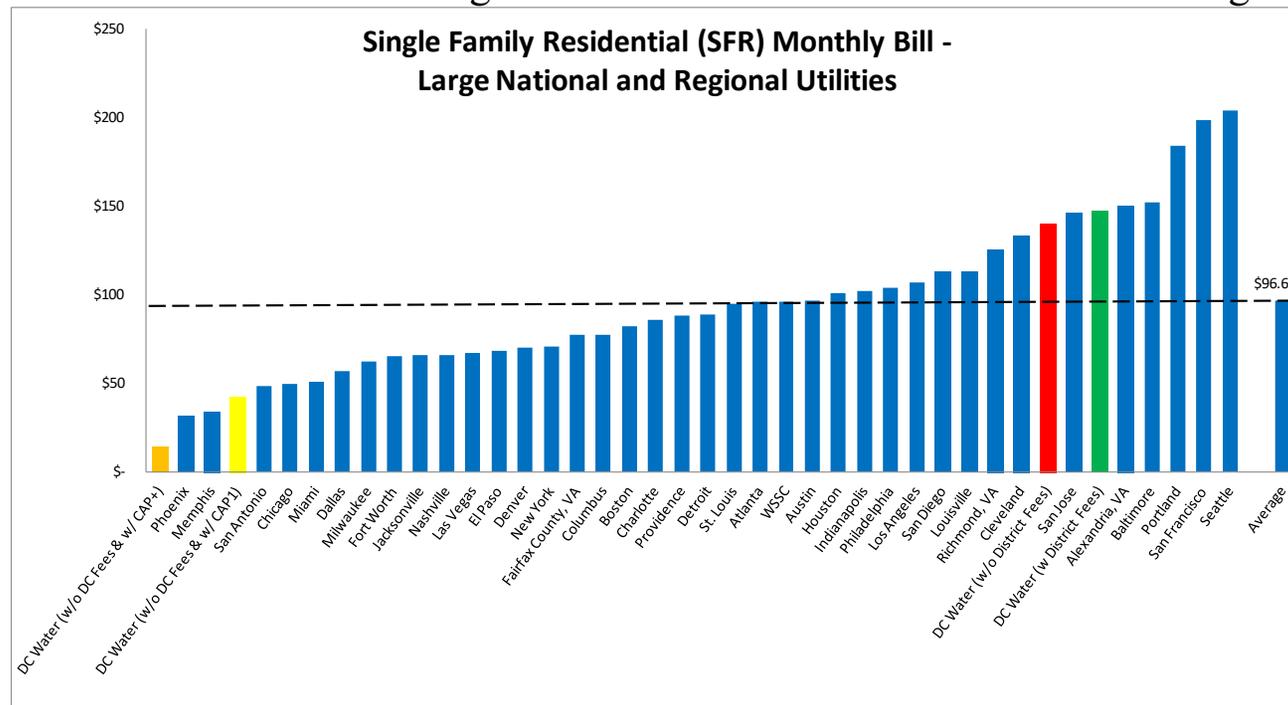
| Revenue (\$ Million) | 2026 Projected | 2027 Proposed Budget | 2028 Proposed Budget | 2027 Budget vs 2026 Projected | 2028 Budget vs 2027 Budget |
|--|-----------------------|-----------------------------|-----------------------------|--------------------------------------|-----------------------------------|
| Retail | 816.0 | 853.8 | 898.2 | 4.6% | 5.2% |
| Wholesale | 124.2 | 134.1 | 140.1 | 7.9% | 4.4% |
| Interest | 13.4 | 12.9 | 12.6 | -3.7% | -2.1% |
| Other | 54.6 | 68.6 | 70.5 | 25.6% | 2.9% |
| Transfers from Rate Stabilization Fund | 0.0 | 0.0 | 0.0 | | |
| Total | 1,008.2 | 1,069.4 | 1,121.4 | 6.1% | 4.9% |

Nearly all of the increase in Other Revenue in 2027 and 2028 (\$12.7M/year) is attributable to the new Inconvenience Fee of the District.

Appendix – Comparisons with Other Utilities

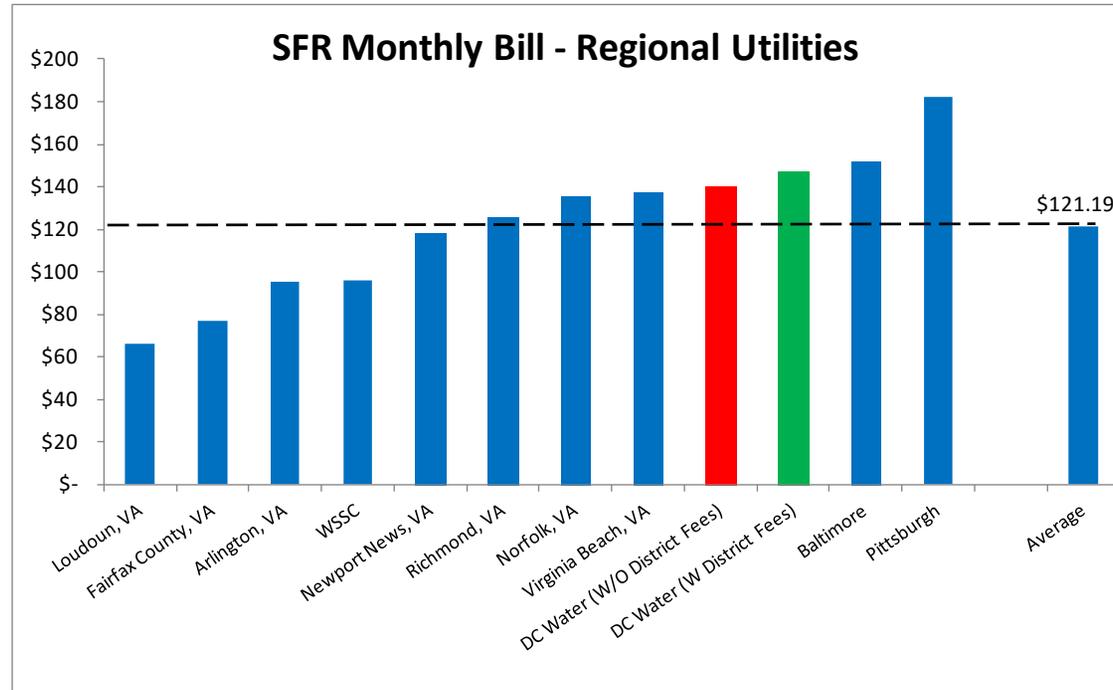
Charts reflect rates and fees in place as of November 1, 2025. Some cities utilities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services. DC Water receives no tax-related or other revenues. Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month.

- Large National and Regional Utilities: DC Water charges, without the benefits of CAP, are higher than the average of the universe of national and regional utilities that we survey each year on behalf of DC Water. Charges with CAP are much lower than the average.



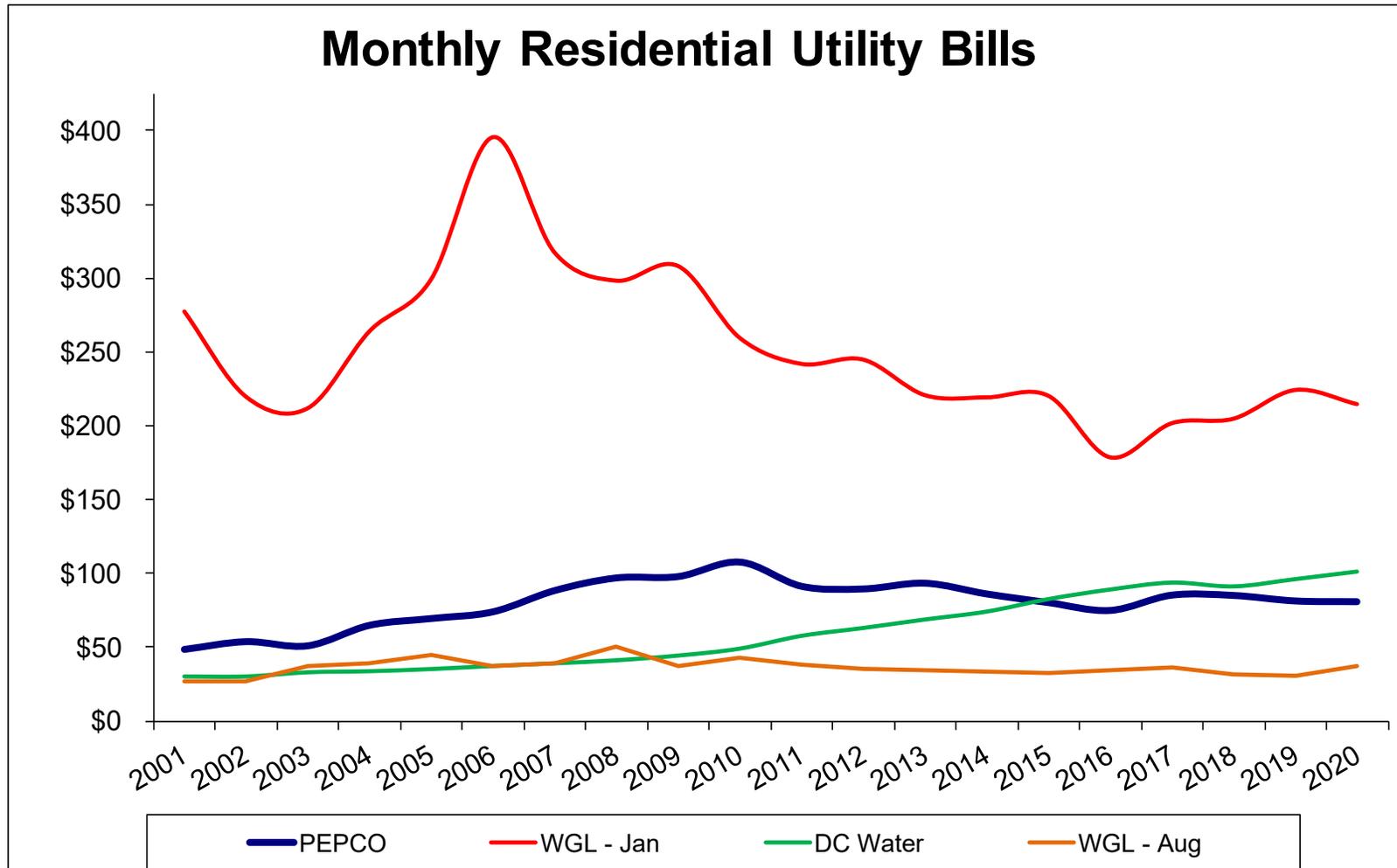
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- Regional Utilities: DC Water charges are somewhat higher than the average of the regional utilities that we survey; however, unlike some utilities, DC Water receives no property tax revenue or other subsidies to reduce its user charges.



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- Electric and Gas Utilities in the Region: DC Water charges compare favorably with regional gas and electric utilities.



Source: DC Public Service Commission and DC Water website

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- **Affordability of User Charges (Gas, Electric, Internet, Cable, etc.): DC Water’s affordability programs are strong compared to other utilities in the region.**

| Residential Utility Assistance Program | Level of Assistance | Eligibility |
|--|---|---|
| DC Water: Customer Assistance Program (CAP+, CAP1, CAP2, and CAP3) | CAP+: discount on the first 6Ccf of water and sewer use each month, a 75% reduction in CRIAC fee, and a Water Service Replacement 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 | Income eligible customers verified by DOEE (October 2025 – September 2026 for a family of 4, \$39,642 for CAP+, \$118,926 for CAP1, \$131,100 for CAP2, and \$163,900 for CAP3) |
| PEPCO: Residential Aid Discount Program (RAD)/Part of DOEE Utility Discount Program | Potential discounts of \$300-\$475 annually on electric bills | Income eligible customers certified by DOEE (October 2025 – September 2026 for a family of 4 up to \$131,100 annually) |
| Washington Gas: Residential Essential Service/Part of DOEE Utility Discount Program | About 48% discount on the total bill during winter heating season and 50% discount on the monthly customer charge during the non-winter heating season | Income eligible customers certified by DOEE (October 2025 – September 2026 for a family of 4 up to \$131,100 annually) |
| Washington Gas: Arrearage Management Program | Forgiveness of up to \$3,000 of past due balance if the customer successfully complete a 12-month payment plan | Income eligible customers verified by DOEE are automatically enrolled |
| Xfinity (Comcast): Internet Essentials | Provides 75/10 Mbps internet service for \$14.95 a month or 100/20 Mbps internet service for \$29.95 a month. No activation fees and no equipment rental fees. Option to purchase a laptop for \$149.99 plus tax. | Eligible for public assistance programs or with income at or below 200% of federal poverty guideline (\$64,300 for a family of 4) and is not an existing customer. Should not have outstanding debt to Comcast that is less than one year old |
| Verizon Wireless | No discounted service was found in DC | N/A |
| Verizon (home phone or Fios home internet): Lifeline Discount Program | Voice is \$1-3/month; broadband is \$9.25 monthly discount off any Fios plan. | Either eligible for a qualifying federal assistance program or with income at or below 135% of federal poverty guidelines (\$43,403 for a family of 4) |
| Verizon Internet: Forward Program | Up to \$30/month credit on internet bills, setup charge applies | Enrolled in the Lifeline Program or another qualified assistance program |
| Astound (RCN): Internet First | 150 Mbps Internet for \$19.95 a month plus tax. First 3 months are free for new customers. No installation fees and modem is included | 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 |
| DirecTV and Dish | N/A | N/A |
| AT&T: Access | Up to 100Mbps is \$30 per month plus tax or for fiber plans up to 1Gig receive \$20 discount. No installation fees and modem is included | Either eligible for a qualifying public assistance program or with income at or below 200% of federal poverty guidelines (\$64,300 for a family of 4). |
| Assurance Wireless: Lifeline | Free phone (new customers), unlimited text and talk, and 10GB data per month | Either eligible for a qualifying federal assistance program or with income at or below 135% of federal poverty guidelines (\$43,403 for a family of 4). |
| Amazon | About 53% discount on membership | Participates in public assistance programs |