



Proposed FY 2023 and FY 2024 Rates, Charges and Fees

Presentation to Retail Rates Committee, June 28, 2022

District of Columbia Water and Sewer Authority



Blue Plains Advanced Wastewater Treatment Plant

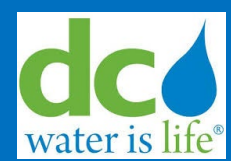
Seek Committees recommendation to the full Board for approval of the:

- Multi-year Rate Proposal for FY 2023 and FY 2024
 - Water and Sewer Rates, Charges & Fees
 - Retail Groundwater Sanitary Sewer Service Rate
 - High Flow Filter Backwash Sewer Rate



- 💧 DC Water conducts Cost of Service Study every two-years to fully align the study with the multi-year rate proposal
 - Objectives of the COS Study: (i) Revenue Sufficiency, (ii) Cost of Service Recovery, (iii) Simplicity and (iv) Affordability
 - The results of the 2022 COS Study support the multi-year rate, charges and fee proposals for FY 2023 and FY 2024
- 💧 Independent Review of the Proposed FY 2023 and FY 2024 Rates was conducted by consultants
 - The review concluded that the rates have been reasonably developed, reflect the anticipated revenue requirements of the System, adhere to Board policy and are comparable to other utilities
 - The affordability assistance provided by DC Water is robust compared to other utilities, providing a meaningful impact on a customer bill

Detail information on the Proposed Rates, COS Study, and Independent Review can be found at:
<https://www.dewater.com/ratemaking-process>



Multi-Year Rate Proposal for FY 2023 and FY 2024

💧 Rates and charges that remain the same:

- Customer Metering Fee remains at \$7.75 for 5/8” meters
- Water System Replacement Fee (WVSRF) at \$6.30 for 5/8” meters
- Right-of-Way Fee at \$0.19 per Ccf

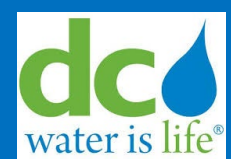
💧 Proposed rate changes:

- Water and sewer rates increase 9.50% for FY 2023 and 3.25% for FY 2024
- Proposed CRIAC of \$18.14 per ERU in FY 2023 and \$21.86 per ERU in FY 2024
- PILOT Fee for FY 2023 and FY 2024 will increase by \$0.03 and \$0.02 per Ccf respectively
- Proposed Groundwater Rate of \$3.42 for FY 2023 and \$3.50 for FY 2024
- Proposed High Flow Filter Backwash Sewer Rate of \$3.21 for FY 2023 and \$3.30 for FY 2024

💧 Cost of Service Study aligned with rate proposal

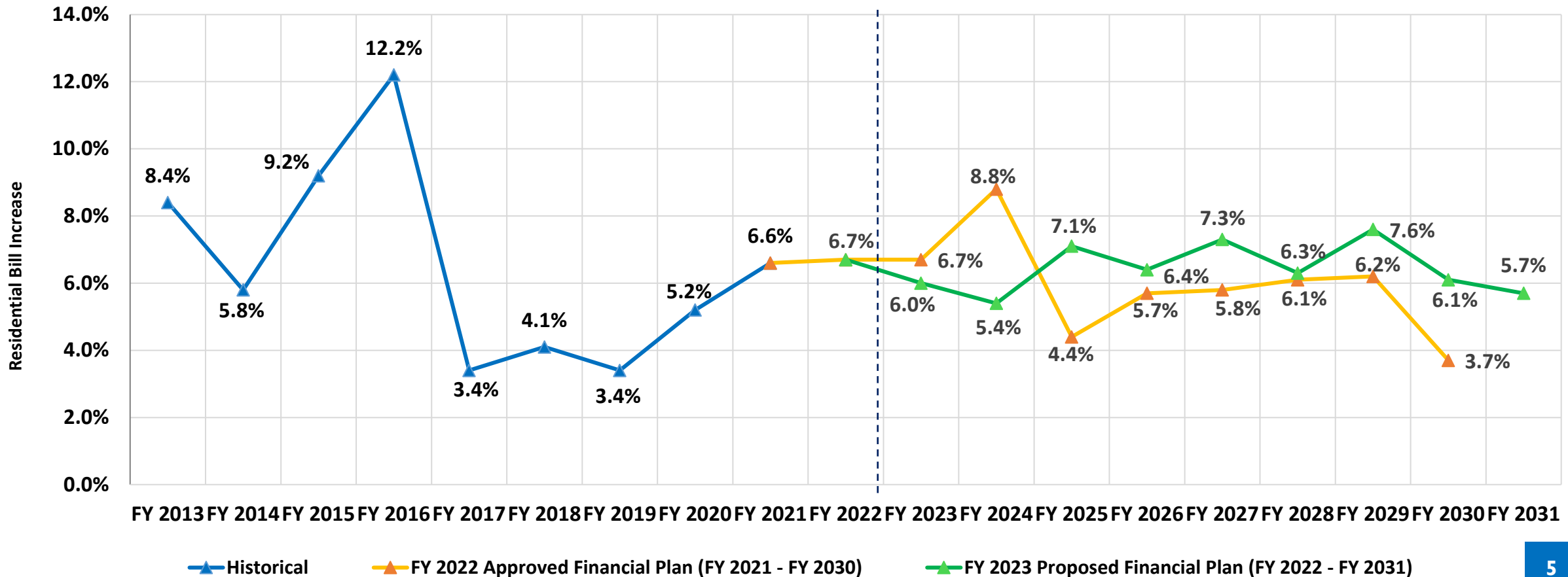
💧 Combined rate increases lower than last year’s forecast

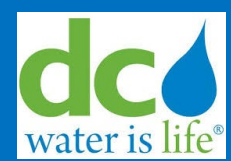
| Change in Average Household Charge | Fiscal Year | |
|------------------------------------|-------------|------|
| | 2023 | 2024 |
| Recommendation | 6.0% | 5.4% |
| Previous Forecast | 6.7% | 8.8% |



Historical and Projected Combined Rate Increases

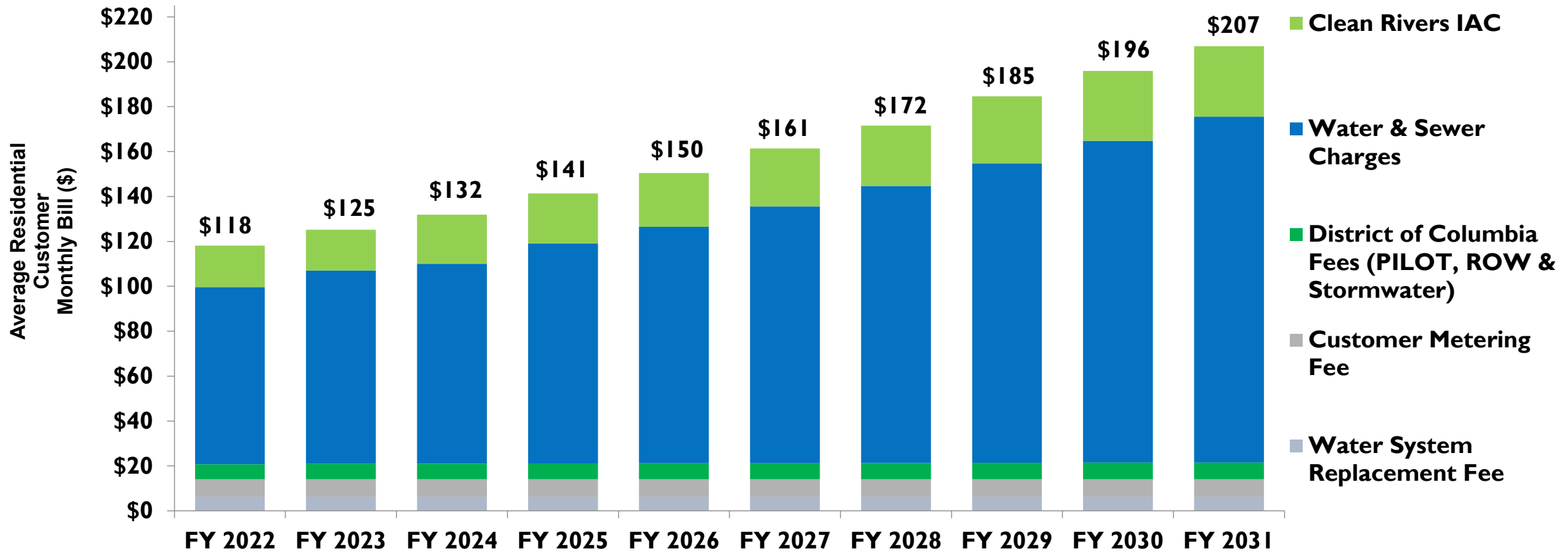
- FY 2023 and FY 2024 recommended rates are less than previously forecasted
- In FY 2025 and beyond, forecasted rates are higher than previously estimated because of additional projects in the 10-year Capital Improvement Plan (CIP)





Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$118 in FY 2022 to \$207 in FY 2031

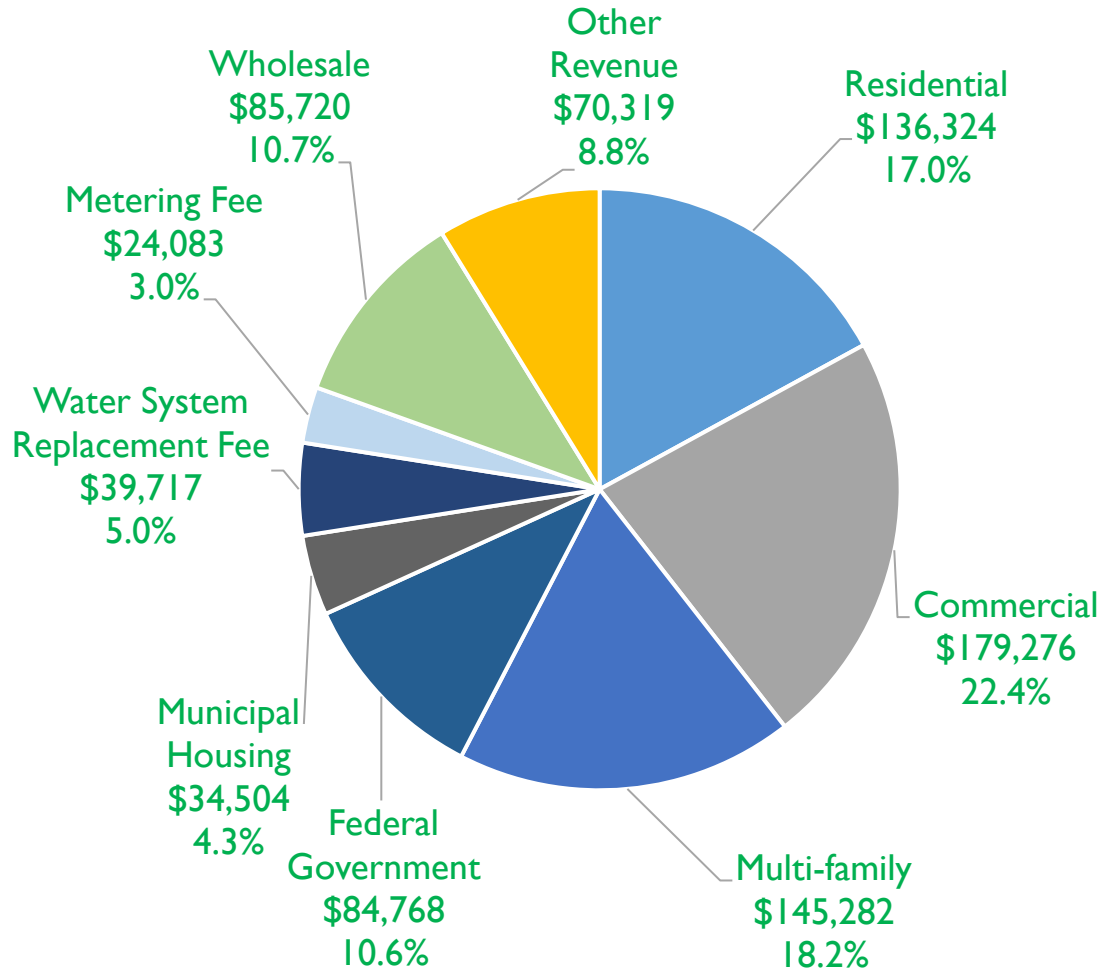


* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons

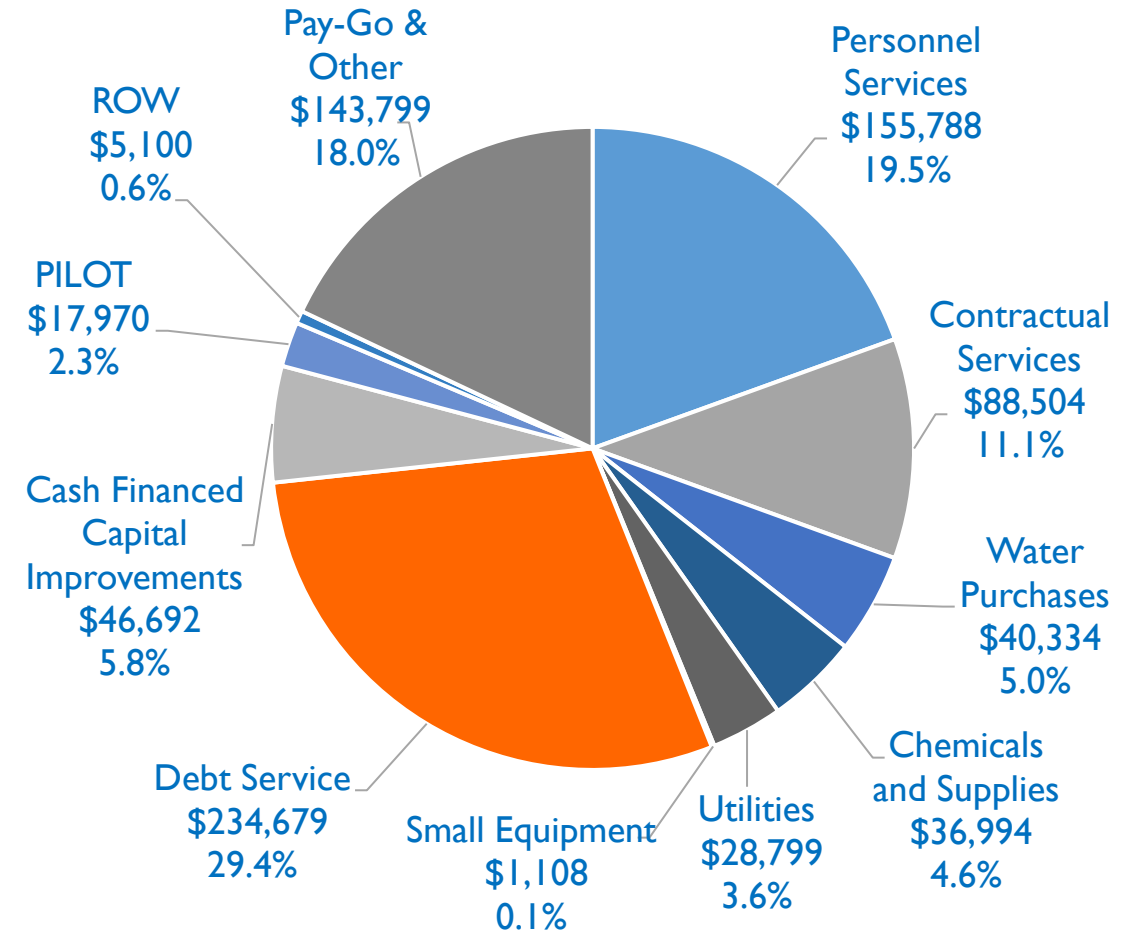
FY 2023 Operating: Sources and Uses of Funds

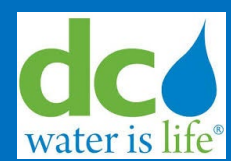
\$ in thousands

Sources - \$800.0 Million



Uses - \$800.0 Million

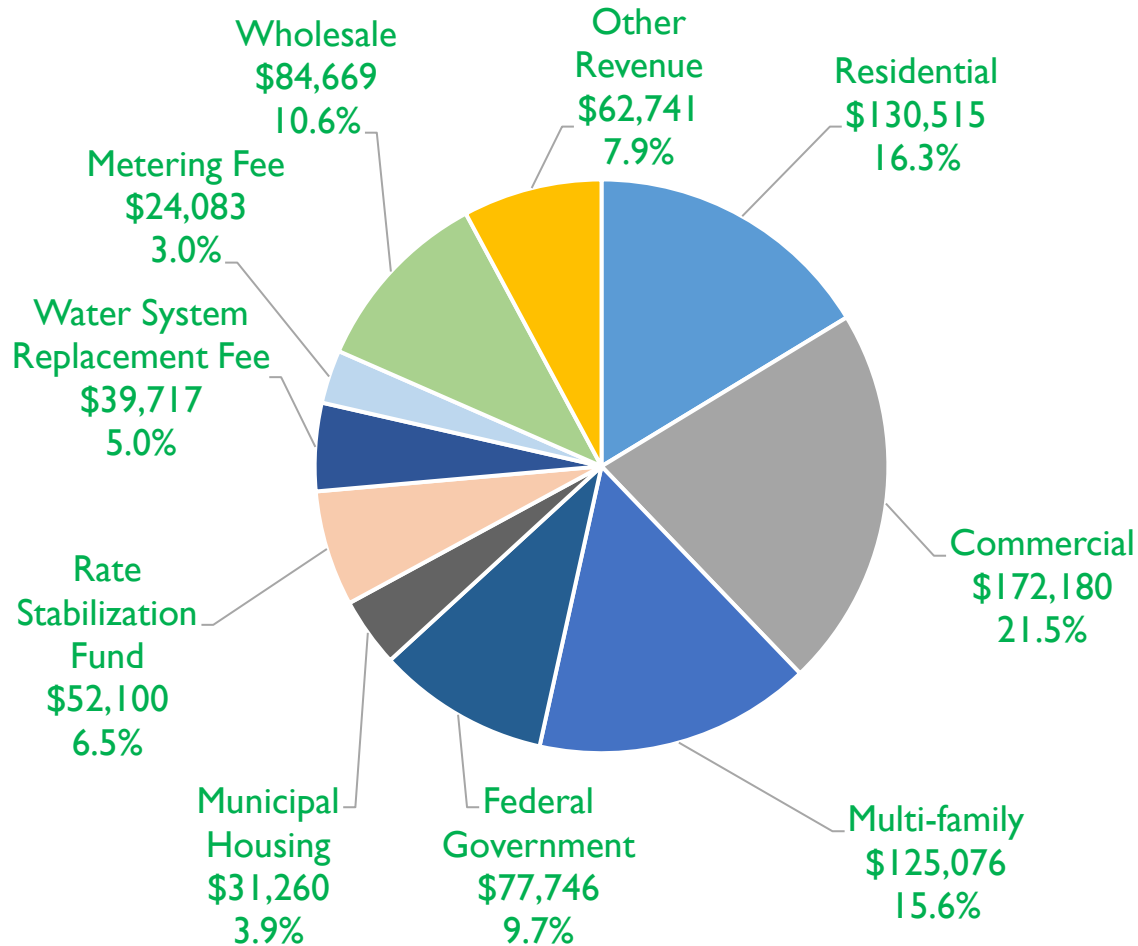




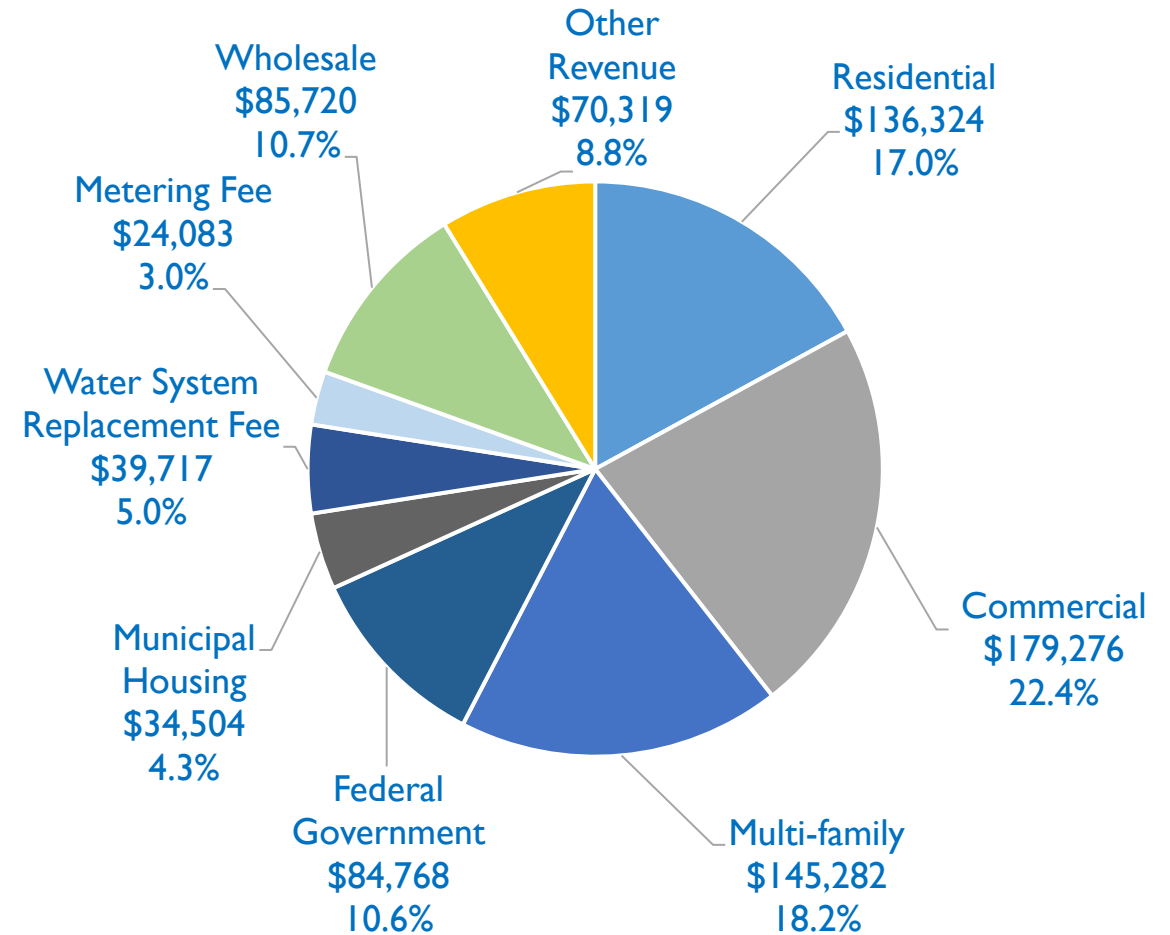
FY 2022 vs. FY 2023 Operating Revenues

\$ in thousands

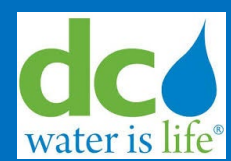
Approved FY 2022 \$800.1 million *



Proposed FY 2023 \$800.0 million



* Includes \$41.6 million transfer from Rate Stabilization Fund (RSF) to the operating cash balance



Average Residential Customer Monthly Bill

| | Units | Current FY 2022 | Proposed FY 2023 | Proposed FY 2024 |
|--|-------|--------------------|---------------------|---------------------|
| DC Water Water and Sewer Retail Rates ⁽¹⁾ | Ccf | \$ 78.92 | \$ 86.07 | \$ 89.03 |
| DC Water Clean Rivers IAC ⁽²⁾ | ERU | 18.40 | 18.14 | 21.86 |
| DC Water Customer Metering Fee | 5/8" | 7.75 | 7.75 | 7.75 |
| DC Water Water System Replacement Fee ⁽⁴⁾ | 5/8" | 6.30 | 6.30 | 6.30 |
| Subtotal DC Water Rates & Charges | | \$ 111.37 | \$ 118.26 | \$ 124.94 |
| Increase / Decrease | | \$ 7.29 | \$ 6.89 | \$ 6.68 |
| District of Columbia PILOT Fee ⁽¹⁾ | Ccf | \$ 3.04 | \$ 3.20 | \$ 3.31 |
| District of Columbia Right-of-Way Fee ⁽¹⁾ | Ccf | 1.03 | 1.03 | 1.03 |
| District of Columbia Stormwater Fee ⁽³⁾ | ERU | 2.67 | 2.67 | 2.67 |
| Subtotal District of Columbia Charges | | \$ 6.74 | \$ 6.90 | \$ 7.01 |
| Total Amount Appearing on DC Water Bill | | \$ 118.11 | \$ 125.16 | \$ 131.95 |
| Increase / Decrease Over Prior Year | | \$ 7.40 | \$ 7.05 | \$ 6.79 |
| Percent Increase in Total Bill | | 6.7% | 6.0% | 5.4% |

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

(2) Assumes average 1 Equivalent Residential Unit (ERU)

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

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

- DC Water offers some of the nation's most financially supportive customer assistance programs:

Lifeline Rate

- Provides a discount to residential customers on the first 2,992 gallons used each month

CAP

- Provides monthly discounts to residential customers with household incomes less than \$129,000 (family of four)

One-Time Assistance

- SPLASH provides one-time emergency assistance to customers
- New programs for residential and multi-family customers

Payment Terms

- DC Water provides flexible payment terms for customers to get back on track



Seniors with incomes up to \$90,300 can qualify for discounts
(single family household)

CAP

60% SMI

\$82,538 (family of 4)

Discount on the first 400 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver

\$80/month discount

CAP2

80% AMI

\$103,200 (family of 4)

Discount on the first 300 cubic ft. of water and sewer services + 50% reduction in the monthly CRIAC fee

\$52/month discount

CAP3

100% AMI

\$129,000 (family of 4)

Discount of 75% off the monthly CRIAC fee

\$14/month discount

CRIAC Non-Profit Relief

District-funded program to assist Non-profit organizations with Clean Rivers Impervious Area Charge (CRIAC)

Emergency Assistance

- Up to \$2,000 per household
- District Funded

Residential Assistance

- Up to \$2,000 per household
- DC Water Funded

Multi-Family Assistance

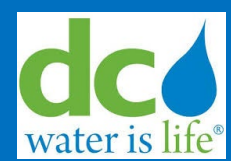
- Up to \$2,000 per household, 90% to tenant
- DC Water Funded

StayDC

- Additional assistance with utility bills
- DC Funded

Low-Income Household Water Assistance (LIHWAP)

- Provides funds to assist households with water and sewer bills
- Federally Funded



Average CAP Customer Monthly Bill

| | Units | Current FY 2022 | Proposed FY 2023 | Proposed FY 2024 |
|--|-------|--------------------|---------------------|---------------------|
| DC Water Water and Sewer Retail Rates ⁽¹⁾ | Ccf | \$ 78.92 | \$ 86.07 | \$ 89.03 |
| DC Water Clean Rivers IAC | ERU | 18.40 | 18.14 | 21.86 |
| DC Water Customer Metering Fee | 5/8" | 7.75 | 7.75 | 7.75 |
| DC Water Water System Replacement Fee | 5/8" | 6.30 | 6.30 | 6.30 |
| Subtotal DC Water Rates & Charges | | \$ 111.37 | \$ 118.26 | \$ 124.94 |
| Increase / Decrease | | \$ 7.29 | \$ 6.89 | \$ 6.68 |
| District of Columbia PILOT Fee ⁽¹⁾ | Ccf | \$ 3.04 | \$ 3.20 | \$ 3.31 |
| District of Columbia Right-of-Way Fee ⁽¹⁾ | Ccf | 1.03 | 1.03 | 1.03 |
| District of Columbia Stormwater Fee ⁽⁴⁾ | ERU | 2.67 | 2.67 | 2.67 |
| Subtotal District of Columbia Charges | | \$ 6.74 | \$ 6.90 | \$ 7.01 |
| Total Amount | | \$ 118.11 | \$ 125.16 | \$ 131.95 |
| Increase / Decrease Over Prior Year | | \$ 7.40 | \$ 7.05 | \$ 6.79 |
| Percent Increase in Total Bill | | 6.7% | 6.0% | 5.4% |
| Less: CAP Discount (4 Ccf per month) ^{(1), (2)} | | \$ (60.08) | \$ (65.28) | \$ (67.52) |
| Water System Replacement Fee (WSRF) ⁽³⁾ | | (6.30) | (6.30) | (6.30) |
| Clean Rivers IAC ⁽⁵⁾ | | (13.80) | (13.61) | (16.40) |
| Total Amount Appearing on DC Water Bill | | \$ 37.93 | \$ 39.97 | \$ 41.73 |
| Increase / Decrease Over Prior Year | | \$ 4.12 | \$ 2.04 | \$ 1.76 |
| CAP Customer Discount as a Percent of Total Bill | | -67.9% | -68.1% | -68.4% |

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

(2) Expansion of CAP program in FY 2009 assumes discount to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 20

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

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

(5) Assumes 75% discount for the Clean Rivers IAC effective October 1, 2020.

💧 CAP, CAP2 and CAP3 discounts and income thresholds

| Program | Income Threshold ⁵ | Charges (Discounts) | Current FY 2022 | Proposed FY 2023 | Proposed FY 2024 |
|-------------------------------|-------------------------------|--|-----------------|------------------|------------------|
| CAP ² | \$82,538 (60% SMI) | Total Amount before Discounts ¹ | \$118.11 | \$125.16 | \$131.95 |
| | | Discounts | (80.18) | (85.19) | (90.22) |
| | | Total Amount Appearing on DC Water Bill | \$37.93 | \$39.97 | \$41.73 |
| CAP ² ³ | \$103,200 (80% AMI) | Total Amount before Discounts ¹ | \$ 118.11 | \$ 125.16 | \$ 131.95 |
| | | Discounts | (52.01) | (55.69) | (59.17) |
| | | Total Amount Appearing on DC Water Bill | \$ 66.10 | \$ 69.47 | \$ 72.78 |
| CAP ³ ⁴ | \$129,000 (100% AMI) | Total Amount before Discounts ¹ | \$ 118.11 | \$ 125.16 | \$ 131.95 |
| | | Discounts | (13.80) | (13.61) | (16.40) |
| | | Total Amount Appearing on DC Water Bill | \$ 104.31 | \$ 111.55 | \$ 115.55 |

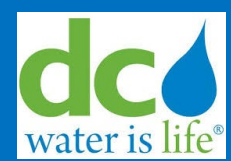
(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(2) CAP provides a discount on the first 400 cubic feet (3,000 gallons) of water and sewer services, 75 percent reduction in the monthly CRIAC fee and WSRF waiver

(3) CAP2 provides a discount on the first 300 cubic feet (2,250 gallons) of water and sewer services (with the exception of PILOT and ROW fees) and a 50 percent reduction in the monthly CRIAC fee

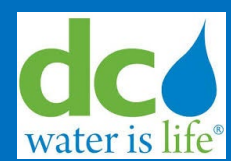
(4) CAP3 provides discount of 75 percent off of the monthly CRIAC

(5) Income Thresholds are based on a family of four



Proposed FY 2023 & FY 2024 Rates, Charges & Fees

| | Units | Approved FY 2022 | Proposed FY 2023 | Proposed FY 2024 | Incr. /(Decr.) FY 2023 | | Incr. /(Decr.) FY 2024 | |
|---------------------------------------|-------|---------------------|---------------------|---------------------|---------------------------|-------|---------------------------|------|
| | | | | | \$ | % | \$ | % |
| DC Water Retail Rates – Water: | | | | | | | | |
| Residential – Lifeline (0- 4 Ccf) | Ccf | \$3.63 | \$4.28 | \$4.38 | \$0.65 | 17.9% | \$0.10 | 2.3% |
| Residential – (> 4 Ccf) | Ccf | 4.74 | 5.58 | 5.70 | 0.84 | 17.7 | 0.12 | 2.2 |
| Multi-family | Ccf | 4.15 | 4.90 | 5.00 | 0.75 | 18.1 | 0.10 | 2.0 |
| Non-Residential | Ccf | 4.91 | 5.78 | 5.89 | 0.87 | 17.7 | 0.11 | 1.9 |
| DC Water Retail Rates – Sewer | Ccf | 10.64 | 11.26 | 11.70 | 0.62 | 5.8 | 0.44 | 3.9 |
| DC Water Clean Rivers IAC | ERU | 18.40 | 18.14 | 21.86 | -0.26 | -1.4 | 3.72 | 20.5 |
| DC Water Customer Metering Fee | 5/8" | 7.75 | 7.75 | 7.75 | - | | - | |
| DC Water System Replacement Fee | 5/8" | 6.30 | 6.30 | 6.30 | - | | - | |
| District of Columbia PILOT Fee | Ccf | 0.56 | 0.59 | 0.61 | 0.03 | 5.4 | 0.02 | 3.4 |
| District of Columbia Right of Way Fee | Ccf | 0.19 | 0.19 | 0.19 | - | | - | |
| District of Columbia Stormwater Fee | ERU | 2.67 | 2.67 | 2.67 | - | | - | |
| Groundwater Fee | Ccf | 2.83 | 3.42 | 3.50 | 0.59 | 20.8 | 0.08 | 2.3 |
| WAD Rate | Ccf | 3.03 | 3.21 | 3.30 | 0.18 | 5.9 | 0.09 | 2.8 |



Revenue Comparison by Customer Class

- Total revenue is projected to decrease by \$0.1 million for FY 2023 and increase by \$27.7 million or 3.5% for FY 2024 due to rate increases. If \$41.6 million RSF transfer to FY 2022 ending cash balance is excluded, the FY 2023 is projected to increase by \$41.5 or 5.5%
 - *Retail Revenue* – Increase by \$43.4 million or 7.2% in FY 2023 and \$22.0 million or 3.4% in FY 2024
 - *Wholesale Revenue* – Increase by \$1.1 million or 1.2% in FY 2023 and increase by \$3.4 million or 4.0% for FY 2024 due to operations and maintenance expense projection. Revenue estimates are based on most recent flow data.

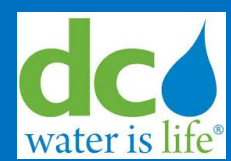
| \$ in thousands | Approved FY 2022 | Proposed FY 2023 | Proposed FY 2024 | FY 2023 vs FY 2022 | | FY 2024 vs FY 2023 | |
|--|---------------------|---------------------|---------------------|-----------------------|-------------|-----------------------|-------------|
| | | | | Incr/(Decr) | | Incr/(Decr) | |
| | | | | \$ | % | \$ | % |
| Retail Revenue | \$600,577 | \$643,954 | \$665,949 | \$43,377 | 7.2% | \$21,995 | 3.4% |
| Wholesale Revenue | | | | | | | |
| Potomac Interceptor (PI) | 3,547 | 3,547 | 3,547 | - | 0.0% | - | 0.0% |
| Loudoun County Sanitation Authority (LCSA) | 6,897 | 7,409 | 7,724 | 512 | 7.4% | 315 | 4.3% |
| Washington Suburban Sanitary Commission (WSSC) | 59,049 | 60,599 | 63,109 | 1,550 | 2.6% | 2,510 | 4.1% |
| Fairfax County* | 15,176 | 14,165 | 14,762 | (1,011) | -6.7% | 597 | 4.2% |
| Total Wholesale Revenue | \$84,669 | \$85,720 | \$89,142 | \$1,051 | 1.2% | \$3,422 | 4.0% |
| Other Revenue | 62,741 | 70,319 | 72,614 | 7,578 | 12.1% | 2,295 | 3.3% |
| Rate Stabilization Fund (RSF) | 52,100 | - | - | (52,100) | -100.0% | - | 0% |
| Total Revenues** | \$800,087 | \$799,993 | \$827,705 | (\$94) | 0.0% | \$27,712 | 3.5% |

* The reduced revenues for Fairfax reflects decrease in percentage flow in 2021 (9.16%) as compared to 9.78% that was used in FY22 approved budget last year. Most recent flow that is available at the time of preparing the projections is used to estimate revenue. However, actual costs will be distributed, and revenues recouped using actual flows for FY 2023 and FY 2024.

**FY 2022 receipts include \$41.6 million RSF amount, which was transferred to ending cash balance.

- **Recommend to the full Board the adoption of the proposed FY 2023 and FY 2024 rates, charges and fees**
 - 6.0% increase in FY 2023
 - 5.4% increase in FY 2024
 - **Groundwater Rate:**
 - 21.0% increase in FY 2023
 - 2.3% increase in FY 2024
 - **High Flow Filter Backwash Sewer Rate:**
 - 6.0% increase in FY 2023
 - 2.8% increase in FY 2024

Next Steps



Committee Workplan Timelines

DC Retail Water & Sewer Rates

Committee Reviews, Recommendations, and Actions

Dates

Update Committee on Proposed FY 2023 & FY 2024 Rates

January 25, 2022

Committee Recommendation on Proposed FY 2023 & FY 2024 Rates

February 22, 2022

Independent Review of Proposed FY 2023 & FY 2024 Rates and Budget by Consultant

February 22, 2022

Board approval of Notice of Proposed Rulemaking (NOPR) for Proposed FY 2023 & FY 2024 Rates

March 3, 2022

Public Hearing

May 11, 2022

Committee Recommendation on Final FY 2023 & FY 2024 Rates

June 28, 2022

Board approval of Notice of Final Rulemaking (NOFR) for Proposed FY 2023 & FY 2024 Rates

July 7, 2022

Rates go-live

October 1, 2022 (FY 2023)
October 1, 2023 (FY 2024)

- 💧 Board meeting to be held on July 7, 2022, for Board approval to:
 - Adopt proposed FY 2023 & FY 2024 rate, charges & fees
- 💧 October 1, 2022 implementation (FY 2023 rates, charges & fees)
- 💧 October 1, 2023 implementation (FY 2024 rates, charges & fees)

Appendix

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



- The Board of Directors approves the Budget and the Financial Plan that determines the revenue requirements to operate and maintain water and sewer infrastructure, upgrade our facilities, and improve the environment.
- The Board of Directors approves DC Water's proposed rates, charges and fees after:
 - Presentation of Operating and Capital Costs for the applicable rate period to the Environmental Quality and Operations, Finance and Budget, and DC Retail Water and Sewer Rates Committee;
 - Presentation of the Cost of Service Study and publication on DC Water's website;
 - Presentation of the Independent Review of Rates and Budget by Consultant and publication on DC Water's website;
 - Submittal of Cost of Service Study and Independent Review of Rates and Budget to Mayor and Council;
 - Publication of the rate proposal in the *D.C. Register* for public comment;
 - Holding a Public Hearing to receive comments on the rate proposal, held not less than 45 days after publication of the rate proposal in the *D.C. Register*;
 - Review of comments received during the public comment period and during the Public Hearing and DC Water's response to comments, and publication of both on DC Water's website; and
 - Recommendation from the DC Retail Water and Sewer Rates Committee and General Manager.

- 💧 Water and sewer utilities recover costs in a variety of ways;
- 💧 DC Water's rates must be just, equitable, reasonable, well explained, and based on cost of service principles:
 - The proposed rates are just and reasonable, and they are sufficient, equitable, and consistent in their proposed application to our customer classes;
 - Rates support expenditures that have been discussed in detail at the Board's Budget Workshop, and in Environmental Quality and Operations, Finance and Budget, and Retail Rate Committee meetings; and
 - Raftelis conducted the most recent Cost of Service Study, and its results support our rate proposal.



- 💧 DC Water met with stakeholders at various community outreach events
- 💧 Held two in-person Town Halls
- 💧 Held two on-line Town Halls
- 💧 Virtual briefing to members of AOBA
- 💧 Virtual briefing to Constituent Services Directors for Councilmembers
- 💧 Virtual briefing to Mayor's Office of Community Relations staff (MOCRS)
- 💧 Virtual briefing to local non-profit community partners



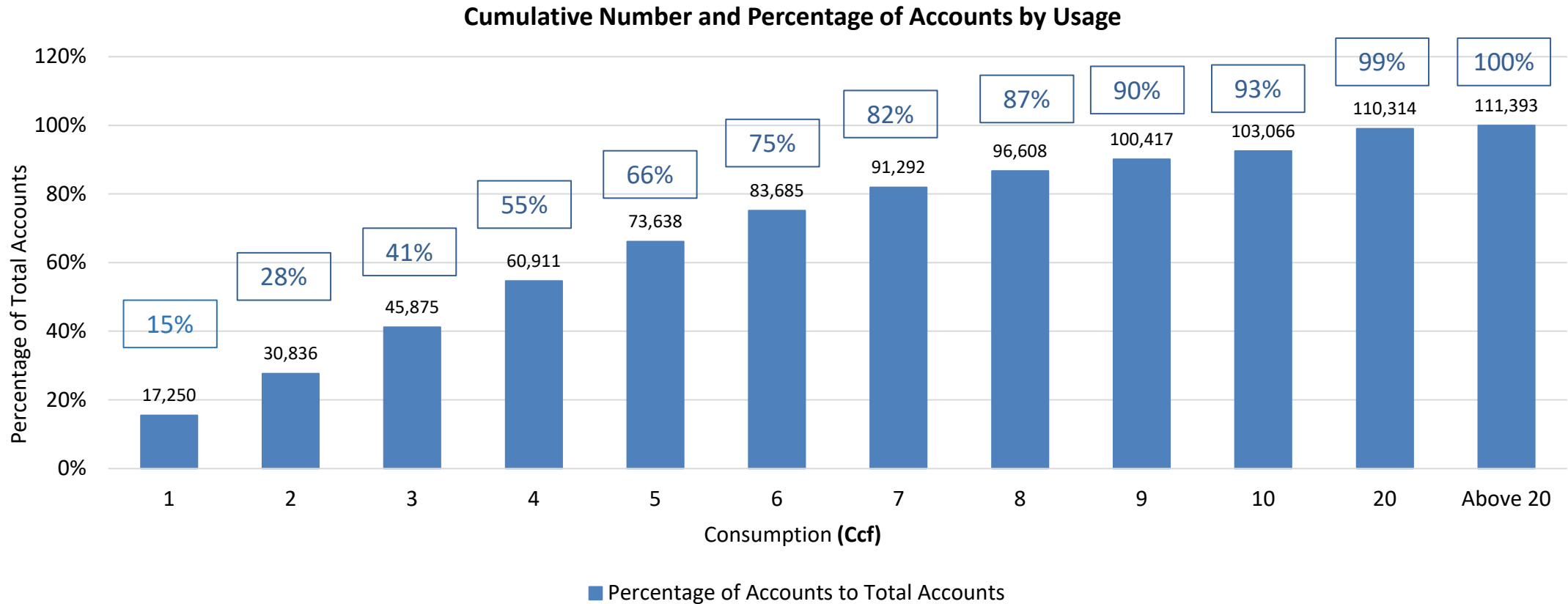
- 💧 The meetings were widely publicized through numerous channels, including:
 - Councilmember Offices
 - Advisory Neighborhood Commissions (ANCs)
 - MOCRS
 - Email
 - DCWater.com website
 - Twitter, Facebook and Instagram
 - Nextdoor
 - Paid digital and print advertising
 - What's On Tap monthly customer newsletter

Average Residential Consumption Comparison

- 💧 The current residential use in FY 2021 is about 5.42 Ccfs that DC Water has used since FY 2020
- 💧 Since FY 2009, average household water use has declined by 22 percent

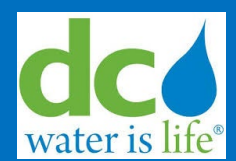


- 💧 **Average Residential Customer Monthly bill based on 5.42 Ccf, or 4,054 gallons**
- 💧 **Gives most households a year over year representation of their water bill:**

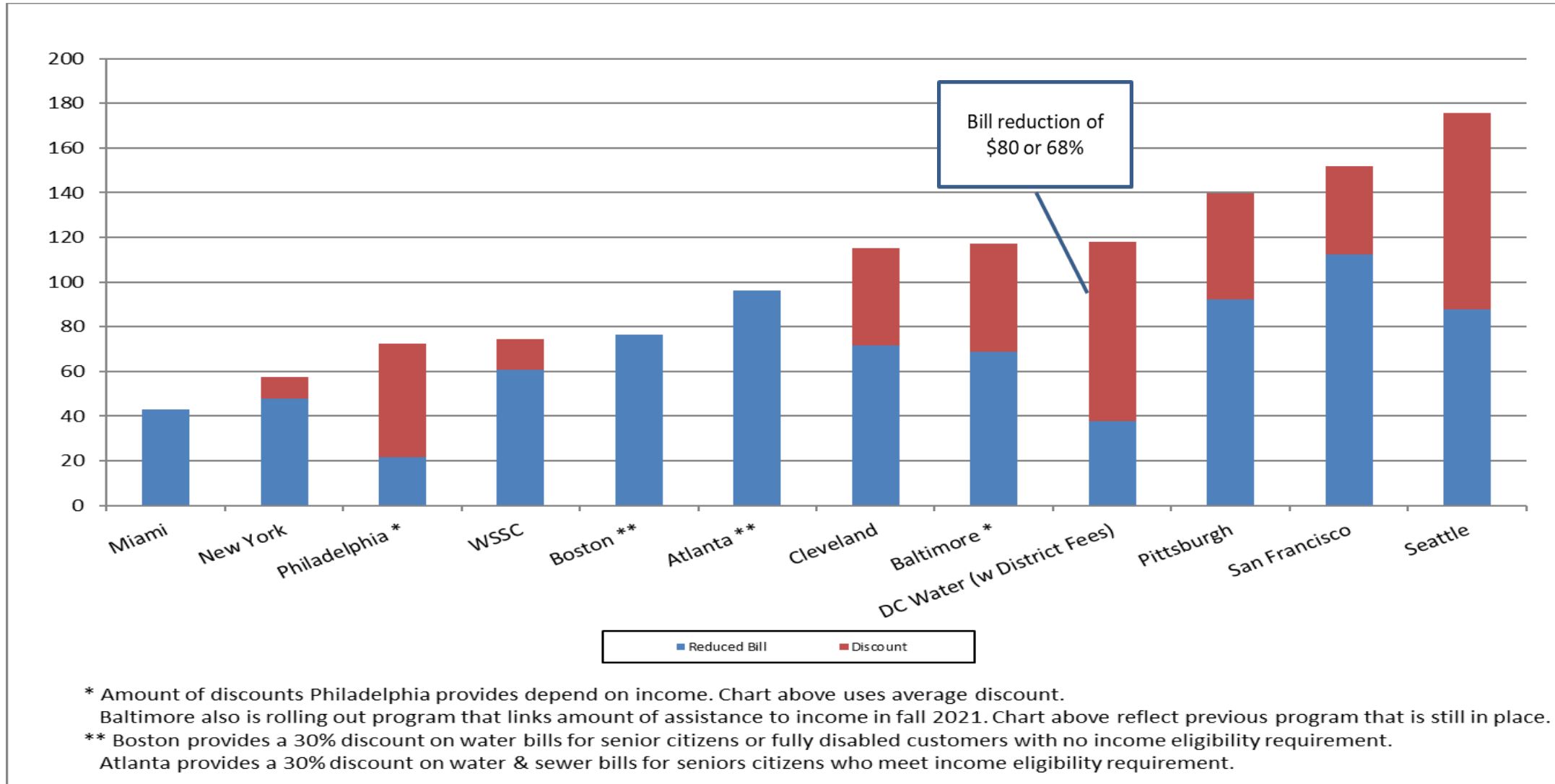


- 💧 Low Income Household Water Assistance Program (LIHWAP) was created through the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act (ARP) of 2021
- 💧 In DC, the new program, that is administered by DOEE, provides one-time residential customer assistance up to \$5,000 per fiscal year to customers with disconnected water service, pending disconnections, and/or seeking help with current water bills
 - Customer will receive assistance for whichever is greater between the current past due balance or 25% of annual bills, or \$250
- 💧 Eligibility - 60% state median income (aligns with CAP income requirements)
- 💧 FY22 Funding - \$2.4 million (\$2.0 million for assistance and \$400,000 for admin costs)

| Total Customers | FY 2022 Actual | FY 2022 Budget | FY 2022 Remaining Budget |
|-----------------|----------------|----------------|--------------------------|
| 2,816 | \$1,795,507 | \$2,000,000 | \$204,493 |



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



- Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
Note: Reflects rates and fees in place as of December 1, 2021.

💧 **Proposed rates are for FY 2023 and FY 2024**

💧 **Multi-year rates provide many benefits:**

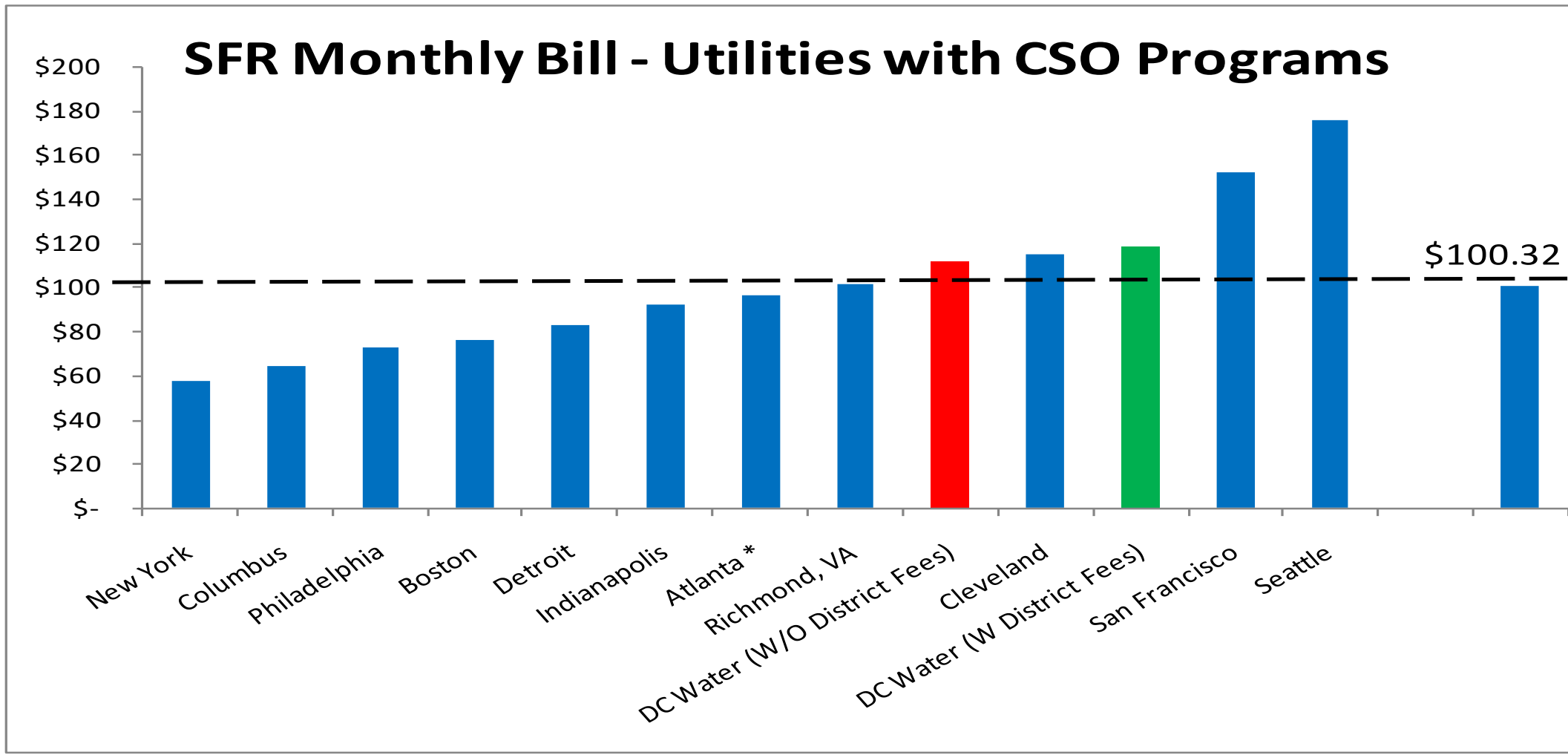
- Revenue certainty
- Budget discipline
- Expenditures better aligned with revenues
- Favorable credit rating agency treatment
- Better predictability for our ratepayers

💧 **Potential risks / considerations:**

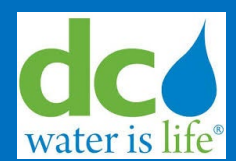
- Reduced financial flexibility
- Limited ability to modify approved rate increases, if necessary
- Conservatism in financial projections

- DC Water recovers only the funds necessary to fund the Operating and Capital Budgets through rates
- One of the fastest growing expenditure category is debt service for the capital program, which has grown an average of 6.5% a year since 2016
- As part of the budget, DC Water presents the rates required to support the CIP and forecasted operating expenditures
 - Rates are reviewed and approved by the DC Water Board every two years
 - The financial plan, including the forecast of rates, is proposed to the Board for consideration
- Customer Assistance Programs provide discounts for residential customers
 - Income requirements for those programs every year
 - In FY 2021 the discount was increased for customers in the CAP program to ensure that rates comprised a lower portion of household income

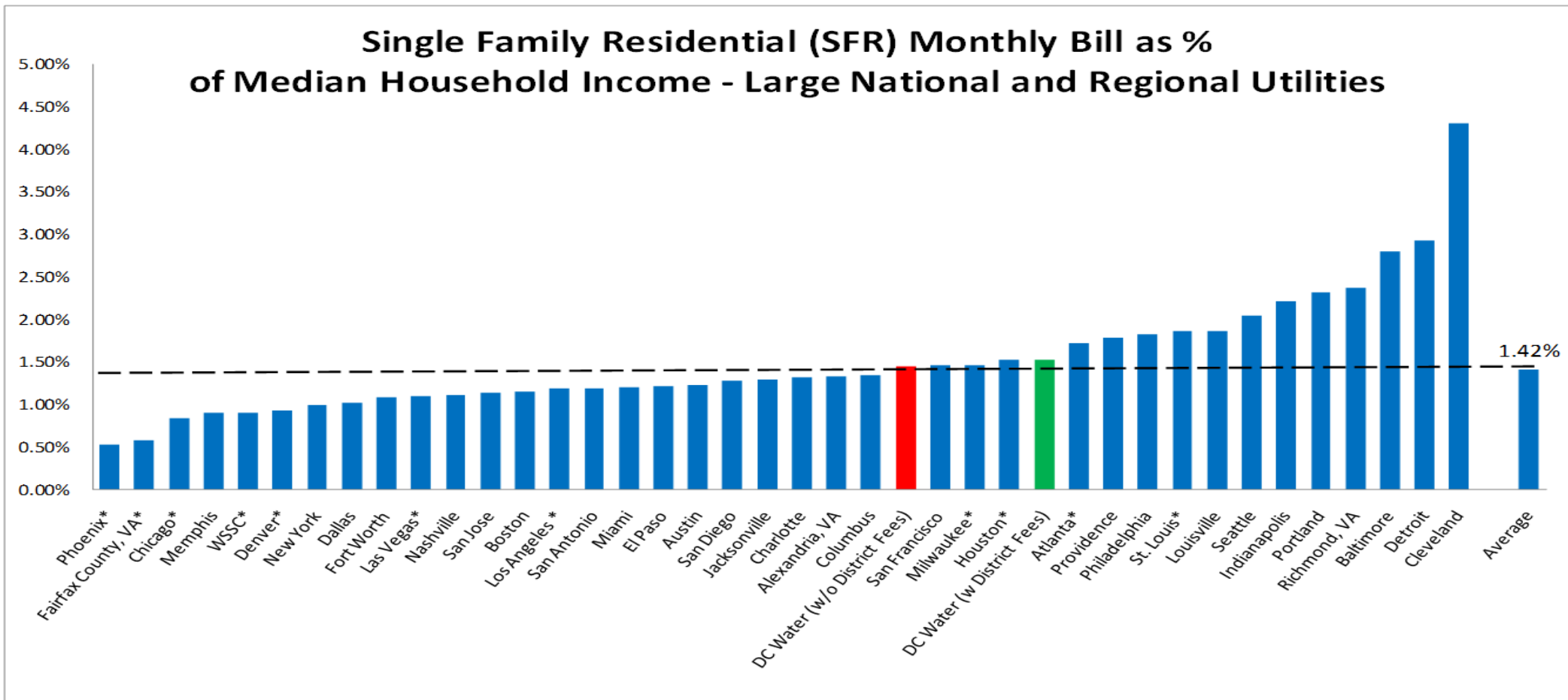




- Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- Reflects rates and fees in place as of December 1, 2021. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services, as indicated by * in the graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services



Comparative User Charges as % of Median HH Income – Large National & Regional Utilities

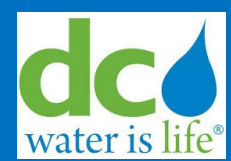


■ Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

Note: Reflects rates and fees in place as of December 1, 2021. Some cities 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 graph above. In such situations, the user charge will not reflect the full cost of water, wastewater or stormwater services.

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

- 💧 Maintain Debt Service as a percentage of revenue equal to 33.0 percent or less
- 💧 Maintain combined coverage of 160 percent
- 💧 Maintain 250 days of cash excluding Rate Stabilization Fund
- 💧 FY 2021 actual consumption declined by 2.0 percent. Assumed 12.0 percent decline in consumption in Commercial category in FY 2022 and 1.0 percent conservation each year for all other categories for FY 2022 and onwards
- 💧 FY 2021 Debt Service was lower as compared to budget due to deferring bond issuance, refunding and achieving lower interest than projected. The new plan assumed lower interest rates with slightly lower Debt Service projections



Ten-Year Financial Plan

\$ in thousands

| OPERATING | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Retail* | \$ 622,165 | \$ 667,024 | \$ 689,378 | \$ 735,355 | \$ 778,670 | \$ 830,705 | \$ 879,018 | \$ 939,516 | \$ 991,672 | \$ 1,041,654 |
| Wholesale* | 84,669 | 85,720 | 89,142 | 91,817 | 94,571 | 97,408 | 100,330 | 103,340 | 106,440 | 109,634 |
| Other | 41,153 | 47,249 | 49,184 | 51,608 | 55,781 | 60,678 | 59,678 | 58,527 | 58,854 | 59,895 |
| RSF | 52,100 | - | - | - | - | - | - | - | - | - |
| Operating Receipts ⁽¹⁾ | \$ 800,087 | \$ 799,993 | \$ 827,705 | \$ 878,779 | \$ 929,022 | \$ 988,791 | \$ 1,039,026 | \$ 1,101,383 | \$ 1,156,967 | \$ 1,211,182 |
| Operating Expenses | (364,345) | (374,597) | (386,094) | (398,023) | (409,935) | (422,213) | (434,869) | (447,914) | (461,361) | (475,221) |
| Debt Service | (223,513) | (234,679) | (245,482) | (272,262) | (289,036) | (311,322) | (338,312) | (358,587) | (367,280) | (374,011) |
| Cash Financed Capital Improvement | \$ (37,830) | \$ (46,692) | \$ (48,256) | \$ (58,828) | \$ (70,080) | \$ (74,763) | \$ (79,112) | \$ (84,556) | \$ (89,251) | \$ (93,749) |
| Net Revenues After Debt Service | \$ 174,400 | \$ 144,025 | \$ 147,872 | \$ 149,666 | \$ 159,971 | \$ 180,492 | \$ 186,733 | \$ 210,326 | \$ 239,076 | \$ 268,202 |
| Operating Reserve-Beg Balance | 196,286 | 235,600 | 242,600 | 251,600 | 261,600 | 266,600 | 276,600 | 284,600 | 293,600 | 300,600 |
| Other Misc (Disbursements)/Receipts | | | | | | | | | | |
| Wholesale/Federal True Up | (8,460) | (9,188) | (4,500) | - | - | - | - | - | - | - |
| Project Billing Refunds | - | - | - | - | - | - | - | - | - | - |
| Transfers To RSF | - | - | - | - | - | - | - | - | - | - |
| Pay-Go Financing | (126,625) | (127,837) | (134,372) | (139,666) | (154,971) | (170,492) | (178,733) | (201,326) | (232,076) | (259,202) |
| Operating Reserve - Ending Balance | \$ 235,600 | \$ 242,600 | \$ 251,600 | \$ 261,600 | \$ 266,600 | \$ 276,600 | \$ 284,600 | \$ 293,600 | \$ 300,600 | \$ 309,600 |
| Rate Stabilization Fund Balance RSF ⁽²⁾ | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) | \$ (35,644) |
| Senior Debt Service Coverage | 589% | 539% | 646% | 707% | 681% | 649% | 666% | 719% | 724% | 767% |
| Combined Debt Service Coverage | 201% | 187% | 188% | 185% | 188% | 190% | 186% | 189% | 196% | 204% |
| Actual/Projected Water/Sewer Rate Increases | 7.8% | 9.5% | 3.3% | 10.0% | 7.5% | 8.5% | 8.0% | 8.0% | 7.5% | 7.5% |
| *Operating Receipts \$ Increase/Decrease | | | | | | | | | | |
| Retail | 37,277 | 44,859 | 22,354 | 45,976 | 43,315 | 52,036 | 48,313 | 60,498 | 52,156 | 49,981 |
| Wholesale | 1,682 | 1,051 | 3,422 | 2,674 | 2,754 | 2,837 | 2,922 | 3,010 | 3,100 | 3,193 |
| *Operating Receipts % Increase/Decrease | | | | | | | | | | |
| Retail | 6.4% | 7.2% | 3.4% | 6.7% | 5.9% | 6.7% | 5.8% | 6.9% | 5.6% | 5.0% |
| Wholesale | 2.0% | 1.2% | 4.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

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

⁽²⁾ FY 2023 planned transfer of \$0.0 million to Rate Stabilization Fund and \$0.0 million utilization will keep the total fund balance at \$35.644 million.

| Metrics | Indenture Requirement | Board Policy | Management Target | Financial Plan |
|--------------------------------------|-----------------------|--------------|------------------------|----------------|
| Days of Cash on Hand (excluding RSF) | 60 days | 250 Days | — | 250 - 253 Days |
| Combined Coverage Ratio | — | 1.6X | — | 1.85X – 2.04X |
| Senior Coverage | 1.2X | — | — | 5.39X – 7.67X |
| Subordinate Coverage | 1.0X | — | — | 2.16X – 2.54X |
| Debt Service as a % of Revenue | — | — | 33% of Revenue or Less | 29.5% - 33.0% |
| Rate Stabilization Fund (RSF) | — | — | — | |

- Approved rates for FY 2022 and proposed rates for FY 2023 and FY 2024
- Customer Impacts

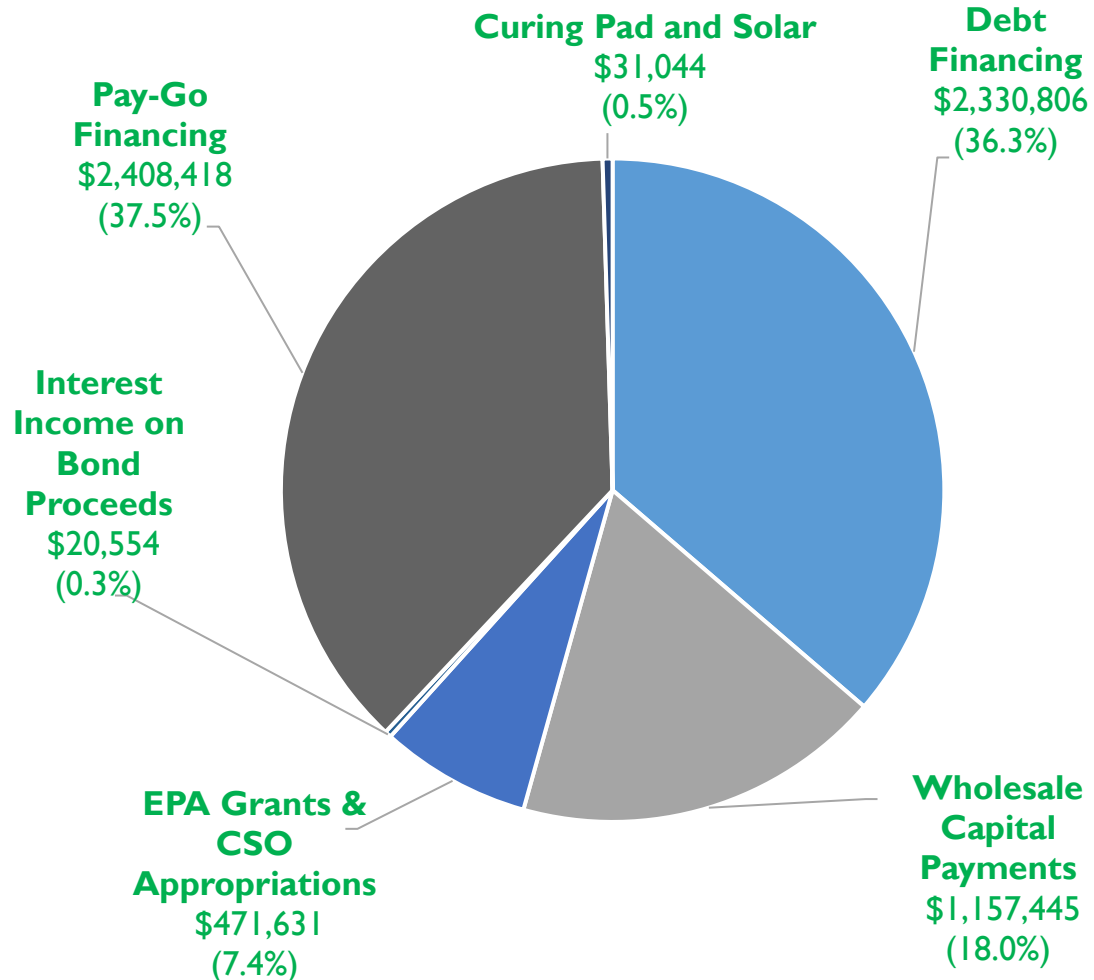
| Residential Avg. Ccf 5.42, ERU 1 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Water & Sewer Rate (%) | 7.8% | 9.5% | 3.25% | 10.0% | 7.5% | 8.5% | 8.0% | 8.0% | 7.5% | 7.5% |
| CRIAC (\$/ERU) | \$18.40 | \$18.14 | \$21.86 | \$22.27 | \$23.92 | \$25.83 | \$26.88 | \$29.86 | \$31.15 | \$31.43 |
| Avg. Customer Bill (\$) | \$118 | \$125 | \$132 | \$141 | \$150 | \$161 | \$171 | \$185 | \$196 | \$207 |
| Avg. Customer Bill (%) | 6.7% | 6.0% | 5.4% | 7.1% | 6.4% | 7.3% | 6.3% | 7.6% | 6.1% | 5.7% |
| Multi-family Avg. Ccf 86.14, ERU 6.83 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Water & Sewer Rate (%) | 7.8% | 9.5% | 3.25% | 10.0% | 7.5% | 8.5% | 8.0% | 8.0% | 7.5% | 7.5% |
| CRIAC (\$/ERU) | \$18.40 | \$18.14 | \$21.86 | \$22.27 | \$23.92 | \$25.83 | \$26.88 | \$29.86 | \$31.15 | \$31.43 |
| Avg. Customer Bill (\$) | \$1,542 | \$1,661 | \$1,734 | \$1,882 | \$2,014 | \$2,172 | \$2,328 | \$2,509 | \$2,676 | \$2,851 |
| Avg. Customer Bill (%) | 6.2% | 7.7% | 4.4% | 8.6% | 7.0% | 7.9% | 7.2% | 7.8% | 6.8% | 6.6% |
| Commercial Avg. Ccf 115.82, ERU 14.17 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Water & Sewer Rate (%) | 7.8% | 9.5% | 3.25% | 10.0% | 7.5% | 8.5% | 8.0% | 8.0% | 7.5% | 7.5% |
| CRIAC (\$/ERU) | \$18.40 | \$18.14 | \$21.86 | \$22.27 | \$23.92 | \$25.83 | \$26.88 | \$29.86 | \$31.15 | \$31.43 |
| Avg. Customer Bill (\$) | \$2,290 | \$2,464 | \$2,583 | \$2,795 | \$2,991 | \$3,225 | \$3,451 | \$3,722 | \$3,971 | \$4,222 |
| Avg. Customer Bill (%) | 5.7% | 7.6% | 4.9% | 8.2% | 7.0% | 7.8% | 7.0% | 7.9% | 6.7% | 6.3% |

*Category-wise average consumption is based on FY 2019 average, the last normal year before COVID-19 pandemic.

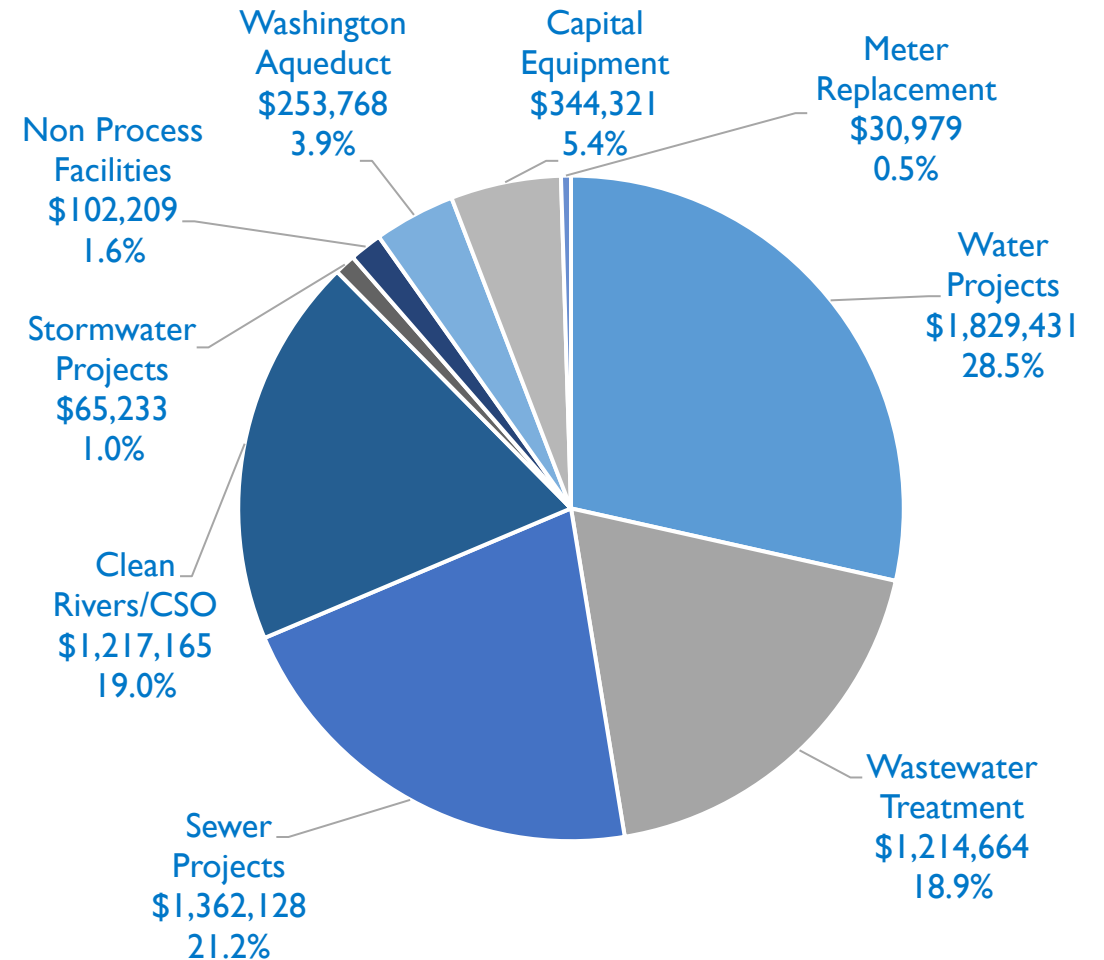
Ten Year CIP: Sources and Uses of Funds

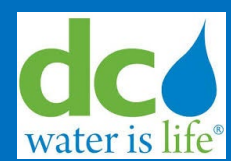
\$ in thousands

Sources - \$6.42 Billion



Uses - \$6.42 Billion





The Capital Improvement Program

- ▶ The **proposed ten-year CIP budget of \$6.4 billion** includes previous amendments to the FY 2022 budget for the Lead Free DC program, carry-over of funds for the purchase of vehicles and projected increase in the Aqueduct’s capital projects
- ▶ The **proposed lifetime budget is \$13.38 billion** and covers total commitments, including labor, for active projects prior to, during, and beyond the ten-year window

| (Cash Disbursements \$ in thousands) | FY 2022 - 2031 CIP Disbursement Plan | | | | | | | | | | | Lifetime Budget |
|--------------------------------------|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|-------------------|
| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | 10-yr Total | |
| NON PROCESS FACILITIES | 31,439 | 12,051 | 28,160 | 14,422 | 6,620 | 3,351 | 1,778 | 387 | 2,000 | 2,000 | 102,208 | 215,847 |
| WASTEWATER TREATMENT | 85,978 | 78,574 | 117,545 | 116,402 | 132,436 | 165,310 | 129,249 | 121,373 | 126,710 | 141,086 | 1,214,664 | 3,445,105 |
| COMBINED SEWER OVERFLOW | 152,267 | 117,704 | 77,304 | 105,185 | 161,941 | 171,760 | 220,123 | 153,173 | 51,403 | 6,306 | 1,217,166 | 3,216,072 |
| STORMWATER | 7,031 | 11,527 | 5,553 | 5,813 | 4,985 | 6,158 | 4,620 | 4,499 | 6,330 | 8,722 | 65,236 | 120,933 |
| SANITARY SEWER | 68,084 | 103,383 | 150,828 | 130,967 | 160,400 | 205,946 | 183,824 | 149,256 | 129,368 | 80,069 | 1,362,125 | 2,166,442 |
| WATER | 165,313 | 227,116 | 218,339 | 194,652 | 202,046 | 191,451 | 192,665 | 192,324 | 124,683 | 120,842 | 1,829,430 | 3,167,891 |
| CAPITAL PROJECTS | 510,112 | 550,355 | 597,728 | 567,442 | 668,428 | 743,975 | 732,259 | 621,011 | 440,494 | 359,025 | 5,790,828 | 12,332,290 |
| CAPITAL EQUIPMENT | 40,519 | 37,021 | 36,156 | 35,307 | 39,671 | 41,813 | 36,203 | 36,203 | 36,203 | 36,203 | 375,302 | 375,302 |
| WASHINGTON AQUEDUCT | 16,875 | 59,628 | 34,749 | 17,164 | 27,825 | 37,122 | 14,723 | 11,940 | 19,831 | 13,911 | 253,768 | 253,768 |
| ADDITIONAL CAPITAL PROJECTS | 57,394 | 96,649 | 70,905 | 52,471 | 67,496 | 78,935 | 50,926 | 48,143 | 56,034 | 50,114 | 629,070 | 629,070 |
| LABOR | | | | | | | | | | | | 416,097 |
| TOTAL CAPITAL BUDGETS | 567,507 | 647,004 | 668,633 | 619,913 | 735,924 | 822,910 | 783,185 | 669,154 | 496,528 | 409,140 | 6,419,899 | 13,377,458 |

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | 10-yr Total | Lifetime Budget |
|-------------------------------|---------|----------|-----------|-----------|-----------|----------|-----------|-----------|----------|---------|-----------|-------------|-----------------|
| Prior Year Board Approved CIP | 471,267 | 476,140 | 540,585 | 500,427 | 499,918 | 681,280 | 632,075 | 568,067 | 572,262 | 490,468 | - | 5,432,489 | 12,133,115 |
| Delta (inc)/dec | 471,267 | (91,367) | (106,419) | (168,206) | (119,995) | (54,644) | (190,836) | (215,119) | (96,892) | (6,060) | (409,140) | (987,410) | (1,244,343) |