



Responses to Comments and Recommendations on Proposed Rates

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Matthew T. Brown, Chief Financial Officer

District of Columbia Water and Sewer Authority



DC Water Headquarters from the Anacostia River

- Provide responses to public comments and OPC recommendations on proposed rates

- 💧 DC Water's goal is to provide safe and affordable water for everyone
 - Lead Free DC, with \$732 million in the CIP, to advance the replacement of lead service lines
 - The \$3.3 billion Clean Rivers Program will help make the Anacostia and Potomac Rivers swimmable and fishable again
 - Robust and expanded Customer Assistance Programs help customers who cannot afford their bills
- 💧 DC Water's budget invests in people and infrastructure
 - The 1,200 members of Team Blue work every day to provide excellent customer service
 - Chemicals and energy are major expenses, about \$84.4 million is anticipated in the budget
 - Portions of the District are a combined sewer system, despite reductions in water consumption chemical and energy use is fairly constant because of rainwater that is captured and conveyed to Blue Plains for treatment; unit costs are up
 - Contractual services of \$102.3 million impacted by inflationary cost pressures for insurance premiums, maintenance and repairs and various professional service contracts to ensure reliability of our assets
 - Debt service of \$249.5 million makes up 31.7 percent of the total operating budget – this pays for bonds issued to invest in our infrastructure and provide equity between generations of ratepayers





Multi-Year Rate Proposal for FY 2025 and FY 2026

Proposed rate changes:

- Water and sewer rates increase by 8.0% for FY 2025 and 6.0% for FY 2026
- Proposed CRIAC of \$21.23 per ERU in FY 2025 and \$24.23 per ERU in FY 2026
- Right-of-Way Fee at \$0.19 per Ccf for FY 2025 and \$0.20 per Ccf for FY 2026
- PILOT Fee at \$0.61 per Ccf for FY 2025 and \$0.62 per Ccf for FY 2026
- Proposed Groundwater Rate of \$3.50 for FY 2025 and \$3.76 for FY 2026
- Proposed High Flow Filter Backwash Sewer Rate of \$3.32 for FY 2025 and \$3.54 for FY 2026

Rates and charges that remain the same:

- Customer Metering Fee remains at \$7.75 for 5/8” meters
- Water System Replacement Fee (WSRF) at \$6.30 for 5/8” meters

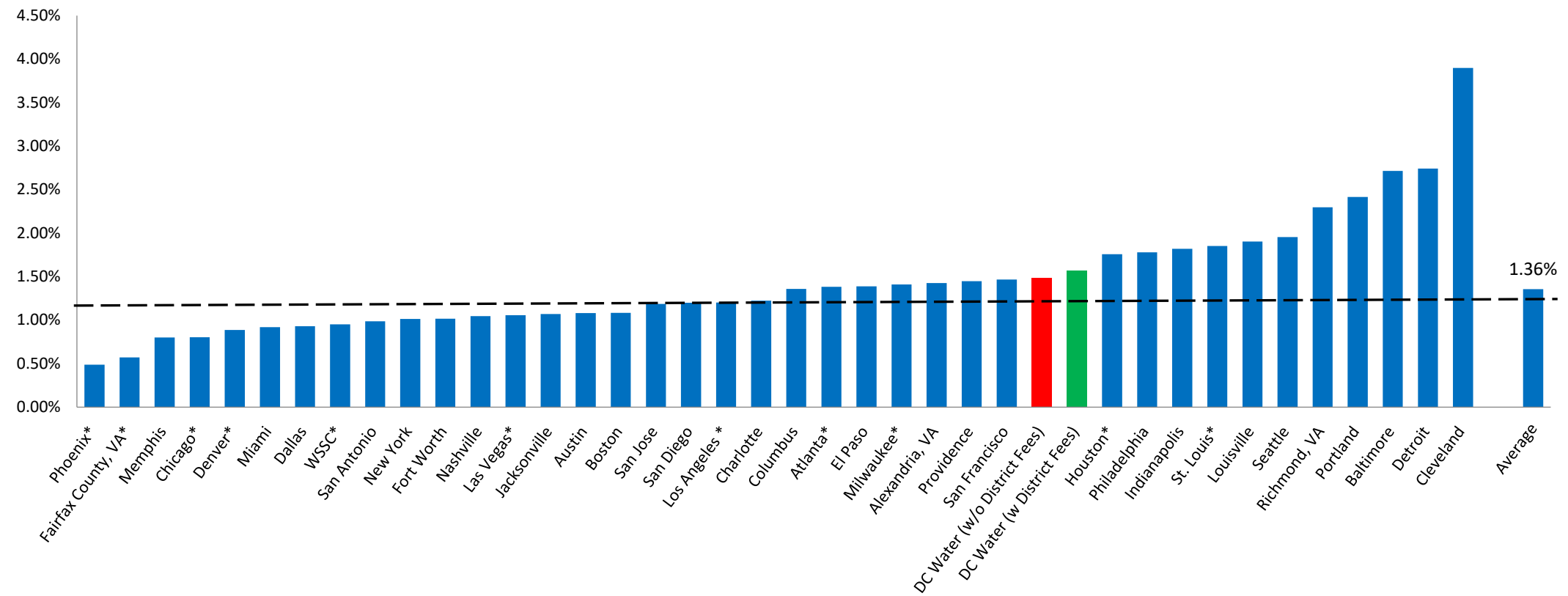
- Cost of Service Study aligned with rate proposal
- Combined rate increases lower than last year’s forecast

Change in Average Household Charge	Fiscal Year	
	2025	2026
Recommendation	4.8%	6.5%
Previous Forecast	7.0%	6.8%

Reflects updated changes based on cost of service study completed



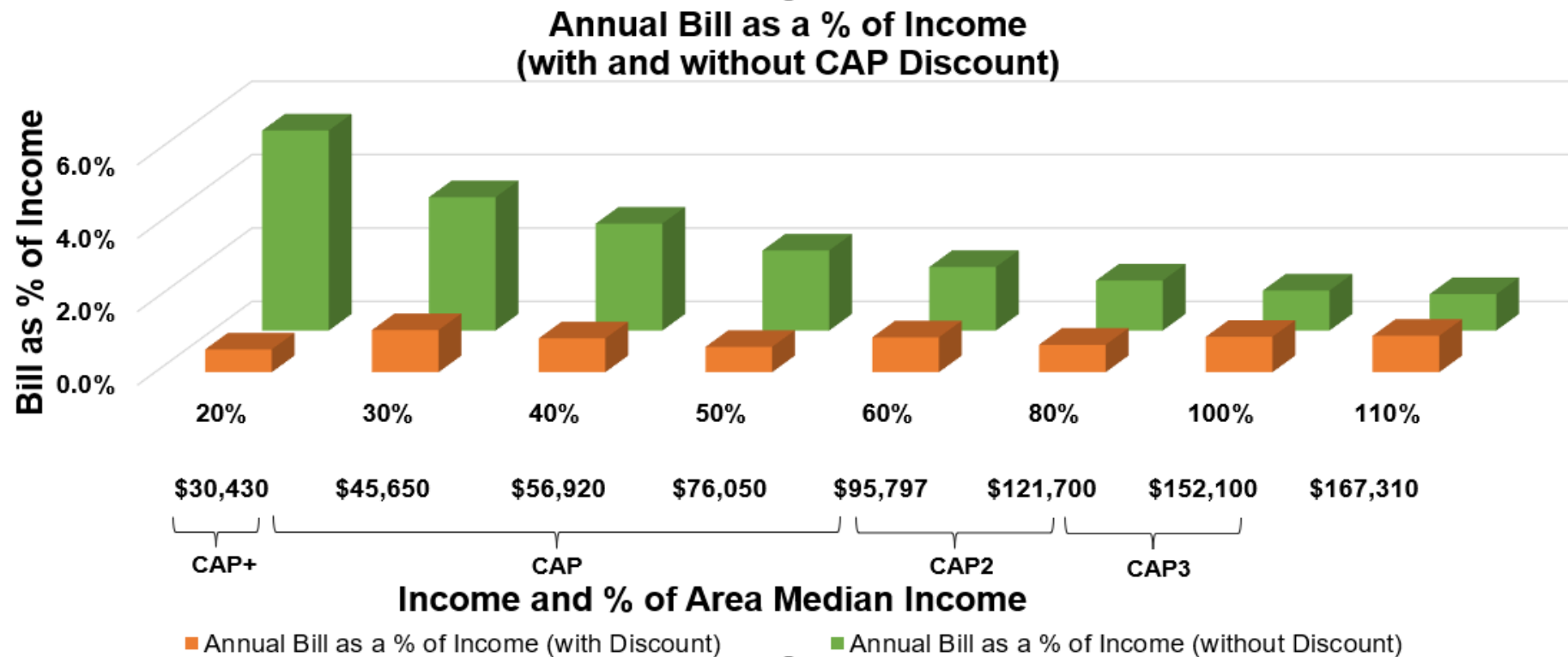
DC Water's Rates are Affordable for Most Customers



■ Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons. Median household income from U.S. Census Bureau, 2022 American Community Survey 1-Year Estimates

Note: Reflects rates and fees in place as of November 1, 2023. 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.

- 💧 CAP provides discounts to households up to 100% Area Median Income
- 💧 Those with lower incomes receive a greater benefit
- 💧 Programs assist with affordability for households below area median income
 - 💧 CAP+ is a new program to help customers at 20% AMI





Advances removal of lead service lines



Achieves rate increases lower than previous forecasts



Holds the line on authorized headcount by reallocating vacancies



Expands customer assistance programs



Funds the consent decree requirement for the Clean Rivers program



Allocates additional funds to address aging water and sewer systems



Invests in critical infrastructure at the Aqueduct



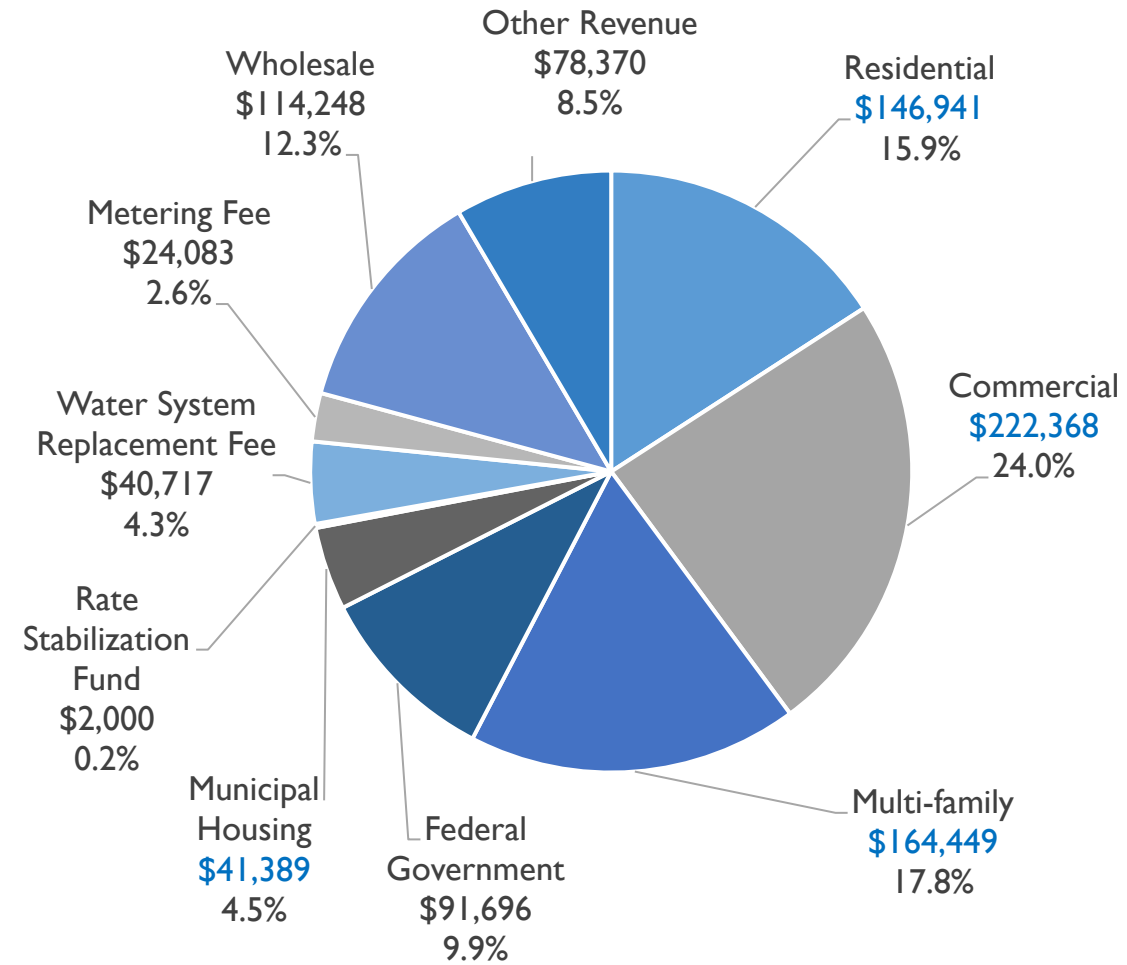
ESG report highlights progress towards meeting climate, equity, and governance goals



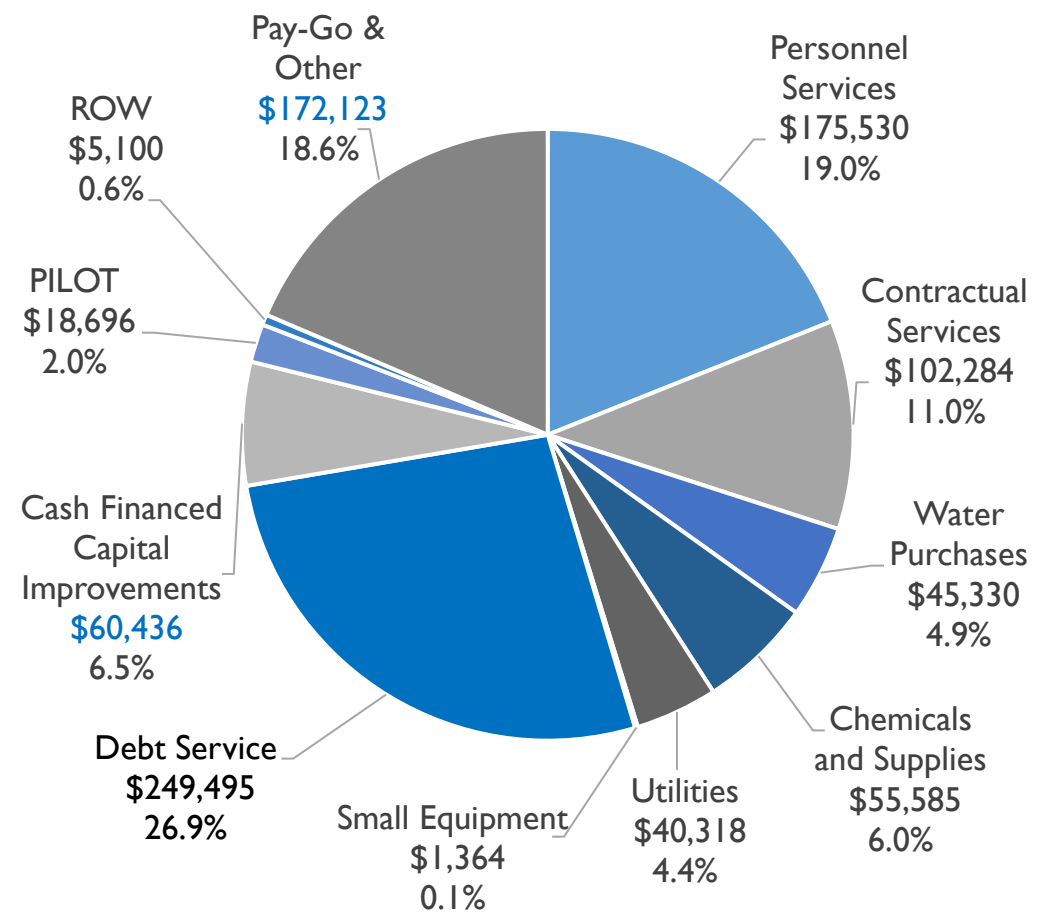
FY 2025 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$926.3 Million



Uses - \$926.3 Million

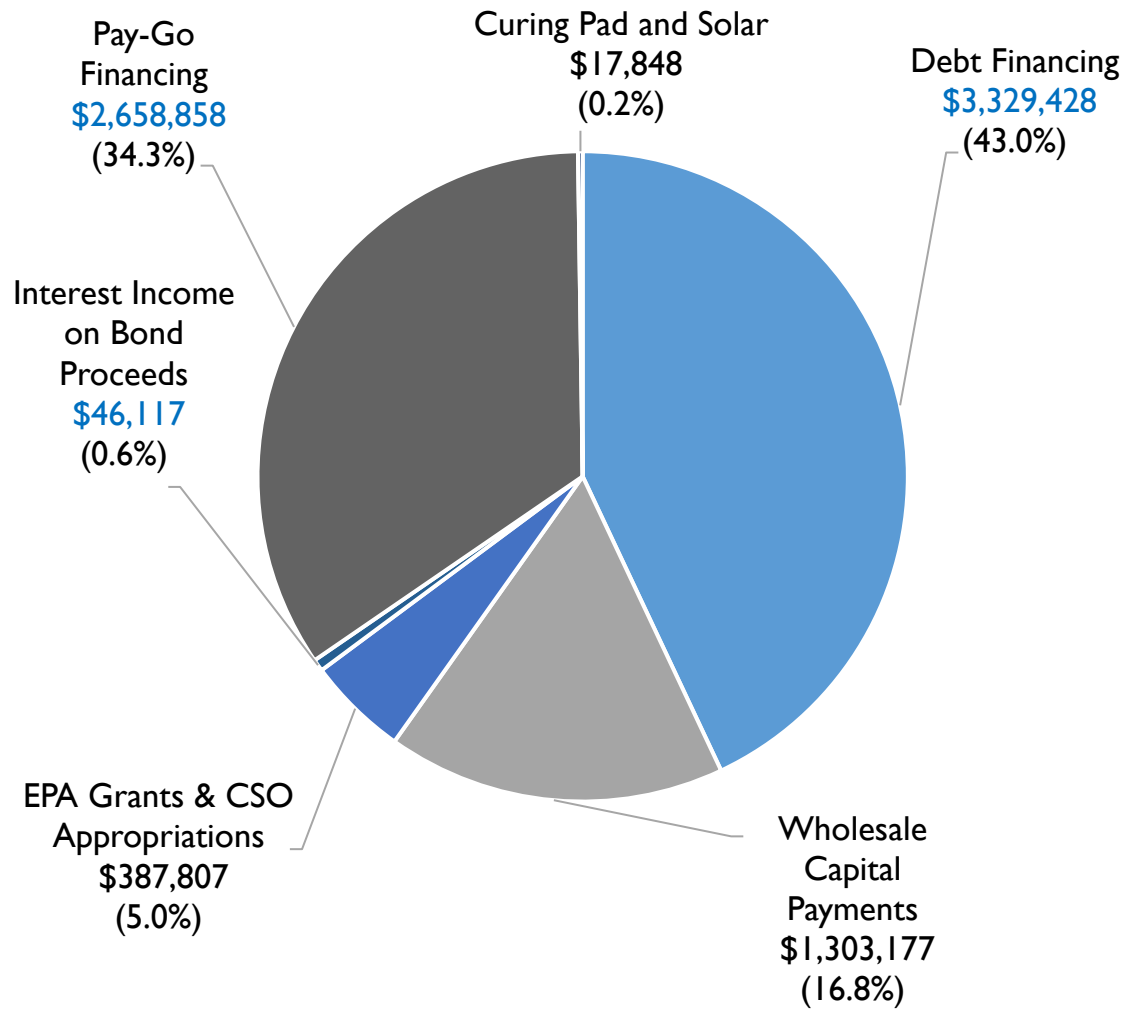




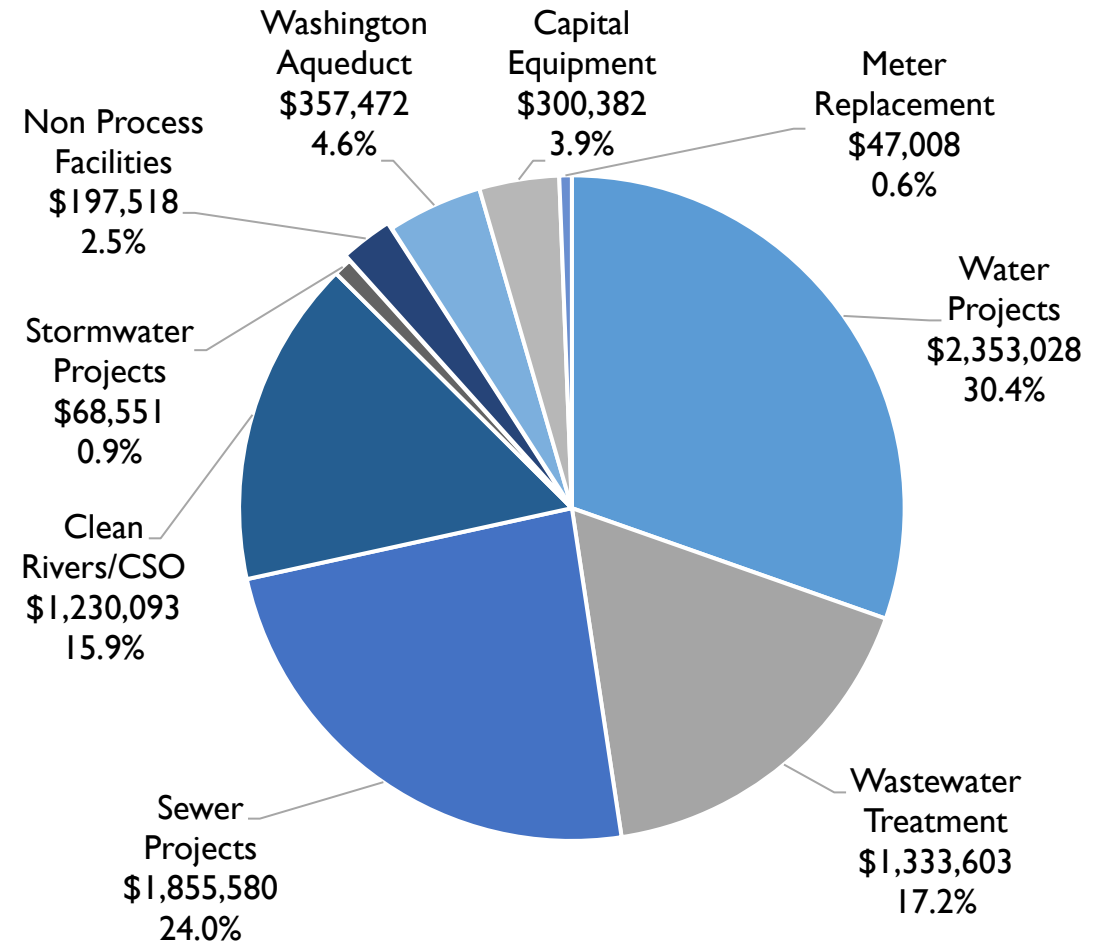
Ten Year CIP: Sources and Uses of Funds

\$ in thousands

Sources - \$7.74 Billion



Uses - \$7.74 Billion



DC Water's Financial Metrics come from the Indenture, Board Policy and Management

Metrics	Indenture Requirement	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 days	250 Days	—	267 - 267 Days
Combined Coverage Ratio	—	1.6X	—	1.81X – 2.13X
Senior Coverage	1.2X	—	—	5.79X – 8.18X
Subordinate Coverage	1.0X	—	—	2.15X – 2.52X
Debt Service as a % of Revenue	—	—	33% of Revenue or Less	25.2% - 33.0%
Rate Stabilization Fund (RSF)	—	—	—	—



* Board of Directors added to the cash balance at the end of FY2023 to reach 267 Days of Cash

- DC Water appreciates all who have participated in the budget and ratemaking process, including the Board, OPC, and the public from the time that the budget was introduced in January 2024
- We all share the goals of providing safe and affordable service for our customers
- This document provides responses to OPC comments, and responses to formal comments received from other stakeholders as part of the ratemaking process

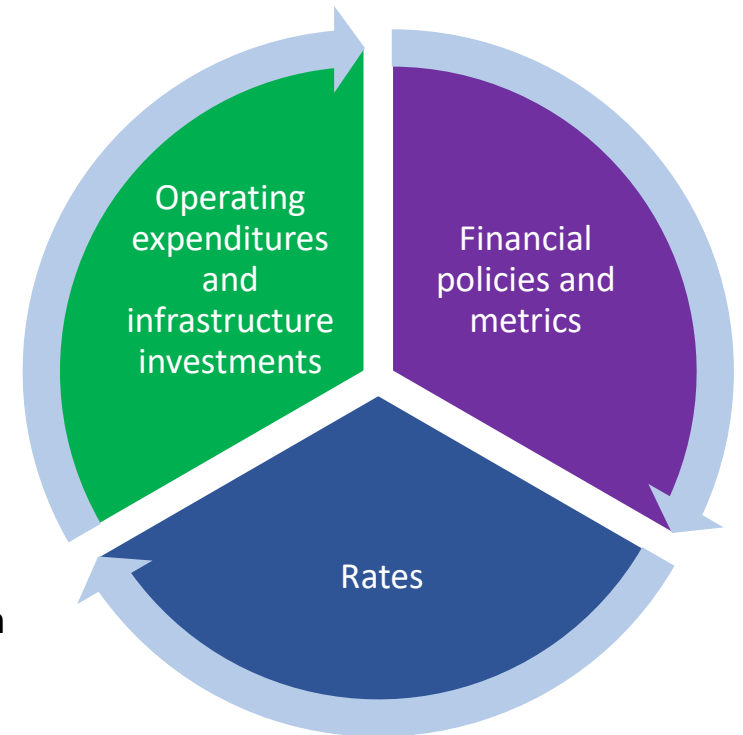


Operating Costs Grow 6.9 percent in the FY 2025 Budget

- Budgets for overall cost increases, including employee benefits and overtime
- Holds the line on authorized headcount to drive efficiencies by reallocating vacancies to new needs
- Includes chemicals, energy and insurance costs
- Reflects increased costs for critical spare parts, maintenance and repairs and various professional service contracts
- Over the ten-year period, debt service costs increase from \$221.6 million in FY 2024 to \$462.9 million by FY 2033

Infrastructure Investment – Addition of \$792 million

- \$7.74 billion over ten years, an increase of \$792 million over previously approved plan
- \$732 million budgeted next year to continue investments in DC Water’s aging infrastructure including the LeadFree DC Program and Clean Rivers Project
- Prioritized projects using an asset management approach and other criteria (including mandates, health and safety, potential failure, and good engineering)
- \$3.3 billion in new debt to be leveraged over the next ten years to pay for infrastructure improvements



Board Committee Review

Operating and Capital Costs to Environmental Quality and Operations, Finance and Budget, and DC Retail Water and Sewer Rates Committee;

Cost of Service Study

Presented to Rates Committee and published on the website; Also submitted to the Mayor and DC Council

Independent Review of Rates

Presented to Rates Committee and published on the website; Also submitted to the Mayor and DC Council

Public Feedback

Publication of the rate proposal in the *D.C. Register* for public comment; Public Hearing to receive comments on the rate proposal; Review of comments received and DC Water's response to comments

Recommendation from the DC Retail Water and Sewer Rates Committee and General Manager

DC Water's rigorous budget process balances the level infrastructure investment with customer rates

- Comments received from the Office of People’s Counsel suggest changes to the way that the Right-of-Way fee and the Clean Rivers Impervious Area (CRIAC) fee are implemented and changes to the Multi-Family Water Rate structure
 - The proposal includes adjustments (increases) to the rates within the existing rate structure
 - Any changes to the rate structure would need additional time to implement
- A member of the public suggested that DC Water did not make a case for the rate increase based on information provided in the What’s on Tap newsletter and concern about the CRIAC fee
 - The What’s on Tap publication provided some brief information on the rate adjustment, and directed readers to the website for full and complete information
 - The CRIAC pays for the mandated Clean Rivers program and is based on the amount of impervious area
- Another member of the public called the “taxes and charges outrageous” and expressed concerns that they have been paying for the water meter for thirty five years and “can’t pay the meter off”
 - Through the budget and rate process, DC Water has provided information that justifies the rate increase
 - The meter fee pays not only for meter replacements but also for the customer service organization (including meter operations)



- **Recommendation:** Adopt what OPC views as a more equitable model for recovering Right-of-Way (ROW) fees paid to the District of Columbia. OPC's recommendation suggests considering factors like meter size, usage tiers, and street frontage in fee calculations, which OPC asserts are a fairer allocation of costs and reflective of actual service usage per customer.
- **DC Water Response:**
 - DC Water does not concur with this recommendation given the low individual impact of the fee, the lack of available information to implement the OPC alternative, and difficulty of implementing if information were available, a cost-of-service basis for the proposed methodology, or how a change would enhance equity
 - The average residential customer paying about \$1.03 a month in FY2025 based on water usage
 - The ROW fee is calculated to recover \$5.1 million charged by the District of Columbia for water and sewer infrastructure use of the public ROW
 - Because the ROW fee is a “rental payment” to DC for all used ROW for the entire system, and not a cost to maintain it, DC Water believes that it is appropriate to treat as a whole and allocate that way. The ROW adjacent to a property is not reflective of the value of all ROW for the delivery of water and sewer to that property
 - Additionally, front footage data is not available in the DC Water CIS and would be difficult to develop for such a small component of the customer bill.

- **Recommendation:** Revise the rate structure to reflect actual service costs and distribute conservation incentives more equitably across user groups, as seen in other utilities. Conduct a cost-of-service study geared to categorizing water usage more granularly or differentiate between residential unit types to purportedly improve equity and support sustainable water use
- **DC Water Response:**
 - DC Water does not concur with this recommendation
 - DC Water's rate structure is based on cost-of-service study with class-based water rates reflecting class peaking characteristics
 - A study by DC Water found that multi-family residences (MFR) had the lowest peaking, followed by single-family residences (SFR)
 - SFR class received a slightly higher blended rate due to higher peaking, with the first tier (0-4 Ccf) recovering only the base cost-of-service (and the higher rate recovering the base and peaking costs)
 - Adding additional tiers to the SFR class structure is unnecessary as existing tiers represent the minimum and maximum tiered rate that could be charged
 - Developing a tiered structure for MFR class is challenging due to the disparity in size between small and very large customers, and data limitations in DC Water's Customer Information System (CIS)
 - Despite the inability to develop tiered rates for MFR, they are charged the lowest blended average water rate
 - Sewer service fees are typically differentiated based on strength and DC Water sewer customers are considered to have uniform domestic strength wastewater; sewer fees are not typically based on peaking factors

- **Recommendation:** Integrating narrower square footage bands and recalibrating the fee structure for the Clean Rivers Impervious Area Charge (CRIAC) imposed by DC Water to reflect each property's impervious surface area and runoff potential more accurately and better align with environmental impact and equity goals based on the assertion that charges structured on a per Equivalent Residential Unit (ERU) basis, disproportionately affects residents in smaller homes or apartments, leading to equity concerns
- **DC Water Response:**
 - DC Water believes that additional analysis is needed and will perform that work before the next two-year rate proposal
 - DC Water currently uses a six-tier CRIAC with ranges for residential customers, with more tiers than many of our peers
 - Initially, DC Water used a single tier for residential properties to avoid hand-measuring impervious area for over 100,000 properties. Later, DC Water implemented a six-tier SFR structure, exceeding the norm for impervious area charges
 - Adding additional tiers to enhance equity must be balanced with challenges of measurement and record keeping for over 100,000 properties

- 💧 **Comment 1:** The customer hopes the adjustment to the current water rate is to eliminate some of the taxes and charges that are outrageous, and indicates they have been paying for water meter for over thirty-five years and can't pay the meter off
- 💧 **DC Water Response:** The Metering Fee does not just cover the one-time cost of a meter. The Metering Fee is set to cover the capital costs of meters, the Customer Service organization, and all metering and billing costs

- 💧 **Comment 2(A):** Customer strongly disagrees with such a large increase and suggests that the arguments supporting the increase are not compelling (less than initial forecast - the initial 7% forecast was not a sincere amount; Extending the CAP - yes, increase the rates and more will be unable to pay; Identification and repair of existing leaks - such a program should not require a 4.8% increase across all rate payers. The DC Water monthly cost is already exceptionally high with the Clean Rivers IAC, which for their household is over \$50 per month! Co-workers in nearby Virginia and Maryland are amazed to learn that my water bill is consistently greater than my electricity and gas bills. Water is an essential requirement for living and DC Water should balance its budget without enormous rate increases
- 💧 **DC Water Response:** The rate increase is necessary to ensure the continued reliability, efficiency, and improvement of water services while addressing financial sustainability and supporting community needs
 - **Rising Operational Costs:** The costs of chemicals, critical spare parts, insurance premiums, and various operational services have increased due to rising inflation. These higher costs impact the overall expenses needed to maintain and operate water services
 - **Infrastructure Investments:** Significant investments are required for the maintenance and upgrade of the aging water and sewer systems which includes pipes with median age of 80 years. DC Water is also funding major projects like the DC Clean Rivers Program and Lead-Free DC program, which are essential for enhancing the reliability and resilience of the water infrastructure
 - **Capital Improvement Program (CIP):** A ten-year CIP totaling \$7.74 billion is in place to address infrastructure challenges and ensure sustainable growth. This long-term investment necessitates additional revenue
 - **Debt and Borrowing Costs:** Although borrowing costs have been lower than expected due to strong financial performance and good bond ratings, there is still a need to service debt and fund the ongoing and future projects
 - **Revenue Requirements:** The proposed rate increases are based on the results of a cost-of-service study and an independent rate review, ensuring that the rates meet the required revenue to cover the costs of delivering services to customers
 - **Customer Assistance Programs:** To support financially vulnerable households, DC Water is expanding its Customer Assistance Programs, which require funding. These programs ensure that all customers have access to essential water services despite financial challenges

- **Comment 2(B):** [Received from same commenter May 27, 2024 after end of comment period] Customer says that their water bill of \$72.92 is over \$875 annually in base charges. The proposed 4.8% rate increase will push charges over \$1,000 yearly. These hikes are unsustainable. Water is essential; please balance the budget without significant rate increase
- **DC Water Response:**
 - DC Water operates on a cost recovery basis, setting rates in accordance with the expenses incurred for water and sewer services as well as infrastructure upgrades. The organization does not generate profits. Maintaining a balance between enhancing infrastructure and keeping rates reasonable poses a challenge. DC Water proactively explores ways to minimize the burden on our customers while guaranteeing the provision of water services
 - Some fees are unchanged in FY 2025 compared to FY 2024 including Metering Fee and Water System Replacement Fee. Clean Rivers impervious area charge (CRIAC) is \$0.63 per ERU lower in FY 2025 as compared to FY 2024
 - The increase in average Residential Household charges of 4.8 percent is less than previously forecasted 7.0 percent
 - To help mitigate the impact of rate increases on low-income residential homeowner and tenant customers, DC Water provides Customer Assistance Programs (Income Eligibility Households)
 - Flexible payment plans are available to help spread the cost over a more manageable period
 - Implementing water-saving practices can reduce overall usage and costs

