



Proposed FY 2021 and FY 2022 Rates, Charges and Fees

Presentation to Retail Rates Committee, February 25, 2020

District of Columbia Water and Sewer Authority



Blue Plains Advanced Wastewater Treatment Plant

💧 **Seek Committees recommendation to the Board on the:**

💧 **Multi-year Rate Proposal**

- FY 2021 & FY 2022 Rates, Charges and Fees

💧 **Customer Metering Fee Proposal**

- FY 2021 & FY 2022 Customer Metering Fees

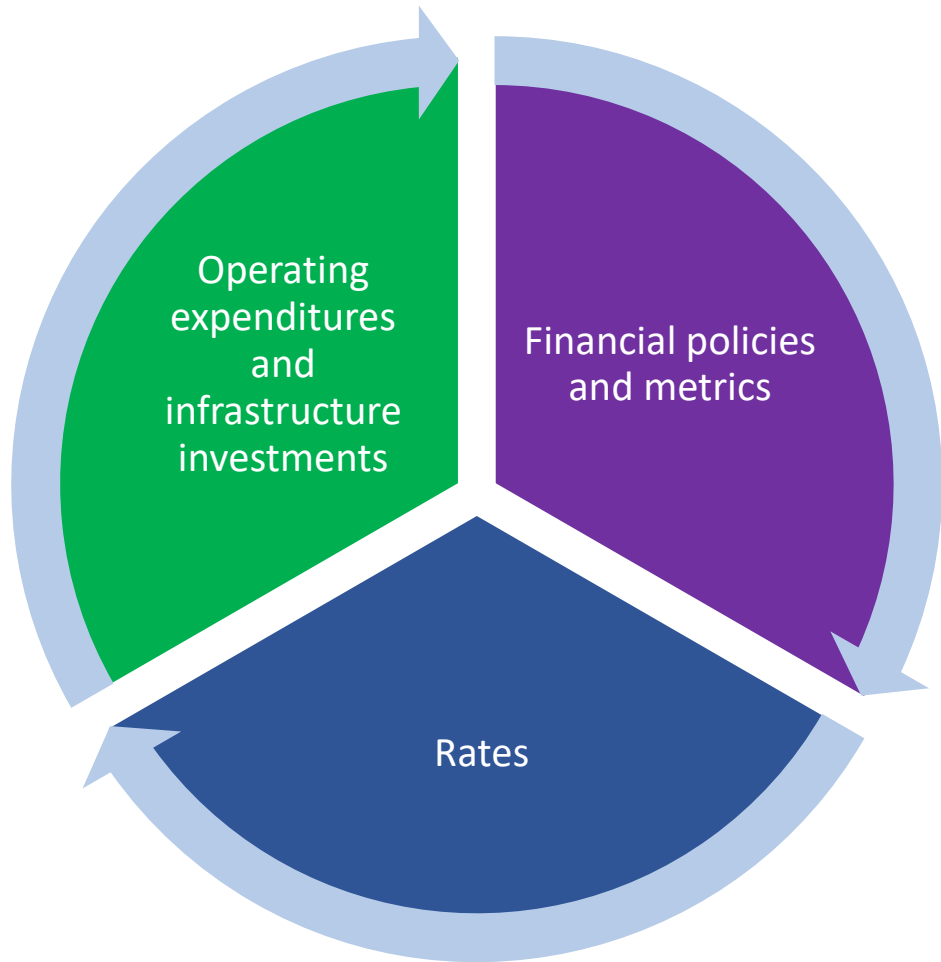
💧 **FY 2020 – FY 2029 Financial Plan**

- Projected residential water and sewer rates
- Projected average residential customer bills
- 10-year CIP disbursement budget

💧 **Proposal to increase the Clean Rivers IAC discount for CAP customers from 50% to 75%**

💧 **Proposal to amend regulations to make DC Water's Customer Assistance Program II (CAP2) permanent**

- Doubles DC Water's current investment in water and sewer infrastructure by FY2022 to reach a one percent replacement cycle, and triples the investment by FY2027 to reach a 1.5 percent replacement cycle
- Fully funds the Clean Rivers program
- Adds five positions for the DC Water Consumer Protection Amendment Act of 2018
- Increases funds for fleet purchases by 60% to ensure crews have the equipment they need
- Invests \$0.5 million in the Apprenticeship Program to support fifteen entry level positions
- Makes the CAP2 program permanent
- Advances LeadFreeDC
- Continues capital procurement reform to help ensure that the capital program is delivered at the highest quality and lowest cost for ratepayers
- Holds the line on operating budget expenses, and FY2021 budget is within the previous financial plan forecast
- Takes advantage of low interest rates and current year savings to deliver rate increases that were smaller the previously forecasted



- DC Water's operating and capital budgets rely on the rates that we charge retail and wholesale customers
- DC Water does not make a profit – all funds pay for operations and infrastructure improvements
- Financial Metrics and Policies ensure that DC Water can borrow to fund infrastructure projects, like the Clean Rivers program, at very low rates

- 💧 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
- 💧 DC Water's rates are established by the Board of Directors after:
 - Presentation of Operating and Capital Costs for the applicable rate period to the Environmental Quality and Operations, Finance and Budget, and Retail Rate Committee;
 - Presentation of the Cost of Service Study, which is published on DC Water's website;
 - 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 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, which are published on DC Water's website; and
 - Recommendation from the DC Retail Water and Sewer Rates Committee.

- 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
 - Raftelis conducted the most recent Cost of Service Study, and its results support our rate proposal

- An independent review of DC Water's rates and rate structure found:
 - The current customer classes are appropriate and consistently seen in the industry
 - The four Ccf monthly water lifeline threshold is appropriate and consistent with benchmarked utilities
 - The cost of service study is generally consistent with industry standards for rate making
 - The current Metering Fee could be expanded to recover a greater amount of fixed operating and capital costs
 - Change proposed in current rate proposal
 - Use of the CRIAC to recover consent decree-related capital costs is appropriate
 - Use of ERU as the basis for recovering the CRIAC is appropriate
 - Given redevelopment in the District, continue to conduct parcel analysis on a regular basis. The analysis should include an evaluation of the appropriateness of 1,000 sq. ft. as the basis for the ERU for residential parcels
 - The current cost elements recovered via the CRIAC are appropriate and should not include wastewater treatment costs
 - Recover system costs, including I/I (infiltration and inflow) costs, via wastewater rates and charges as is DC Water's current practice
 - The approach used to determine the suburban cost allocation for Clean Rivers (7.1%) provides a technical basis for allocating these costs

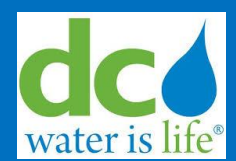
- Management recommends a multi-year rate proposal covering FY 2021 and FY 2022
- Cost of Service Study advanced to align with rate proposal
- Combined rate increase for average household customer lowered from 8.1% forecasted last year to 6.6% for FY 2021 and from 6.9% to 6.7% for FY 2022
 - Proposed annual water and sewer rate increase of 9.9% for FY 2021 and 7.8% FY 2022
 - Continue Shift of CRIAC to sewer volumetric of 28% and 37% for FY 2021 and FY 2022 respectively
 - Proposed CRIAC of \$19.52 per ERU in FY 2021 and \$18.40 per ERU in FY 2022
 - Water System Replacement Fee (WSRF) will remain the same
 - Customer Metering Fee for 5/8" meters will increase from \$3.86 to \$4.96 in FY 2021 and to \$7.75 for FY 2022
 - PILOT Fee for FY 2021 and FY 2022 will increase by \$0.03 and \$0.02 per Ccf respectively
 - Right-of-Way Fee will remain the same at \$0.19 per Ccf
 - CAP2 Program made permanent
 - Increase the Clean Rivers IAC discount for CAP customers from 50% to 75%

- 💧 In FY 2019, the Metering Fee recovered \$11.6 million
 - In FY 2003, established Metering Fee at \$2.01 for 5/8" meter
 - In FY 2011, increased Metering Fee to \$3.86 for 5/8" meter
 - Originally fee amount set to cover the capital costs of the original Automated Meter Infrastructure (AMI) system and meter purchase and installation (debt service) plus about \$4 million of Customer Service costs

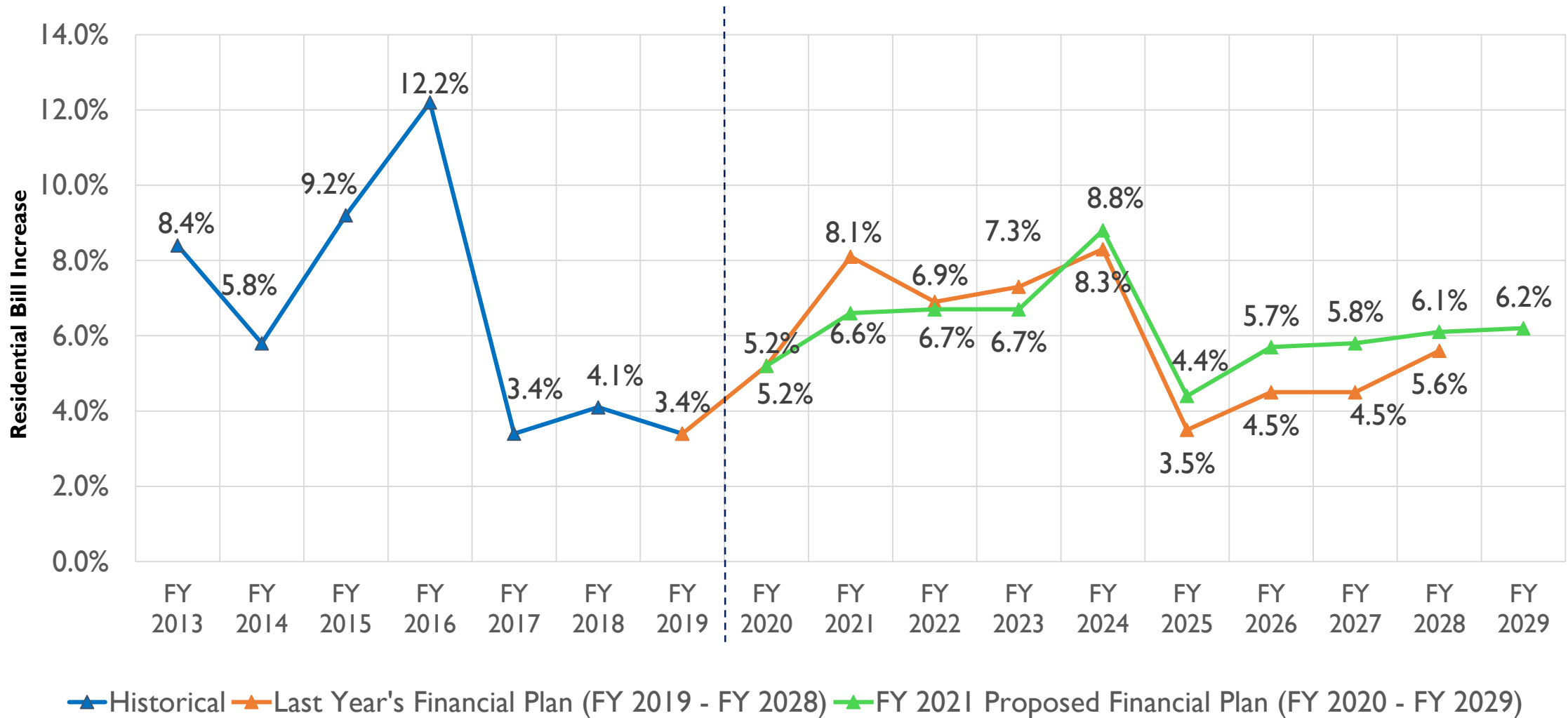
- 💧 Current Cost of Service Study recommends recovering \$24.1 million in FY 2022, consistent with independent rate review recommendation
 - Includes costs associated with metering and billing
 - Customer assistance, shutoff/restore, and leak adjustment etc. remain in the volumetric charges
 - Proposed FY 2021 fee recovers \$15.4 million, all the debt service and coverage plus about half of the full Customer Service O&M allocation (\$4.96 for a 5/8" meter)
 - Proposed FY 2022 fee adds the additional half of Customer Service allocation for a total of about \$24.1 million (\$7.75 for a 5/8" meter)

- 💧 CAP is being expanded to increase the CRIAC discount from 50% to 75%
 - 💧 Reduces bill for customers with average household consumption to 1.7% of Area Median Income (AMI)
 - 💧 Change consistent with Independent Rate Review recommendation
- 💧 CAP2 to be made permanent
- 💧 DC Water asked District Government to keep CAP3 and CRIAC Non-Profit Relief programs

- 💧 Budget proposes \$13 million withdrawal over FY 2021 and FY 2022
 - \$8 million in debt service savings in the current fiscal year, plus remaining \$5 million withdrawal from Rate Stabilization Fund to be deposited in FY 2020
 - Budget makes CAP2 program permanent
- 💧 Apply \$2.5 million in FY 2021 and \$10.5 million in FY 2022
- 💧 Management recommends a Rate Stabilization Fund target that is ten percent of overall revenues
 - During the last recession, from 2007 through 2011, there was a \$41.8 million reduction in Rate Stabilization Fund balance as the Board drew funds to reduce the impact of rising rates



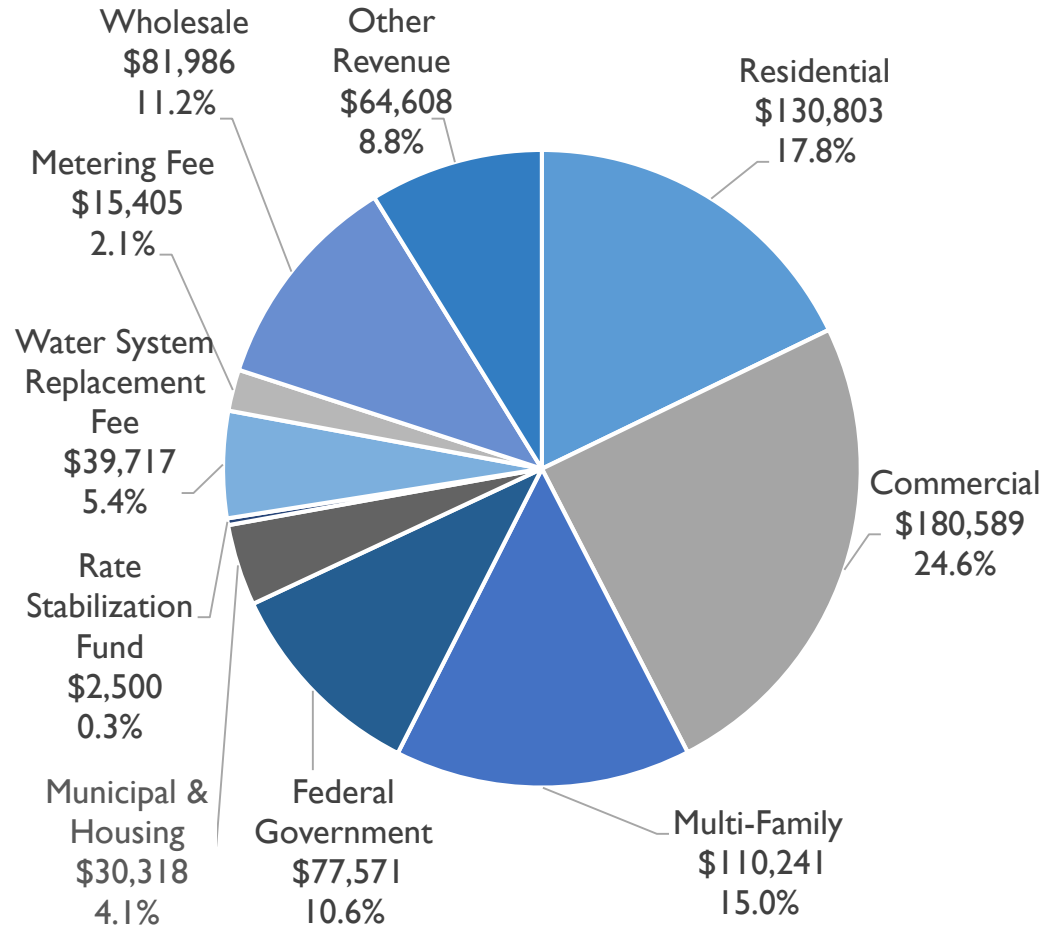
Historical and Projected Combined Rate Increases for Average Residential Customer



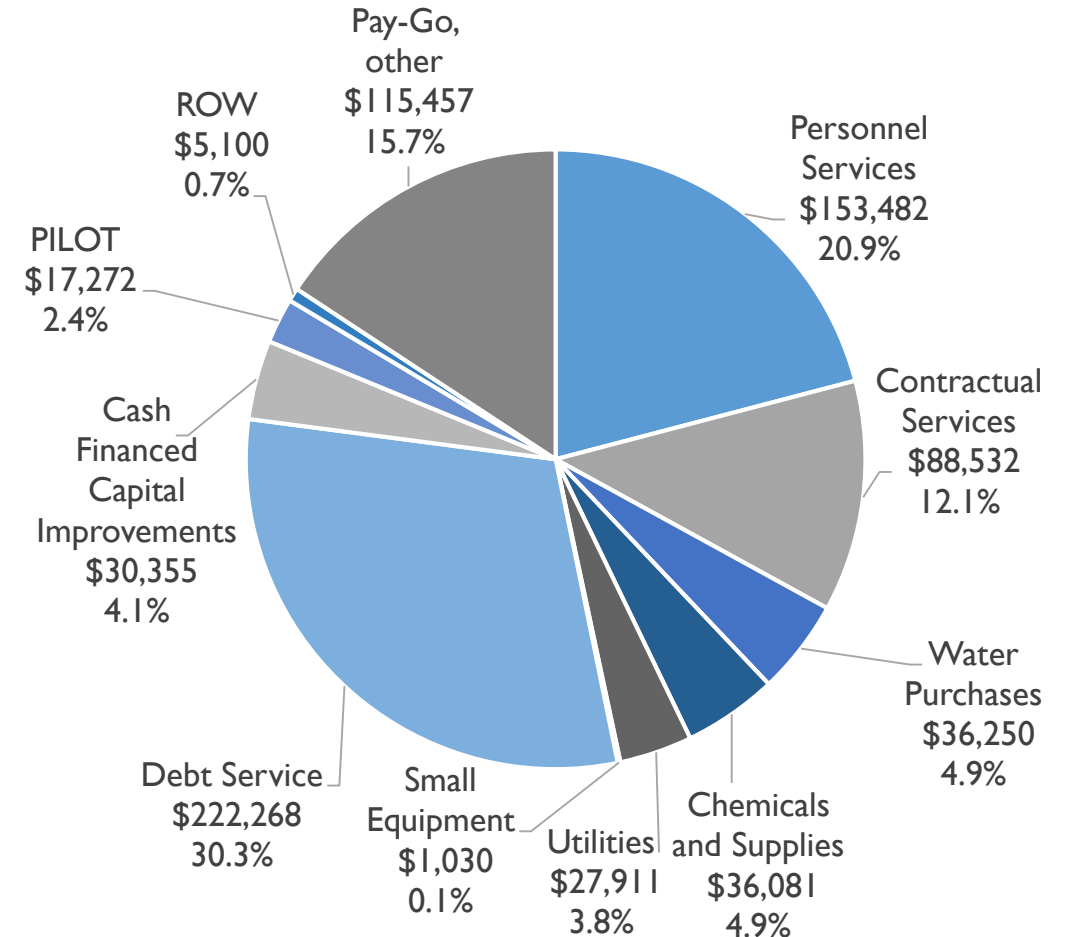
FY 2021 Operating: Sources and Uses of Funds

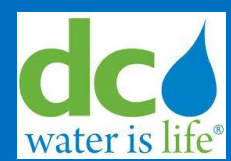
\$ in thousands

Sources - \$733.7 Million



Uses - \$733.7 Million

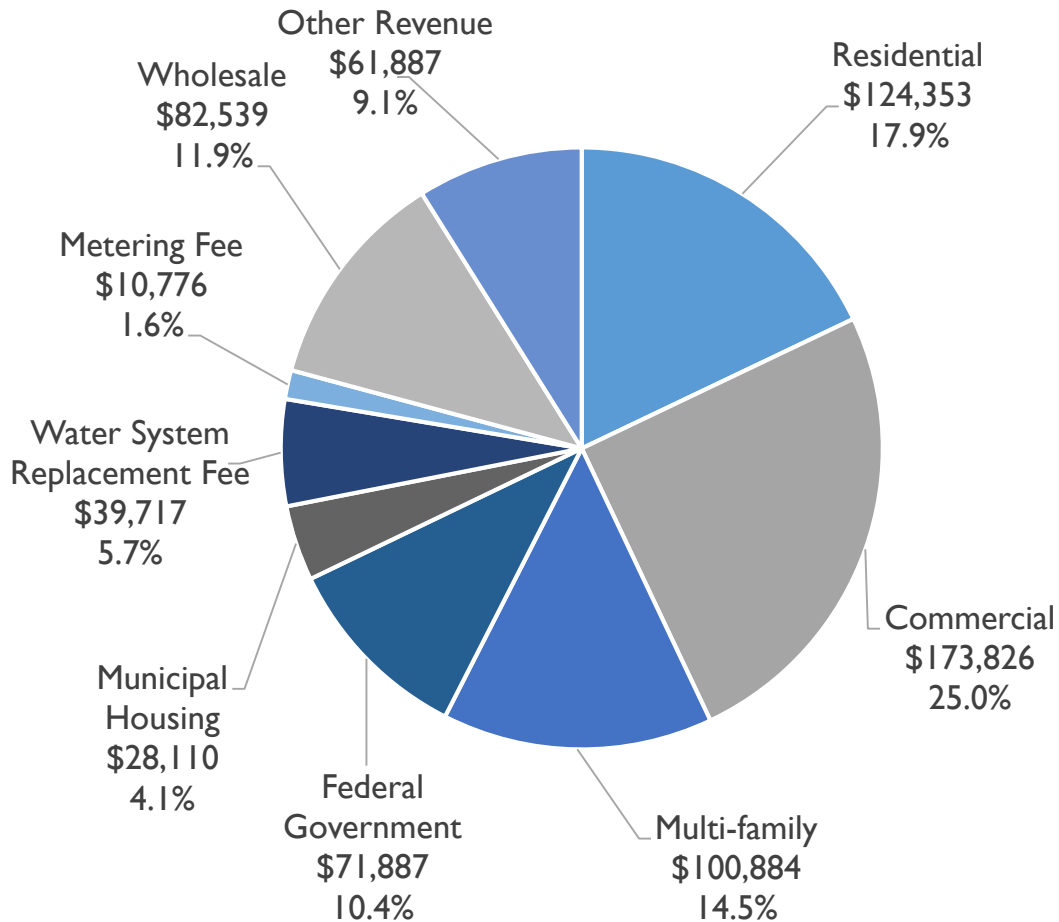




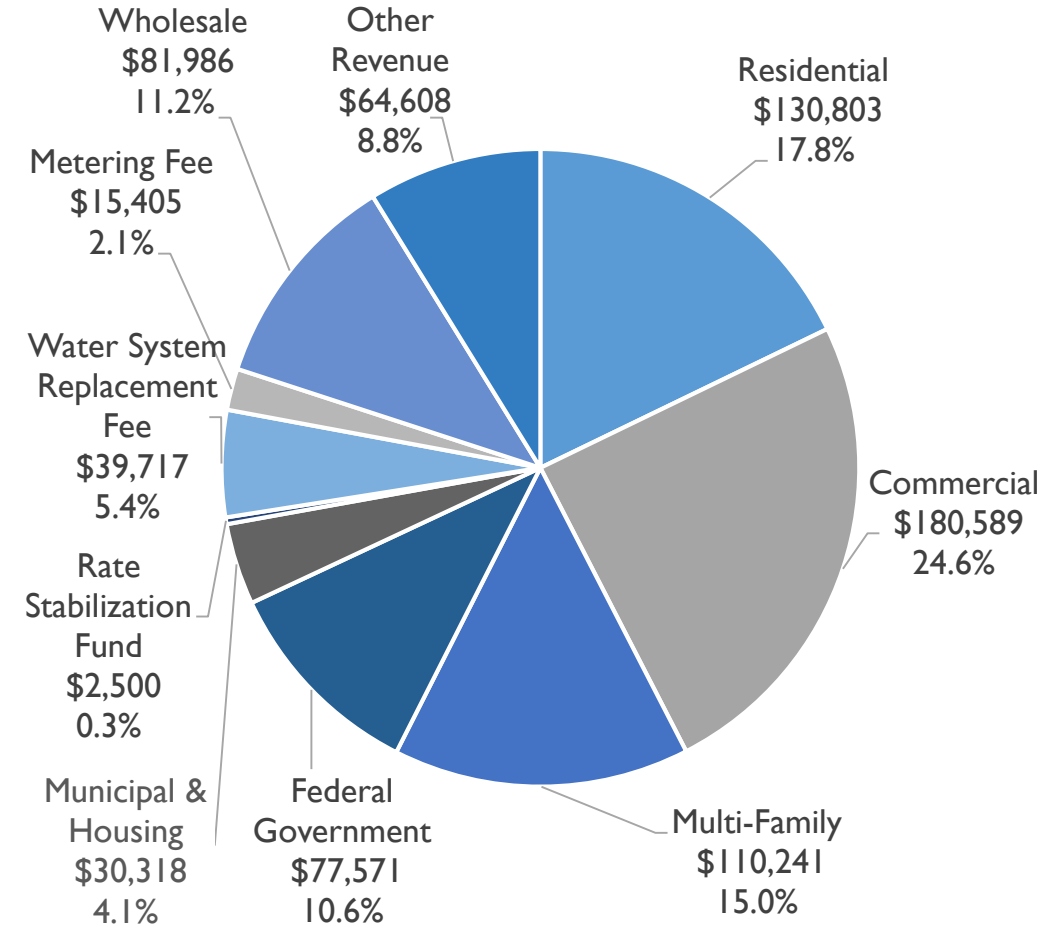
FY 2020 vs. FY 2021 Operating Revenues

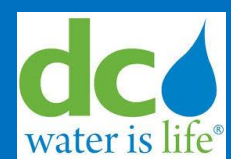
\$ in thousands

Approved FY 2020 \$693,979



Proposed FY 2021 \$733,738

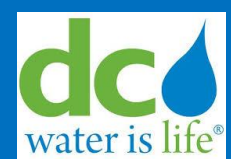




Revenue Comparison by Customer Class

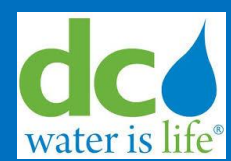
- Total revenue is projected to increase by \$39.8 million or 5.7% for FY 2021 and \$32.6 million or 4.4% for FY 2022 mainly due to rate increases
- Retail revenue is projected to increase by \$35.1 million or 6.4% for FY 2021 and \$23.0 million or 3.9% for FY 2022 due to rate increases for both years
- Wholesale revenue is projected to decrease by \$0.6 million or -0.7% for FY 2021 due to low flows and increase by \$2.5 million or 3.0% for FY 2022 due to 3.0 percent escalation

<i>\$ in thousands</i>	Approved	Proposed	Proposed	FY 2021 vs		FY 2022 vs	
	FY 2020	FY 2021	FY 2022	FY 2020		FY 2021	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$549,553	\$584,644	\$607,652	\$35,091	6.4%	\$23,008	3.9%
Wholesale Revenue							
Potomac Interceptor (PI)	2,715	3,547	3,547	832	30.6%	-	-
Loudoun County Sanitation Authority (LCSA)	7,758	7,648	7,983	-110	-1.4%	335	4.4%
Washington Suburban Sanitary Commission (WSSC)	57,284	55,952	57,630	-1,332	-2.3%	1,678	3.0%
Fairfax County	14,782	14,839	15,285	57	0.4%	446	3.0%
Total Wholesale Revenue	\$82,539	\$81,986	\$84,445	-\$553	-0.7%	\$2,459	3.0%
Other Revenue	61,887	64,608	63,701	2,721	4.4%	-907	-1.4%
Rate Stabilization Fund	-	2,500	10,500	2,500	-	8,000	320.0%
Total Revenues	\$693,979	\$733,738	\$766,298	\$39,759	5.7%	\$32,560	4.4%



Proposed FY 2021 & FY 2022 Rates, Charges & Fees

	Units	Approved FY 2020	Proposed FY 2021	Proposed FY 2022	Incr./ (Decr.) FY 2021		Incr./ (Decr.) FY 2022	
					\$	%	\$	%
DC Water Retail Rates – Water:								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$3.06	\$3.49	\$3.63	\$0.43	14.1%	\$0.14	4.0%
Residential – (> 4 Ccf)	Ccf	4.10	4.50	4.74	0.40	9.8	0.24	5.3
Multi-family	Ccf	3.54	3.96	4.15	0.42	11.9	0.19	4.8
Non-Residential	Ccf	4.25	4.65	4.91	0.40	9.4	0.26	5.6
DC Water Retail Rates – Sewer	Ccf	8.89	9.77	10.64	0.88	9.9	0.87	8.9
DC Water Clean Rivers IAC	ERU	20.94	19.52	18.40	-1.42	-6.8	-1.12	-5.7
DC Water Customer Metering Fee	5/8”	3.86	4.96	7.75	1.10	28.5	2.79	56.3
DC Water System Replacement Fee	5/8”	6.30	6.30	6.30	-	-	-	-
District of Columbia PILOT Fee	Ccf	0.51	0.54	0.56	0.03	5.9	0.02	3.7
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	-	-	-	-



Average Residential Customer Monthly Bill

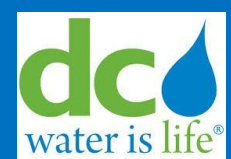
	Units	Current FY 2020	Proposed FY 2021	Proposed FY 2022
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 66.25	\$ 73.30	\$ 78.92
DC Water Clean Rivers IAC ⁽²⁾	ERU	20.94	19.52	18.40
DC Water Customer Metering Fee	5/8"	3.86	4.96	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 97.35	\$ 104.08	\$ 111.37
Increase / Decrease		\$ 5.01	\$ 6.73	\$ 7.29
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 2.76	\$ 2.93	\$ 3.04
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		\$ 6.46	\$ 6.63	\$ 6.74
Total Amount Appearing on DC Water Bill		\$ 103.81	\$ 110.71	\$ 118.11
Increase / Decrease Over Prior Year		\$ 5.11	\$ 6.90	\$ 7.40
Percent Increase in Total Bill		5.2%	6.6%	6.7%

(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



Low Income CAP Customer Monthly Bill

	Units	Current FY 2020	Proposed FY 2021	Proposed FY 2022
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 66.25	\$ 73.30	\$ 78.92
DC Water Clean Rivers IAC	ERU	20.94	19.52	18.40
DC Water Customer Metering Fee	5/8"	3.86	4.96	7.75
DC Water Water System Replacement Fee	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 97.35	\$ 104.08	\$ 111.37
Increase / Decrease		\$ 5.01	\$ 6.73	\$ 7.29
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 2.76	\$ 2.93	\$ 3.04
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		\$ 6.46	\$ 6.63	\$ 6.74
Total Amount		\$ 103.81	110.71	118.11
Increase / Decrease Over Prior Year		\$ 5.11	\$ 6.90	\$ 7.40
Percent Increase in Total Bill		5.2%	6.6%	6.7%
Less: CAP Discount (4 Ccf per month) ^{(1), (2)}		(50.60)	(55.96)	(60.08)
Water System Replacement Fee (WSRF) ⁽³⁾		(6.30)	(6.30)	(6.30)
Clean Rivers IAC ⁽⁵⁾		(10.47)	(14.64)	(13.80)
Total Amount Appearing on DC Water Bill		\$ 36.44	33.81	37.93
Increase / Decrease Over Prior Year		\$ 0.90	\$ (2.63)	\$ 4.12
CAP Customer Discount as a Percent of Total Bill		-64.9%	-69.5%	-67.9%

(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 2011

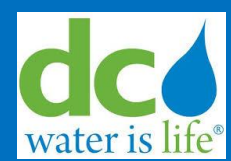
(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 50 percent discount for FY2020 and 75% discount for FY2021 and FY2022 for the Clean Rivers IAC

- 💧 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 the 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 including Rate Stabilization Fund
- 💧 FY 2019 actual consumption declined by 1.8 percent. Assumed 1.5 percent conservation each for FY 2020 and FY 2021 and 1.0 percent in FY 2022 and onwards
- 💧 FY 2019 Debt Service was lower as compared to budget due to deferring bond issuance as well as achieving lower interest than projected. The new plan assumed lower interest rates with slightly lower Debt Service projections



Ten-Year Financial Plan

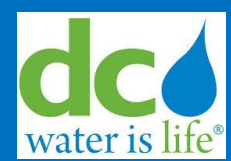
\$ in thousands

OPERATING	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<i>Retail*</i>	\$ 571,666	\$ 607,107	\$ 630,495	\$ 669,848	\$ 723,657	\$ 752,224	\$ 791,988	\$ 833,503	\$ 879,616	\$ 928,122
<i>Wholesale*</i>	82,539	81,986	84,445	86,978	89,588	92,275	95,044	97,895	100,832	103,857
<i>Other</i>	44,774	42,145	40,858	44,081	46,959	51,637	54,692	54,970	56,935	57,752
<i>RSF</i>	-	2,500	10,500	-	-	-	-	-	-	-
Operating Receipts ⁽¹⁾	\$ 698,979	\$ 733,738	\$ 766,298	\$ 800,907	\$ 860,204	\$ 896,136	\$ 941,724	\$ 986,368	\$ 1,037,383	\$ 1,089,731
Operating Expenses	(347,881)	(365,658)	(376,303)	(387,553)	(399,149)	(411,101)	(423,421)	(436,120)	(449,209)	(462,701)
Debt Service	(205,137)	(222,268)	(240,497)	(257,460)	(271,238)	(286,756)	(299,489)	(315,321)	(332,807)	(348,316)
Cash Financed Capital Improvement	\$ (28,556)	\$ (30,355)	\$ (37,830)	\$ (46,889)	\$ (50,656)	\$ (60,178)	\$ (71,279)	\$ (75,015)	\$ (79,165)	\$ (83,531)
Net Revenues After Debt Service	\$ 117,405	\$ 115,456	\$ 111,668	\$ 109,005	\$ 139,161	\$ 138,101	\$ 147,535	\$ 159,912	\$ 176,202	\$ 195,183
Operating Reserve-Beg Balance	186,764	180,000	185,000	194,000	201,000	205,000	215,000	220,000	230,000	240,000
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(5,372)	(3,184)	(5,490)	-	-	-	-	-	-	-
Project Billing Refunds	(4,000)	(4,000)	-	-	-	-	-	-	-	-
Transfers To RSF	(13,000)	-	-	-	-	-	-	-	-	-
Pay-Go Financing	(101,797)	(103,272)	(97,178)	(102,005)	(135,161)	(128,101)	(142,535)	(149,912)	(166,202)	(185,183)
Operating Reserve - Ending Balance	\$ 180,000	\$ 185,000	\$ 194,000	\$ 201,000	\$ 205,000	\$ 215,000	\$ 220,000	\$ 230,000	\$ 240,000	\$ 250,000
Rate Stabilization Fund Balance RSF ⁽²⁾	\$ (74,450)	\$ (71,950)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)
Senior Debt Service Coverage	459%	502%	533%	513%	616%	647%	632%	618%	660%	769%
Combined Debt Service Coverage	171%	172%	169%	170%	179%	177%	181%	182%	184%	187%
Actual/Projected Water/Sewer Rate Increases	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
*Operating Receipts \$ Increase/Decrease										
Retail	7,460	35,441	23,388	39,353	53,809	28,567	39,764	41,514	46,113	48,507
Wholesale	423	(554)	2,460	2,533	2,609	2,688	2,768	2,851	2,937	3,025
*Operating Receipts % Increase/Decrease										
Retail	1.3%	6.2%	3.9%	6.2%	8.0%	3.9%	5.3%	5.2%	5.5%	5.5%
Wholesale	0.5%	-0.7%	3.0%	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

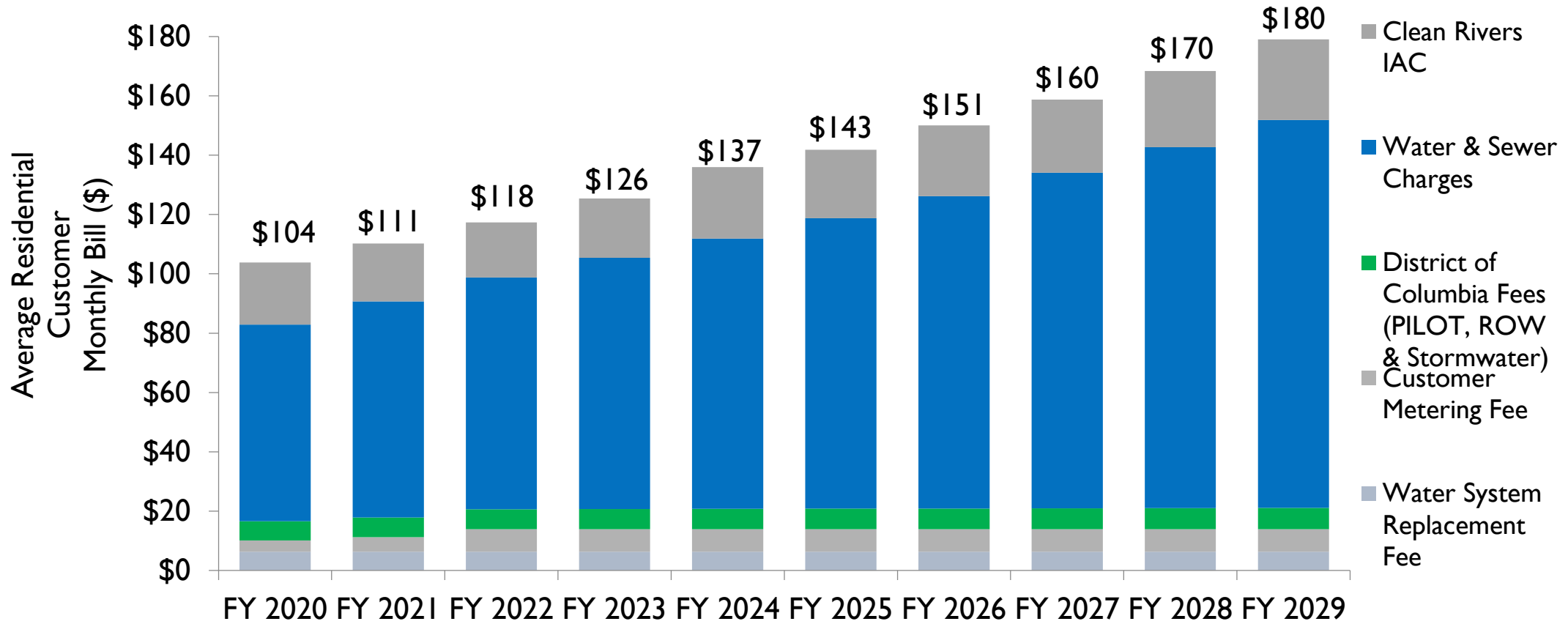
⁽²⁾ FY 2021 planned transfers of \$0.0 million to Rate Stabilization Fund and \$2.5 million utilization will bring the total fund balance to \$71.95 million

Metrics	Indenture Requirement	Board Policy	Management Target
Days of Cash on Hand	—	\$125.5 million or 120 Days	250 Days
Combined Coverage Ratio	—	—	1.6X
Senior Coverage	1.2X	1.4X	—
Subordinate Coverage	1.0X	1.0X	—
Debt Service as a % of Revenue	—	—	33% of Revenue or Less
Rate Stabilization Fund	—	—	10% of Revenue



Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$104 in FY 2020 to \$180 in FY 2029



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

- 💧 The proposed FY 2020 disbursement includes the underspending from FY 2019 to remain congruent with previously approved rate increases
- 💧 Ramp-up to modified Baseline CIP beginning in FY 2021

Service Area (\$000's)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	10-Yr Total	Last Year's CIP	(Increase) /Decrease
Non-Process Facilities	\$ 42,066	\$ 31,849	\$ 20,665	\$ 6,831	\$ 11,058	\$ 10,396	\$ 3,901	\$ 3,553	\$ 3,560	\$ 3,600	\$ 137,479	\$ 138,067	\$ 588
Wastewater Treatment	77,536	102,976	113,378	107,232	107,312	70,680	97,878	101,839	132,256	138,165	1,049,252	978,738	(70,514)
Clean Rivers	162,197	147,565	179,833	129,272	67,536	59,909	148,771	103,265	88,890	115,049	1,202,288	1,262,589	60,301
Combined Sewer	9,239	9,493	12,816	16,553	16,731	8,568	6,699	7,572	8,972	12,435	109,078	79,178	(29,900)
Stormwater	6,869	9,631	7,535	4,170	5,392	4,660	4,201	4,306	6,869	5,057	58,690	68,608	9,918
Sanitary Sewer	44,933	63,926	115,541	88,110	91,562	138,341	159,814	176,789	175,873	174,032	1,228,922	957,135	(271,787)
Water	62,163	88,677	108,878	109,000	92,905	101,765	116,319	146,791	154,916	154,697	1,136,112	945,015	(191,097)
CAPITAL PROJECTS	405,004	454,118	558,645	461,168	392,496	394,318	537,584	544,115	571,337	603,035	4,921,821	4,429,330	(492,491)
Capital Equipment	31,703	37,207	33,790	32,315	33,000	33,000	33,000	33,000	33,000	33,000	333,015	340,324	7,309
Washington Aqueduct	15,515	16,266	18,572	37,841	12,699	33,875	9,508	12,863	24,068	13,971	195,178	187,127	(8,051)
ADDITIONAL CAPITAL PROGRAMS	47,218	53,473	52,362	70,156	45,698	66,875	42,509	45,863	57,068	46,971	528,193	527,450	(743)
TOTAL CIP	\$ 452,223	\$ 507,590	\$ 611,008	\$ 531,322	\$ 438,194	\$ 461,193	\$ 580,093	\$ 589,978	\$ 628,404	\$ 650,006	\$ 5,450,013	\$ 4,956,780	\$ (493,233)
Last Years CIP (Increase)/Decrease	420,342 (31,880)	467,016 (40,574)	561,724 (49,284)	530,006 (1,317)	422,607 (15,587)	450,358 (10,835)	585,454 5,361	535,666 (54,312)	544,490 (83,914)	439,117 (210,890)	4,956,780 (493,232)		

Value of Robust Credit Ratings

- Current credit ratings unlock significant value given size and scope of new money capital plan and potential refinancings
- 20-year average life for \$2 billion of capital borrowing

Rating	Yield Differential vs. AAA Rating	Individual Bond Sale (\$200 million)			Aggregate Capital Program (\$2 billion)		
		Annual Cost Differential (\$200 million)	Total Cost Differential (Through Maturity)	PV at 3.50%	Annual Cost (\$2 billion)	Total Cost Differential (Through Maturity)	PV at 3.50% (\$200MM Issued Annually)
AAA	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA+	0.10%	200,000	4,000,000	2,708,463	2,000,000	40,000,000	22,700,481
AA	0.20%	400,000	8,000,000	5,416,927	4,000,000	80,000,000	45,400,961
AA-	0.25%	500,000	10,000,000	6,771,158	5,000,000	100,000,000	56,751,201
A+	0.35%	700,000	14,000,000	9,479,622	7,000,000	140,000,000	79,451,682
A	0.45%	900,000	18,000,000	12,188,085	9,000,000	180,000,000	102,152,162
A-	0.60%	1,200,000	24,000,000	16,250,780	12,000,000	240,000,000	136,202,883

Note: for demonstrative purposes only. Assumes 20-year average credit spreads as of January 2020. Each \$100 million issue assumed structured as a 20-year bullet maturity at par.

Summary of Rating Agency Views		
Moody's Investors Service	Standard & Poor's	Fitch Ratings
Aa1 (Sr.) / Aa2 (Sub.) / P-1 (Short-term) Stable Outlook	AAA (Sr.) / AA (Sub.) / A-1+ (Short-term) Stable Outlook	AA+ (Sr.) / AA (Sub.) / F1+ (Short-term) Stable Outlook
Strengths		
<ul style="list-style-type: none"> — Large service area bolstered by considerable wealth and institutional presence — Excellent rate management record — Liquidity is solid, and indenture requirements and board policies will protect the authority's cash position in the future — Strong financial metrics because the utility has consistently raised rates to ensure good debt service coverage — No unfunded pension or OPEB liability 	<ul style="list-style-type: none"> — Robust service area that includes highly rated entities in D.C., Maryland, and Virginia — Strong financial management, including conservative financial forecasts and a detailed CIP — Governing board's demonstrated willingness to adjust rates — View that the management team remains committed to balancing environmental stewardship and a socially responsible agenda with ongoing financial commitments — Liquidity and reserves that include high levels of unrestricted cash and investments 	<ul style="list-style-type: none"> — Essential service provider to a large and economically diverse territory with an affluent customer base — Affordable user charges and demonstrated ability / willingness to raise rates, which is done independently of outside oversight — Rate structure aligned towards greater fixed cost recovery — Strong financial margins and healthy liquidity — Projections include rate increases sufficient for stable debt service coverage metrics
Challenges		
<ul style="list-style-type: none"> — Heavy capital needs, in part from regulatory mandates — Need for further rate increases to support substantial capital plan with falling consumption 	<ul style="list-style-type: none"> — Downward pressure could come from a precipitous collapse in financial performance, a change in the way the federal government pays the Authority, or prolonged interruption in operations 	<ul style="list-style-type: none"> — Elevated debt and large CIP — Rating stability will depend on the authority's ability and willingness to continue to adjust and structure rates to maintain financial results in line with historical results and to accommodate rising debt

Selected Peer	Type	Moody's Rating (Senior)	S&P Rating (Senior)	Total Operating Revenues (\$000s)	Total Annual Debt Service (\$000s)	Debt Ratio	Long Term Debt (\$000s)	Total Debt Service Coverage	DS as a % of Total Operating Revenues	Days Cash on Hand	Average Bill as % of Median Effective Buying Income
Atlanta, GA	Water & Sewer	Aa2	AA-	488,089	206,344	44.7%	3,158,564	2.6x	42.3%	1,356	4.1%
Charlotte, NC	Water & Sewer	Aaa	AAA	424,327	148,053	36.6%	1,471,334	1.9x	34.9%	960	1.8%
Dallas, TX	Water & Sewer	Aa2	AAA	668,624	202,597	46.3%	2,719,857	1.9x	30.3%	269	1.6% ¹
DC Water	Water & Sewer	Aa1	AAA	684,502	178,400	44.8%	3,273,034	2.2x	26.1%	280	1.6%
Louisville MSD, KY	Sewer	Aa3	AA	294,368	135,021	58.3%	1,959,198	1.6x	45.9%	283	1.3% ¹
Metro St. Louis Sewer District, MO	Sewer	Aa1	AAA	401,109	84,025	41.0%	1,510,664	2.9x	21.0%	516	1.2% ¹
NE Ohio Regional Sewer District	Sewer	Aa1	AA+	326,059	101,881	50.5%	1,619,111	2.1x	31.3%	798	2.8%
NYC Water	Water & Sewer	Aa1	AAA	3,819,799	694,100	92.0%	30,045,906	3.6x	18.2%	305	2.1%
San Antonio, TX	Water & Sewer	Aa1	AA+	691,046	152,442	44.2%	2,843,030	2.5x	22.1%	539	1.9%

Source: Moody's Financial Ratio Analysis database, as of January 31, 2020. Various S&P Reports for Bills as a % of Monthly EBI. All data as of FY2018 for San Antonio, DC Water, Dallas and NE Ohio. All other data as of FY2019
 1: Calculated based on S&P methodology. Not available from S&P

- **Recommend to the full Board the adoption of the proposed FY 2021 and FY 2022 rates, charges and fees and begin the public hearing process**
 - 9.9% increase in FY 2019
 - 7.8% increase in FY 2020

- **Recommend to the full Board the adoption of the proposed Customer Metering Fees for FY 2021 & FY 2022**

- **Recommend to the full Board the adoption of the proposed FY 2020 – FY 2029 Financial Plan**
 - 10-year CIP disbursement budget
 - Projected water and sewer rate increases

- **Recommend to the full Board the adoption of the proposed increase to the Clean Rivers IAC discount for CAP customers from 50% to 75%**

- **Recommend to the full Board the adoption of the proposed amended regulations to make DC Water's Customer Assistance Program II (CAP2) permanent**

Next Steps

DC Retail Water & Sewer Rates Committee Reviews, Recommendations, and Actions	Dates
Update Committee on Proposed FY 2021 & FY 2022 Rates	January 28, 2020
Committee Recommendation on Proposed FY 2021 & FY 2022 Rates	February 25, 2020
Board approval of Notice of Proposed Rulemaking (NOPR) for Proposed FY 2021 & FY 2022 Rates	March 5, 2020
Public Hearing	June 10, 2020
Committee Recommendation on Final FY 2021 & FY 2022 Rates	June 23, 2020
Board approval of Notice of Final Rulemaking (NOFR) for Proposed FY 2021 & FY 2022 Rates	July 2, 2020
Rates go-live	October 1, 2020 (FY 2021) October 1, 2021 (FY 2022)

- 💧 Board Member Questions & Follow Up
 - Submit budget-related questions to Board Secretary
 - Board Secretary will distribute questions to appropriate staff

💧 Wholesale Customer Briefing – **January 10**

💧 Committee Reviews, Recommendations & Actions – **January & February**



	Environmental Quality & Operations	DC Retail Water & Sewer Rates	Finance & Budget
FY 2020 - FY 2029 Capital Budget (Disbursements & Lifetime)	Action Required		Action Required
FY 2021 Operating Budget			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2020 – FY 2029 Financial Plan		Action Required	Action Required
FY 2021 & 2022 Rates, Charges & Fees		Action Required	

💧 Board Adoption – **March 5**