



System Availability Fees: Cost of Service Study Overview

March 18, 2026

- 💧 Present an update on the Cost of Service Study for System Availability Fee (SAF) conducted by Independent Rate Consultant
- 💧 Request Committee's recommendation to Board to approve publication of Notice of Proposed Rulemaking for amendments to SAF regulations

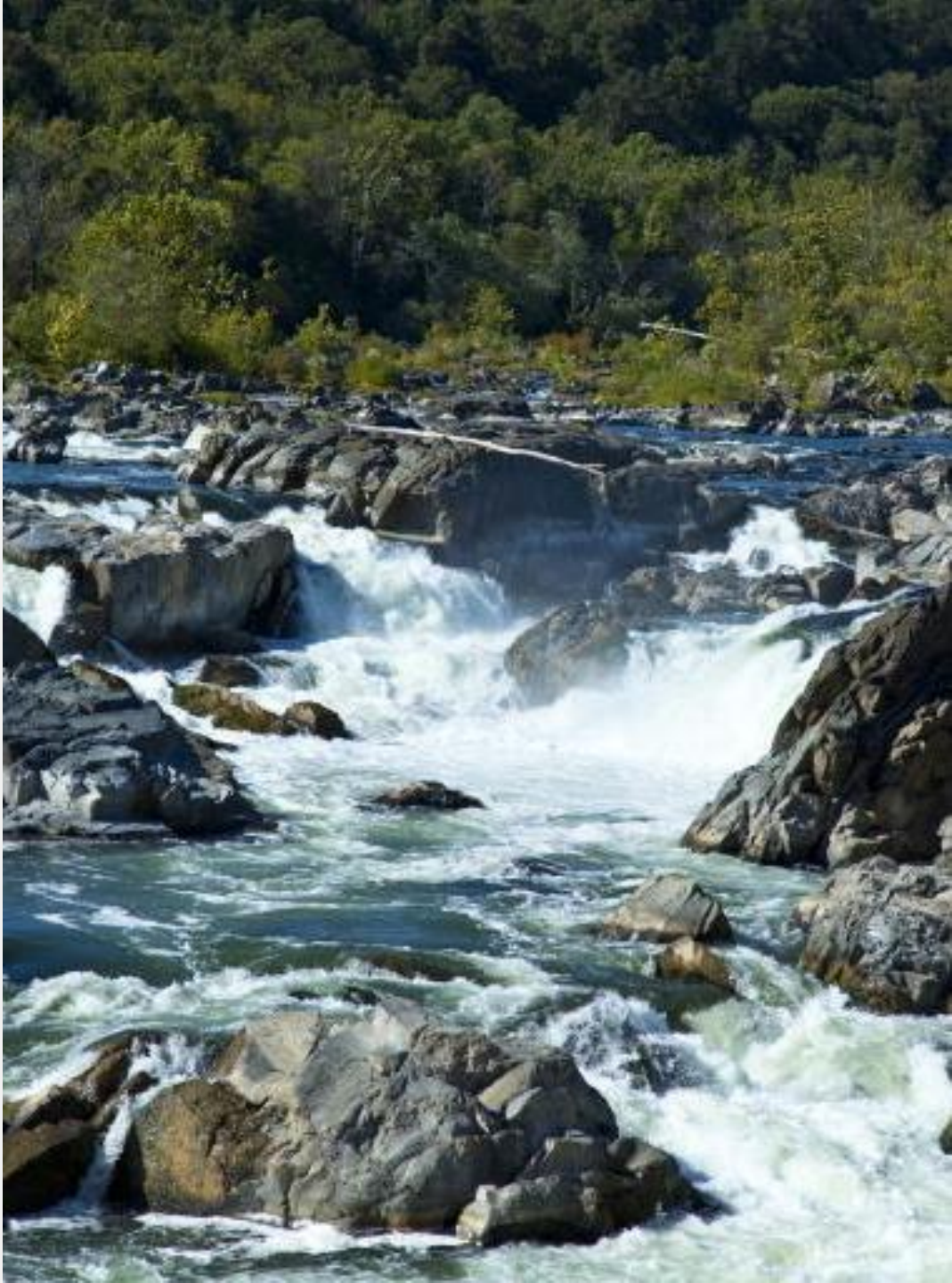
- 💧 Cost of Service Study (COS) includes review of System Availability Fee (SAF)
- 💧 The last COS study for SAF was performed in FY2016 and the SAF became effective from June 1, 2018
- 💧 Independent consultants bring an unbiased perspective, which ensures that the study is impartial and objective. The consultants have specialized knowledge and experience in conducting COS studies. Their experience can lead to more accurate and thorough analysis
- 💧 Raftelis conducted the SAF COS study. They have vast experience of providing consulting services for various COS studies for rates, charges and fees, Potomac Interceptor and Miscellaneous Fees. They have over thirty years of experience in the utility space

DC Water

System Availability Fee Update Study

March 18, 2026





Agenda

1. SAF Background
2. Calculation Approach
3. Current & Proposed Fees
4. Benchmarking
5. Next Steps
6. Q&A
7. Appendix

Background



Purpose of System Availability Fees (SAFs)

- Many utilities have implemented a fee assessed to new development (or redevelopment) to recover the investment in available system capacity:
 - › Water supply and treatment
 - › Water storage and distribution
 - › Wastewater and stormwater conveyance
 - › Wastewater treatment
- DC Water's SAF program was established in 2018
- Designed to recover the proportionate share of system costs for new developments or redevelopments that require additional system capacity and is based upon meter size and average flow per meter size
- All revenue will be applied to the capital program as Paygo, to reduce debt service costs for all retail customers

SAF Key Points



One-time fees assessed to new developments

Fees reflect the value of the water and sewer system capacity DC Water provides for customers



Based on core infrastructure value

Include existing + proposed core infrastructure value



Based on a proportionate share of system costs

Fee scaled based on meter size and average water use for customers of the same meter size; methodology is consistent with WSRF fee and industry standards

SAF Calculation Process

Using a Combined or Hybrid Approach – **Buy-In** to Existing Assets, Plus **Incremental** Value Added through CIP Projects

1

Determine SAF Cost Basis

(Existing core assets + Planned core asset investment) – Debt Credit

2

Determine W&S Capacity

Total treatment capacity at plants, DC Water's share of capacity

3

Flows per ERU & Base Fee

Determine flow per baseline residential customer

4

Scale by Meter Size

Increase fees in proportion to meter size

Industry Standards Guide the Process

SAF calculations align with AWWA
and WEF guidelines:



Only Core Assets

The fee incorporates the value of core or “trunk and treatment” assets



RCNLD

Assets are valued based on Replacement Cost New, Less Depreciation (RCNLD)



Debt Credit

Outstanding amortized principal payments are discounted to current dollars



Scaled by Meter Size

Fee for a new development is based on assumed gallons/day for that meter

SAF Credits – New Meters, Affordable Housing Units (AHUs)

- DC Water allows property owners to “neck-down” water lateral lines to smaller water meter sizes
 - › The service pipe should be sized for velocity and head loss and the meter sized to match the peak demand flow
 - › Reductions by one standard pipe size will be approved, reductions greater than one pipe diameter would be by exception
- DC Water will give credit for a meter change, charging a “Net SAF”:
 - › $\text{Net SAF} = \text{SAF (new meter)} - \text{SAF Credit (old meter)}$
- Affordable Housing Units (AHUs) are not charged SAFs
 - › Multifamily development with 30% AHUs will receive a 30% discount on the SAF

SAFs for Larger Meter Sizes

- The SAF is scaled up for larger meter sizes by looking at average usage by meter size
- 6” meters and larger were grouped to get a more consistent average
 - › There are very few of these larger meters in the system (about 1% of customers are 6” or larger)
 - › Average usage was quite variable and was not a reliable indicator of the capacity a new account of the size would command

Current SAFs: Residential

Meter Size	Water	Sewer	Total
5/8"	\$1,135	\$2,809	\$3,944
3/4"	\$1,135	\$2,809	\$3,944
1"	\$1,135	\$2,809	\$3,944
1" x 1.25"	\$2,047	\$5,066	\$7,113
1.5"	\$5,491	\$13,591	\$19,082
2"	\$11,125	\$27,536	\$38,661
3"	\$32,500	\$80,442	\$112,942

Current SAFs: Non-Residential/Multifamily

Meter Size	Water	Sewer	Total
5/8"	\$1,282	\$3,173	\$4,455
3/4"	\$1,282	\$3,173	\$4,455
1"	\$1,282	\$3,173	\$4,455
1" x 1.25"	\$2,047	\$5,066	\$7,113
1.5"	\$5,491	\$13,591	\$19,082
2"	\$11,125	\$27,536	\$38,661
3"	\$32,500	\$80,442	\$112,942
4"	\$83,388	\$206,394	\$289,782
6"	\$229,246	\$567,408	\$796,654
8"	\$229,246	\$567,408	\$796,654
8" x 2"	\$229,246	\$567,408	\$796,654
8" x 4" x 1"	\$229,246	\$567,408	\$796,654
10"	\$229,246	\$567,408	\$796,654
12"	\$229,246	\$567,408	\$796,654
16"	\$229,246	\$567,408	\$796,654

Proposed New Fees



Proposed System Availability Fees

- Residential accounts with a 1" or smaller meter will be charged the same fee:

Meter Size	Water Fee	Sewer Fee	Total Fee
Residential (5/8", 3/4", 1")	\$1,966	\$3,824	\$5,790

- Residential (> 1"), Multi-Family and Non-Residential accounts will have fees based on meter size:

Meter Size	Water Fee	Sewer Fee	Total Fee
1" or smaller	\$2,640	\$3,944	\$6,584
1" x 1.25"	\$4,215	\$6,297	\$10,512
1.5"	\$11,309	\$16,892	\$28,201
2"	\$22,913	\$34,225	\$57,138
3"	\$66,938	\$99,983	\$166,921
4"	\$171,747	\$256,534	\$428,281
6" and larger	\$472,157	\$705,247	\$1,177,404

Residential

Meter Size	Current Water	Proposed Water	Current Sewer	Proposed Sewer	Current Total	Proposed Total
5/8"	\$1,135	\$1,966	\$2,809	\$3,824	\$3,944	\$5,790
3/4"	\$1,135	\$1,966	\$2,809	\$3,824	\$3,944	\$5,790
1"	\$1,135	\$1,966	\$2,809	\$3,824	\$3,944	\$5,790
1" x 1.25"	\$2,047	\$4,215	\$5,066	\$6,297	\$7,113	\$10,512
1.5"	\$5,491	\$11,309	\$13,591	\$16,892	\$19,082	\$28,201
2"	\$11,125	\$22,913	\$27,536	\$34,225	\$38,661	\$57,138
3"	\$32,500	\$66,938	\$80,442	\$99,983	\$112,942	\$166,921

Non-Residential & Multifamily

Meter Size	Current Water	Proposed Water	Current Sewer	Proposed Sewer	Current Total	Proposed Total
5/8"	\$1,282	\$2,640	\$3,173	\$3,944	\$4,455	\$6,584
3/4"	\$1,282	\$2,640	\$3,173	\$3,944	\$4,455	\$6,584
1"	\$1,282	\$2,640	\$3,173	\$3,944	\$4,455	\$6,584
1" x 1.25"	\$2,047	\$4,215	\$5,066	\$6,297	\$7,113	\$10,512
1.5"	\$5,491	\$11,309	\$13,591	\$16,892	\$19,082	\$28,201
2"	\$11,125	\$22,913	\$27,536	\$34,225	\$38,661	\$57,138
3"	\$32,500	\$66,938	\$80,442	\$99,983	\$112,942	\$166,921
4"	\$83,388	\$171,747	\$206,394	\$256,534	\$289,782	\$428,281
6"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
8"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
8" x 2"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
8" x 4" x 1"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
10"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
12"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404
16"	\$229,246	\$472,157	\$567,408	\$705,247	\$796,654	\$1,177,404

Sample System Availability Fees

	Development & Redevelopment Scenarios	Fee Due
1.	New 1" Residential connection (water and sewer connection)	\$5,790
2.	New 3" Non-residential connection with projected water and sewer needs of 5,907 gallons/day	\$166,921
3.	New 4" Non-residential connection with projected water and sewer needs of 15,156 gallons per day (gpd)	\$428,281
	Less: demolition of 20 Residential 1" active water and sewer connections	\$(115,800)
	Net amount due	\$312,481

Revenues from SAFs

- Revenues are used for capacity-related infrastructure improvements
 - › Ensure new connections pay their fair share of costs
- Fees have not been updated since 2018, but SAF cost basis has increased over the past 10 years:
 - \$6.1 billion in FY 2015
 - \$8.4 billion in FY 2025
- Increasing cost basis driven by increases in CSO/sewage improvement cost, and Washington Aqueduct costs

Impact on Revenue Collections

- DC Water currently collects approximately \$4 million/year (FY 2025) in SAFs with current fees
- Proposed fee increase is approximately 48%
- Projected \$5.9 million/year revenue collections at current growth levels
- Fees are only charged for new construction, so growth and development trends impact the revenue collected

	Existing	Proposed	% Increase
Water \$/GPD	\$5.50	\$11.33	106%
Sewer \$/GPD	\$13.62	\$16.93	24%
W+S \$/GPD	\$19.12	\$28.26	48%

Cost per gallon per day (GPD) is the unit that is multiplied by ERU and escalated by meter size.

Fee Benchmarking



System Availability Fees Benchmarking – Residential Customers (3/4” Meter)

Utility	Water	Sewer	Total
WSSC (MD)	\$1,378	\$1,753	\$3,131
Raleigh (NC)	\$1,447	\$2,223	\$3,670
DC Water - Existing	\$1,135	\$2,809	\$3,943
DC Water - Proposed	\$1,966	\$3,824	\$5,790
Arlington (VA)	\$2,520	\$3,720	\$6,240
Charlotte (NC)	\$1,398	\$5,389	\$6,787
Howard County (MD)	\$2,400	\$4,500	\$6,900
Fairfax (VA)	\$4,400	\$9,218	\$13,618
Prince William County (VA)	\$5,800	\$12,400	\$18,200
Loudoun County (VA)	\$8,592	\$11,360	\$19,952
Baltimore (MD)	n/a	n/a	n/a

System Availability Fees Benchmarking – 2” Meter

Utility	Water	Sewer	Total
Howard County (MD)	\$6,240	\$8,340	\$14,580
Raleigh (NC)	\$11,576	\$17,784	\$29,360
DC Water – Existing	\$11,125	\$27,536	\$38,661
Charlotte (NC)	\$11,185	\$43,111	\$54,296
DC Water – Proposed	\$22,913	\$34,225	\$57,138
Fairfax (VA)	\$46,940	Fixture unit based	n/a
Loudoun (VA)	\$103,104	\$136,320	\$239,424
Prince William County (VA)	Usage Based	Usage Based	Usage Based
WSSC (MD)	Fixture unit based	Fixture unit based	Fixture unit based
Arlington (VA)	n/a	n/a	n/a
Baltimore (MD)	n/a	n/a	n/a

System Availability Fees Benchmarking – 10” Meter

Utility	Water	Sewer	Total
Howard County (MD)	\$170,400	\$172,500	\$342,900
Raleigh (NC)	\$303,870	\$466,830	\$770,700
DC Water – Existing	\$229,246	\$567,408	\$796,654
DC Water – Proposed	\$472,157	\$705,247	\$1,177,404
Charlotte (NC)	\$307,589	\$1,212,488	\$1,520,077
Fairfax (VA)	\$674,670	Fixture unit based	n/a
WSSC (MD)	Fixture unit based	Fixture unit based	Fixture unit based
Prince William County (VA)	Usage Based	Usage Based	Usage Based
Loudoun (VA)	Usage Based	Usage Based	Usage Based
Arlington (VA)	n/a	n/a	n/a
Baltimore (MD)	n/a	n/a	n/a

Next Steps



Conclusions

- Residential proposed SAFs for a water + sewer connection would increase from \$3,944 to \$5,790, a 47% increase
 - › Residential fees are kept at this same level for all meters 1” and smaller
- Multi-Family and Non-residential proposed SAFs for meters 1” and smaller are based on typical flows for a 1” meter
 - › Multi-Family and Non-residential fees for a 1” meter would be approximately 14% higher than Residential fees for a 1” meter
- Proposed SAFs reflect up-to-date system costs

Next Steps

- April 7, 2026: Board Approve Publication of Proposed SAF for comments
- April 24, 2026: Notice of Proposed Rulemaking for Amended SAFs Published in DC Register; Public Comment Period April 24 - May 25, 2026
- June 23, 2026: Retail Rates Committee Final Recommendation for Board to adopt and approve Amended SAF
- July 2, 2026: Board adopt and approve Amended SAF
- July 24, 2026: Notice of Final Rulemaking for Amended SAFs Published in DC Register
- October 1, 2026: SAF Go-Live

- Management requests Committee's recommendation to the Board to approve publication of Notice of Proposed Rulemaking for amendments to SAF regulations.

Q&A



Raftelis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule).

However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor in this engagement, and the opinions or views contained herein are not intended to be, and do not constitute “advice” within the meaning of the Municipal Advisor Rule.



Thank you!

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Appendix



Water SAF Calculation Approach

		OCLD	RCNLD	OCLD + CIP	RCNLD + CIP
Categories:					
AQU	Aqueduct	\$ 310,818,497	\$ 499,541,045	\$ 825,308,397	\$ 1,014,030,945
SEN	Little Senaca Reservoir	3,984,880	13,298,160	3,984,880	13,298,160
WAT	Water Transmission (8)	496,765,944	706,187,918	989,878,523	1,199,300,496
	Unrestricted Reserves (5)	129,732,976	129,732,976	129,732,976	129,732,976
Total Buy-In Value		\$ 941,302,297	\$ 1,348,760,099	\$ 1,948,904,776	\$ 2,356,362,577
	less: Debt Service Credit 20%	\$ (377,112,328)	\$ (377,112,328)	\$ (428,932,606)	\$ (428,932,606)
Net Buy-In Value		\$ 564,189,970	\$ 971,647,771	\$ 1,519,972,170	\$ 1,927,429,971

		Unit Cost (in \$/gpd)		Unit Cost (in \$/gpd)		
		OCLD	RCNLD	OCLD + CIP	RCNLD + CIP	
	Capacity (MGD)					
Categories:						
AQU	Aqueduct	170.088	\$ 1.827	\$ 2.937	\$ 4.852	\$ 5.962
SEN	Little Senaca Reservoir	170.088	0.023	0.078	0.023	0.078
WAT	Water Transmission (8)	170.088	2.921	4.152	5.820	7.051
	Unrestricted Reserves (5)	170.088	0.763	0.763	0.763	0.763
Total Buy-In Value		\$ 5.534	\$ 7.930	\$ 11.458	\$ 13.854	
	less: Debt Service Credit 170.088	\$ (2.217)	\$ (2.217)	\$ (2.522)	\$ (2.522)	
Net Buy-In Value (in \$/gpd)		\$ 3.317	\$ 5.713	\$ 8.936	\$ 11.332	
Water Capacity per ERU (gpd)		173.47	173.47	173.47	173.47	
Fee per ERU		\$ 575.41	\$ 990.97	\$ 1,550.20	\$ 1,965.75	

Sewer SAF Calculation Approach

		OCLD	RCNLD	OCLD + CIP	RCNLD + CIP
Categories:					
WWT	Wastewater Treatment	\$ 2,376,149,333	\$ 3,857,098,292	\$ 3,819,512,380	\$ 5,300,461,339
CSO	Combined Sewer System (5)	1,066,389,719	1,259,954,771	2,380,956,006	2,574,521,057
STW	Stormwater	-	-	-	-
SEW	Sanitary Sewer System (6)	74,579,219	112,004,248	509,424,401	546,849,431
	Unrestricted Reserves (7)	240,932,670	240,932,670	240,932,670	240,932,670
Total Buy-In Value		\$ 3,758,050,940	\$ 5,469,989,981	\$ 6,950,825,457	\$ 8,662,764,497
	less: Debt Service Credit 80%	\$ (1,529,405,160)	\$ (1,529,405,160)	\$ (2,163,101,660)	\$ (2,163,101,660)
Net Buy-In Value		\$ 2,228,645,781	\$ 3,940,584,821	\$ 4,787,723,797	\$ 6,499,662,837

		Capacity (MGD)	Unit Cost (in \$/gpd)		Unit Cost (in \$/gpd)	
			OCLD	RCNLD	OCLD + CIP	RCNLD + CIP
Categories:						
WWT	Wastewater Treatment	384	\$ 6.188	\$ 10.045	\$ 9.947	\$ 13.803
CSO	Combined Sewer System	384	2.777	3.281	6.200	6.704
STW	Stormwater	384				
SEW	Sanitary Sewer System (6)	384	0.194	0.292	1.327	1.424
	Unrestricted Reserves (7)	384	0.627	0.627	0.627	0.627
Total Buy-In Value			\$ 9.787	\$ 14.245	\$ 18.101	\$ 22.559
	less: Debt Service Credit	384	\$ (3.98)	\$ (3.98)	\$ (5.63)	\$ (5.63)
Net Buy-In Value (in \$/gpd)			\$ 5.804	\$ 10.262	\$ 12.468	\$ 16.926
WWater Capacity per ERU (gpd)			225.92	225.92	225.92	225.92
Fee per ERU			\$ 1,311.19	\$ 2,318.38	\$ 2,816.78	\$ 3,823.97