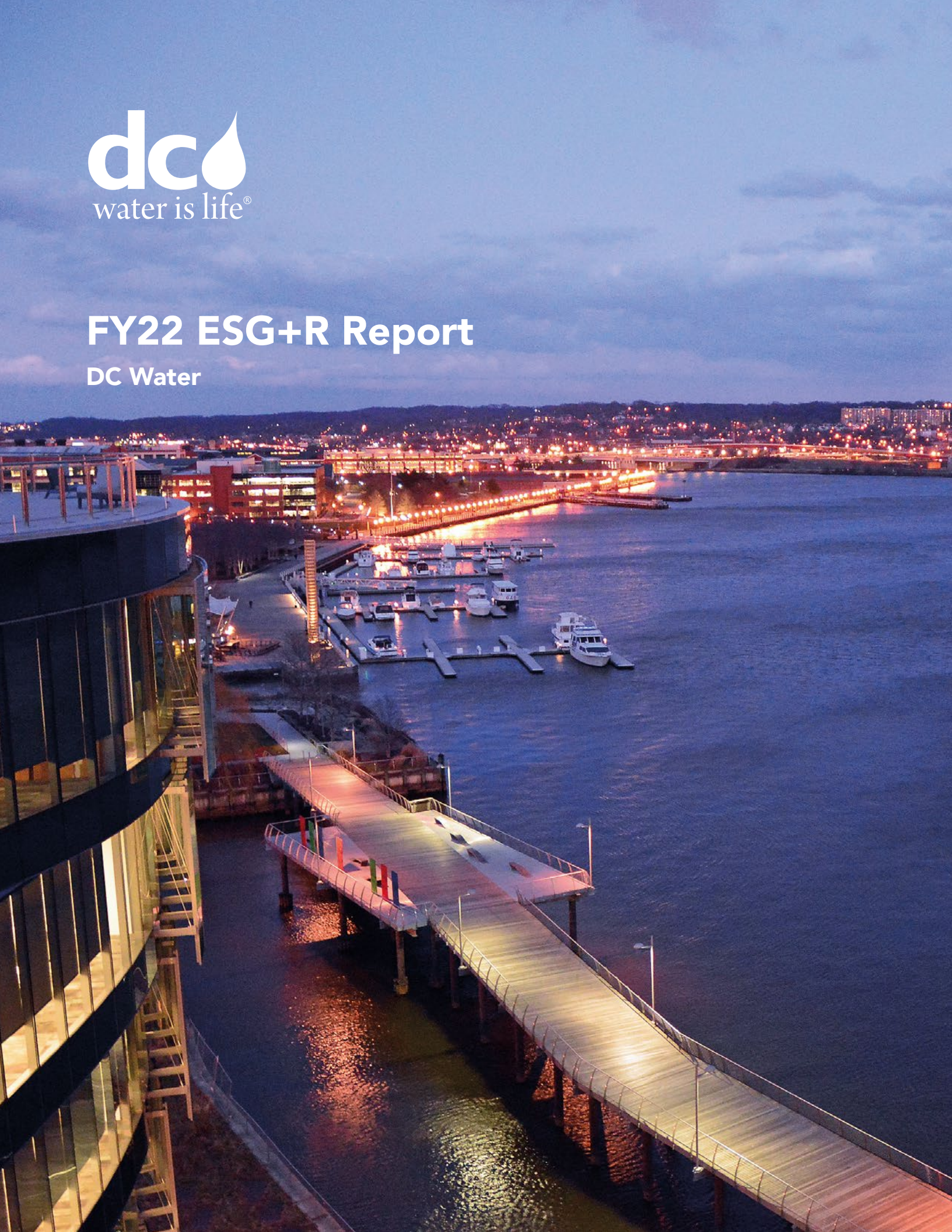
dc water is life®

FY22 ESG+R Report

DC Water



Foreword

Last year, we produced our inaugural Environmental, Social, and Governance (ESG) report to provide our communities and stakeholders with ESG-focused information related to our program, projects, initiatives, and goals. Since then, we have seen the tremendous value ESG principles have provided to better identify and understand risks and opportunities related to the areas discussed in this report. As a result, we have been able to use ESG to advance our mission to provide high quality water services in a safe, environmentally friendly, and efficient manner.

This year, we adapted our ESG program to prioritize resiliency, accountability, and a more integrated relationship with our Enterprise Risk Management (ERM) program. We have also decided to adapt our framework to an ESG+R (Resilience) framework as a response to market conditions, the expectations of our stakeholders, and recognition of resiliency as a Blueprint 2.0 Strategic Imperative and common thread between E, S, and G factors. We have dedicated a section of this report to talk about our climate, financial, and operational resiliency to demonstrate our commitment to improving our ability to adapt to shocks and stresses that we might reasonably face.

To help us deliver on our commitment to providing information related to climate resiliency, risks, and opportunities, we are proud to announce our adoption of the disclosure framework of the Task Force on Climate-Related Financial Disclosures (TCFD). You will see our inaugural TCFD disclosure at the end of this report where we discuss our governance, strategy, risk management, and metrics and targets of monitoring, managing, and measuring climate change.

Our talented DC Water team progressed our ESG goals and ambitions in FY22 through our projects, programs, and initiatives. For example, we launched an innovation program this year that enabled our employees to bring solutions through crowdsourcing campaigns that generate creative, high-potential ideas to advance our strategic plan, Blueprint 2.0. Our commitment to our employees through continued training, internal mobility, comprehensive benefits, and inclusive culture resulted in an improved retention rate of 94.4%, surpassing our 93% target.

We continued our journey to increase our energy independence in FY22, achieving almost 60% sourcing of renewable energy at the Blue Plains Advanced Wastewater Treatment Facility (Blue Plains) thanks to the first full year of successful operation of our four-megawatt solar array and the continued use of our innovative thermal hydrolysis technology that converts wastewater into both energy and a nutrient-rich soil conditioner, Bloom. Furthermore, through our non-profit affiliate, Blue Drop, we sold 56,675 tons of Bloom, reducing our biosolids operational cost by $1.8m.

This report and our continued success are thanks to the ideas, support, and efforts of our workforce. Engaging with ESG topics has strengthened the Authority and made us a more insightful, robust, and resilient organization. We look forward to improving on our efforts in the coming years, using our ESG program to be better informed and prepared for material risks and opportunities we face, and present our performance in addressing those risks in subsequent ESG Annual Reports.

Tommy Wells
Chair of the Board of Directors

David L. Gadis
CEO and General Manager

About DC Water

Our vision at DC Water is to be known for superior service, ingenuity, and stewardship to advance the health and well-being of our diverse workforce and communities. Our mission is to exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

We provide essential water and wastewater services to approximately 700,000 residents and 21.3 million annual visitors to the nation's capital in the District of Columbia.

Additionally, we serve an area of approximately 725 square miles and treat wastewater for approximately 1.6 million people in neighboring jurisdictions, including Montgomery and Prince George's counties in Maryland, and Fairfax and Loudoun counties in Virginia. Our values of accountability, trust, teamwork, customer focus, safety, and wellbeing guide our decision-making and reflect our culture, enabling us to deliver on our vision and mission for the communities we serve.

United Nations Sustainable Development Goals

The United Nations recognizes 17 Sustainable Development Goals (SDGs) that require global coordination to create a planet with shared peace and prosperity.

As a water and wastewater utility, DC Water has a particular duty to our communities, both near and far, to act as a responsible steward of the earth and society. DC Water has leveraged the SDGs as a foundational guide in the development of our strategic plan, Blueprint 2.0.

In our commitment to aligning to the UN SDGs, we highlight the following goals that our initiatives support:

As one of our Strategic Imperatives, Equity is a key focus area for the Authority with strong commitments from leaders and members from across the organization.

Our core function as a water and wastewater utility is to deliver safe, reliable, resilient, and sustainable water and wastewater services to our customers.

We are committed to help the District of Columbia meet its aggressive carbon reduction goal outlined in the Clean Energy DC plan.

We strive to support and develop diversity and inclusion on Authority contracts, with a strong commitment to expand contracts going to Certified businesses.

We are committed to hiring and promoting from within as well as developing and empowering local residents to join the DC Water team.

We convert wastewater into renewable energy, soil conditioner, and clean water that restores our local waterways.

To continue to provide reliable water services to our customers, DC Water accounts for the potential risks of climate change as part of our asset management process.

As stewards of our local water resources, we are continuously exploring ways to become a more regenerative water utility.

ESG Timeline

October 2021
Chimney Swift Tower Installation

November 2021
ERM Mobilization Efforts Begin

January 2022
Brentwood Reservoir Solar Project awarded $1.76m in Solar for All funding

February 2022
Real-time Emergency Event Management System Completed

April 2022
FEMA BRIC Flood Wall Grant Secured

May 2022
National Safety Stand-Down Week

June 2022
Capital Pride Weekend: "We are DC Water"

July 2022
Launch DC Water's first Crowdsourcing Platform

August 2022
First Full Year of Phase 1 Solar Program Operations at Blue Plains

September 2022
Journey of Equity Week

Our Approach to ESG

Since the publication of our inaugural report for FY21, we have furthered our ESG ambitions by progressing our strategic imperatives outlined in Blueprint 2.0. By aligning our ESG strategy with Blueprint 2.0, we aim to deepen the connection between ESG factors and the way in which we operate. However, a lot has changed since last year, both internally at DC Water and externally for our stakeholders. As a result, we have adapted our approach to ESG in a manner that we believe will not only allow us to meet the diverse expectations of our stakeholders, but will ultimately allow us to better handle risks, take advantage of opportunities, and promote a healthy, reliable, resilient, sustainable, and equitable water utility.

The primary update to our ESG approach over the past year is the inclusion of our ERM program as a principal component in the delivery of our ambitions. While ESG is an effective way to address risks and opportunities related to environmental, social, and governance factors, our ERM program's purpose is to proactively identify uncertainties and opportunities that are most impactful to the Authority's ability to execute Blueprint 2.0. Therefore, aligning our ESG and ERM programs is a natural next step and allows us to leverage efficiencies in both programs. By uniting these two together with Blueprint 2.0, we harmonize strategy, ESG, and risk management in every project, program, and policy at DC Water.

This year we have also incorporated a system of accountability to hold ourselves to the strategic goals we established for FY22 in relation to our ESG performance. As you will see throughout this report, we set forth our actual performance against our targets for FY22 as well as set forth our ambitions for FY23 and beyond.

In our day-to-day use of ESG principles, we found that there was a fourth factor that cuts across all E, S, and G factors while also supporting characteristics of its own. This fourth factor is resiliency. Therefore, furthering our commitment of incorporating ESG in carrying out our strategic imperatives, we expanded our ESG program to include our 'resilient' imperative to create an ESG+R program. We have dedicated a section in this report to describe DC Water's approach to acknowledging, managing, and treating risks and opportunities associated with climate, financial, and operational resiliency.

Our five Strategic Imperatives provide direction to the organization to help us deliver our vision and mission

Additionally, our adoption of the TCFD framework helps guide our disclosure of resiliency as it relates to climate risks and opportunities. TCFD is a robust framework that recommends organizations not only disclose their processes for identifying, managing, and assessing climate-related risks, but also describes how those processes are integrated into overall strategy and risk management programs. You will find our initial TCFD disclosure at the end of the report describing our governance, strategy, risk management, and metrics and targets related to climate change. In addition to our disclosure under TCFD, we have also disclosed, as we did last year, under the Sustainability Accounting Standards Board (SASB) framework.

This report seeks to demonstrate our continued progress towards advancing our ESG initiatives at DC Water. We hope you enjoy reading about the new milestones that we have accomplished over the past financial year as well as updates to our existing projects previously mentioned in our FY21 ESG report (identified in blue text throughout the report). We are proud of our accomplishments and look forward to continuing our progress in the next financial year.

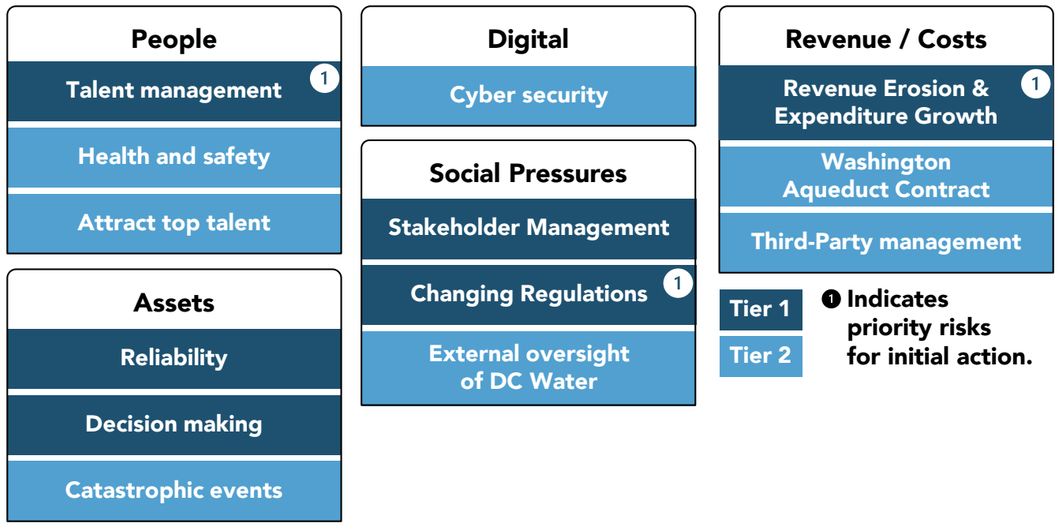
Enterprise Risk Management + ESG

ESG risks have quickly become existential to organizations around the world as external threats, such as climate change, labor shortages, and cyberthreats, increase in both volume and scale. To identify, prepare, and mitigate the risks and opportunities associated with ESG topics, the Authority sees the incorporation of ESG as a natural addition to the newly launched ERM program. ERM is well positioned at DC Water to support the ESG strategy and objectives due to its capabilities, strategic orientation, enterprise views, and integrated operating model.

ERM at DC Water originated from an entity-level audit finding in 2017. Specifically, the observation noted that we were managing our risks in a siloed fashion and, as such, our internal audit partner recommended managing risk in a more holistic manner. In FY22, we began building the core components of our ERM function. The program was established to proactively identify uncertainties and opportunities that are most impactful to DC Water's ability to execute our strategic plan, Blueprint 2.0 and to advance existing risk management competencies and capabilities at the Authority.

In our first year, we established a foundation: our ERM framework, governance structure, and a process to assess risk. We developed our first recorded risk register that identified the 13 top strategic risks, which we prioritized into tier 1 and tier 2 levels. As shown in the diagram, the 13 risks reflect material ESG factors facing DC Water as they relate to people, digital, social pressures, revenue / costs, and assets. These themes are also reflected throughout this ESG report given the utility of using ESG topics to identify, prepare for, and mitigate associated risks. Additionally, working with stakeholders within the Authority on both the ESG and ERM programs strengthens our strong risk culture and promotes innovation.

As our capabilities mature, we intend to further integrate our ERM program into our business processes and consider how ESG can directly advance our ERM ambitions and vice versa. Moreover, the intent is to leverage an ERM solution to enable efficient and effective collaboration across our functional departments. A unified ERM solution provides the platform for a reliable, real-time risk register and avoids complications that might result from manual and disparate tracking of risks.



Our 13 Strategic Risks related to People, Digital, Social Pressures, Revenue / Costs, and Assets

Environmental

DC Water's mission is to exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner. In this respect, environmental stewardship is central to everything we do.

We do this through maintaining and improving upon our existing sustainability programs and operations such as: installing solar panels, converting biosolids into soil conditioner, and treating wastewater while minimizing our impact on surrounding ecosystems. Additionally, the Authority is committed to following the latest scientific guidance both to develop new programs and enhance existing ones. For example, we are rapidly developing an understanding of the impacts that Polyfluoroalkyl Substances (PFAS) have on human health and ecosystems, and we are carefully following the relevant science and regulation to mitigate any risks and continue providing high quality water to customers and the watershed.

We have organized our environmental disclosure under the following categories to showcase the environmental factors we believe to be the most material to DC Water and the broader water and wastewater industry.

Water

Maintaining clean, safe, and reliable water for our customers and ecosystems is crucial to everything we do as a water utility.

Energy and Emissions

As the largest single site consumer of energy in the District of Columbia, we have an important role to reduce fossil fuel energy consumption and associated emissions.

Infrastructure

We complete impactful projects, large and small, through our various initiatives (such as Lead-Free DC) and our $6.4b Capital Improvement Plan.

Biodiversity

Maintenance and improvement of our waterways and our actions above land is key to supporting improved biodiversity and the health of our ecosystems.

Waste and Resources

We utilize waste as a resource to minimize our footprint, increase revenue, reduce costs, and contribute to the circular economy.

Water

Our customers depend on DC Water to provide clean, safe, and reliable water, a responsibility we take very seriously. Each year, we perform thousands of quality tests to ensure that the drinking water we provide meets or exceeds the standards set forth by the Federal Safe Drinking Water Act. These results are published in our Annual Drinking Water Quality Report to provide transparency to our customers. Additionally, in FY22, DC Water quality was in compliance with all wastewater treatment permit requirements. Blue Plains earned another Platinum Peak Performance Award from the National Association of Clean Water Agencies (NACWA). This recognition honors ten consecutive years of 100% compliance with the requirements of the U.S. Environmental Protection Agency's National Pollutant Discharge Elimination System (NPDES).

While we are compliant with existing safety standards, we acknowledge there are new and emerging contaminants in our water supply, which we need to monitor for the safety of our customers. The U.S. Environmental Protection Agency (EPA) recently announced health advisories for PFAS in drinking water. At this time, the EPA has given no recommended action but plans to issue a final ruling in fall 2023 which we are monitoring closely. For now, DC Water is working with industry experts, scientists, regulators, and industry peers to understand health risks, how to mitigate them, and how to communicate them to everyone. We look to the EPA for further guidance as the science progresses.

DC Water meets all EPA standards for lead in water. The Authority goes a step further through the Lead Free DC program that aims to remove all lead service lines in the district by 2030. In FY22, we more than doubled our replacement efforts, replacing almost 1,800 lead service lines compared with 856 in FY21. To tackle the 80% of lead service lines not addressed by current plans, we have developed an equity model to prioritize future lead service line replacement projects. This approach prioritizes lead service line replacement for vulnerable populations most impacted by lead exposure and historically underserved communities that experience disproportionately poorer health outcomes compared to other parts of the city.

Energy and Emissions

We acknowledge the importance of clean energy and emissions control and are committed to helping the District of Columbia meet its aggressive carbon goal as outlined in the Clean Energy DC plan: a 56% reduction by 2032 compared with the 2006 baseline and net zero by 2050. DC Water can play a significant role in accomplishing that goal as the user of over 431 GWh of energy annually. Blue Plains consumes 85% of our energy and therefore represents an area of focus to decrease our emissions and be more resilient through reduced reliance on fossil fuels. We are in-line with Clean Energy DC by using 57.8% of renewable energy at Blue Plains.

Phase 1 of the Blue Plains Solar Program included solar carport installations

Our Phase 1 Solar Program at Blue Plains has helped us achieve our renewable energy goals with FY22 being the first full year that the solar panels were operational. The installation includes over 12,000 panels covering over 260,000 square feet, which is projected to save the Authority $4m over the next 20 years. The solar installation complements existing renewable programs that generate 15 MW of renewable energy annually. The programs include Waste-to-Energy production, Combined Heat and Power (CHP), and onsite Heat Exchangers (HEX). Waste-to-Energy production happens through DC Water's groundbreaking thermal hydrolysis and anaerobic digester project that converts collected sewage solids into methane. The methane that is generated from this process is then burned for energy to help Blue Plains with its energy demands. CHP power is produced through heat recovery from the anaerobic digesters used to heat the thermal hydrolysis process.

Onsite heat exchangers allow for a closed loop system that captures the steam and uses it in the hydrolysis system through heat recovery steam generators.

In January 2022, we passed another milestone for our renewable energy program with the Brentwood Reservoir Solar project being awarded $1.76m in Solar for All funding administered by the DC Sustainable Energy Utility (DCSEU). The award will support the development of the 1,800 kW project of about 4k solar panels on an 18-acre property occupied by an operational reservoir. The Solar for All award ensures that 100% of the energy produced will be provided at no cost to over 500 low-to-moderate income families in the District for the next 20 years. With the successful achievement in June 2022 of final design approval, the system is on-track to be operational in Q1 of 2023.

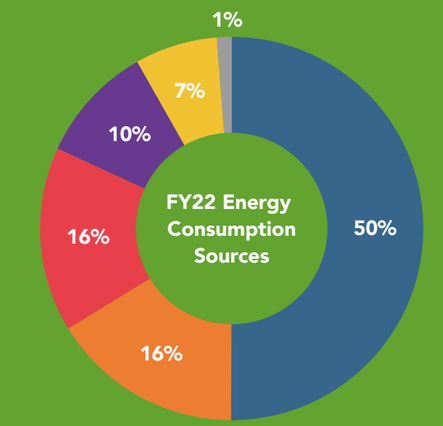
Utilizing renewable resources provides an additional revenue stream through the production of Renewable Energy Credits (RECs). We sell the RECs to help offset the lifetime cost of new renewable energy projects. Currently, RECs are produced through the biogas generation and heat capture systems at Blue Plains, with waste heat captured from the wastewater heat transfer at our headquarters building, HQO, and through the Brentwood Solar Project discussed below. This year RECs totalled over $3.3m in value, surpassing the $2m FY22 goal.

In addition to creating an additional revenue stream, increasing renewable energy production and use at DC Water reduces our reliance on the grid, makes our operations more resilient to power outages, insulates us from the impacts of fluctuating energy prices, and reduces our greenhouse gas emissions. In FY22, we worked to progress the accuracy and thoroughness of our emissions model. We believe that leveraging a robust model that accurately measures our Scope 1, 2, and 3 emissions is crucial to tracking the success of our emissions reduction initiatives. Read more about our GHG emissions in the TCFD index of this report.

Infrastructure

The Clean Rivers Project is DC Water's ongoing program to reduce Combined Sewer Overflows (CSOs) into the District's waterways. It is a $3b program being implemented over 25 years (2005 to 2030) and is the largest environmental improvement project in the District. In an average rainfall year, the project will reduce CSO volume by 96% system wide and 98% on the Anacostia River, bringing CSOs into compliance with the District's water quality standards.

	FY22 Actual	FY22 Target	FY23 Target	FY27 Target
% of Renewable Energy	43%	42%	43%	43%
Energy Produced On-Site (MWh)	185,500	185,100	185,500	187,000
RECs Sold	$3.3M	$2.0M	$3.7M	$4.5M
Clean Rivers Tunnel Volume in Service (Million Gallons)	114 MG	105 MG	105 MG	157 MG



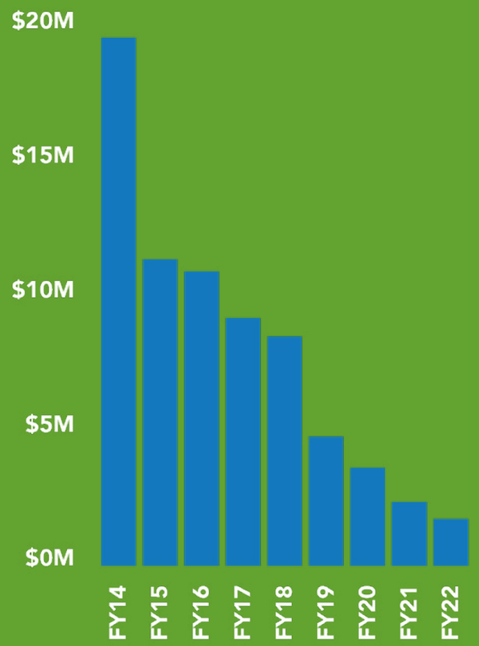
32% reduction of DC Water's Scope 1 and 2 Emissions since 2007

10 Consecutive Years awarded Platinum Peak Performance Award from the National Association of Clean Water Agencies for 100 percent compliance with regulatory permits.

FY22 Actual	FY22 Target	FY23 Target	FY27 Target
Spending with Certified Firms for GI Projects			
94%	50%	50%	50%
Consecutive Months Achieving Class A Biosolids			
84	84	96	120
% of Biosolids Sold Compared to Generated			
36%	35%	37%	60%
Bloom Volume Sold (Tons)			
56,675	55,000	58,000	90,000
Biosolids Disposal Savings from Bloom Program			
$1.8M	$1.9M	$2.0M	$2.5M
Number of HQO Events			
60	40	50	100

93% reduction in the net cost of the Bloom Program from FY14 to FY22

Net Cost of Bloom Program



The program includes more than eighteen miles of tunnels, two pumping stations, a wet weather treatment facility, targeted sewer separation, and green infrastructure. Between March 2018 and October 2022, the system captured more than 14.4 billion gallons of combined sewage and 9,100 tons of trash and debris. The system provided a 91% capture rate, exceeding the 80% predicted at this stage of implementation.

Touring the Clean Rivers tunnel construction project

This year we were also able to progress the Green Infrastructure (GI) elements of the Clean Rivers Program. We began construction of Rock Creek Project B that will consist of permeable pavement and bioretention sites to manage 22 impervious acres within the Rock Creek sewershed. In addition to constructing GI, 30 District residents participated in the National Green Infrastructure Certification Program (NGICP) training at the University of the District of Columbia, a program developed to train individuals to provide skills that lead to living wage jobs in GI. In FY22, eight participants earned their NGICP Exam Certificate. The new cohort brings the overall program up to 104 graduates with 87 employed in green infrastructure program.

In FY22, the Clean Rivers Project continued construction of the Northeast Boundary Tunnel, a 5.5 mile-long, 23-foot diameter tunnel designed to provide CSO control and flooding mitigation. In addition, the program continued construction of a sewer separation project in Georgetown and an advanced utility construction project ahead of the upcoming Potomac River Tunnel that will be used to control the CSOs along the Potomac waterfront. This project is currently in procurement and is planned to be awarded in 2023.

Biodiversity

The health of our ecosystems is vital for the success of our mission. Over the past financial year, we have made strides to become a more regenerative water utility. We continuously seek ways to heighten the health of local ecosystems by keeping pollutants out of our waterways and increasing habitation in the areas we operate. In addition to returning more than 300 million gallons of clean, treated water back to the Potomac every day, we have continued to advance the next phases of the DC Clean Rivers Project as highlighted in the 'Infrastructure' section. The program's outcome of reducing CSOs improves water quality and biodiversity by decreasing water bacteria levels; contributing to higher dissolved oxygen in the water; decreasing the potential for fish stress or fish kills and impacts on other aquatic life; and significantly decreasing the amount of trash in waterways.

A Chimney Swift tower located outside of HQO to support the habitat of the native birds

The award of the Clean Rivers GI contract for Rock Creek Project B also progresses DC Water's biodiversity program. In addition to managing stormwater by taking advantage of the earth's natural processes, DC Water's GI program incorporates native species of plants to support local pollinators and bird species in all GI design specifications.

We are also building habitats to support the ecosystems that we impact. In October 2021, DC Water installed a new structure in the southwest corner of the HQO campus: a tower intended to be the new home for Chimney Swifts, a bird native to the region with a voracious appetite for bugs. The tower simulates the chimney structure that the birds are instinctually attracted to for nesting. Chimney Swifts naturally combat flying pests, support native wildlife, and improve ecosystem health.

Waste and Resources

Blue Plains processes nearly 300 million gallons of wastewater daily. As mentioned in the 'Energy and Emissions' section, the biosolids that pass through the plant are partially converted into Class A-exceptional quality biosolids we call Bloom. Through our non-profit organization Blue Drop that markets the Authority's products and technologies to increase revenues and cost savings, we sold almost 57,000 tons of the biosolids as Bloom in FY22, generating nearly $2m. With demand consistently increasing since production began in 2016, we invested in an on-site storage building in FY22 to store the product to regulate inventory demands. Between sales of Bloom and the REC revenue produced at Blue Plains through the production of waste-to-energy and CHP energy, we have ambitions to offset 100% of the operational cost of the biosolids program at Blue Plains one day in the future.

In addition to the dynamic wastewater that passes through the pipes and tunnels of DC Water, our two-year-old headquarters (HQO) is seen as an equally valuable resource for the Authority. Not only is it certified LEED Platinum—incorporating energy and water efficient measures, including pioneering a wastewater thermal recovery system for office buildings in the US—but it is also used to generate non-ratepayer revenue for the Authority. HQO Events converts DC Water's LEED Platinum headquarters into five unique event spaces that hosted 60 events in FY22 totalling $300k in gross revenue.

Moreover, we are continuously looking for ways to increase our resource efficiency. In FY22, the US Department of Energy (DOE) awarded funding to the Water Research Foundation (WRF) to lead a $2.2m project to investigate five potential treatment systems at Blue Plains. The project will develop and demonstrate data-driven process controls for full-scale wastewater treatment facilities for promising process technologies that offer substantial energy and resource recovery benefits.

Social

DC Water's key stakeholders are our customers, communities, and employees. We provide reliable water and wastewater services to approximately 700,000 customers in DC and approximately 1.6 million people in neighboring jurisdictions. Our local communities benefit directly from programs in the watershed such as the Clean Rivers program, lead pipes that are in the process of replacement through the Lead Free DC program, and various other construction and operational activities. We strive to serve and improve our communities through activities, education, hiring and labor practices. Our employees are our most valuable resource, and we proudly boast of a workforce that is diverse and reflective of the communities in which we serve. Through our programs, policies, and practices, the Authority aims to keep our stakeholder's health and safe.

We have organized our social disclosure under the following categories to showcase the social factors we believe to be the most material to DC Water and the broader water and wastewater industry.

Affordability and Customer Service

As the provider of essential services to our communities, we strive to remove barriers for customers to access water and wastewater services.

Social Impact and Equity

We are committed to incorporating equity into our resource allocation process to make sure our projects improve all the communities we serve.

Diversity, Equity, and Inclusion

We continue to build on efforts to strengthen our workforce that reflects the diverse communities we serve.

Health and Safety

We are uncompromising in our commitment to the health and safety of our employees and require employees to adhere to our strict safety standards.

Workforce

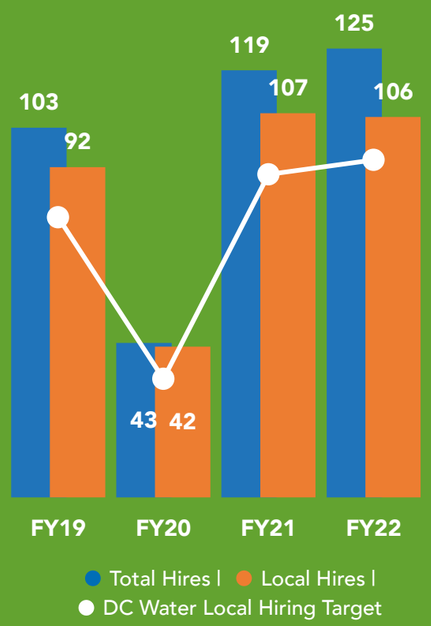
Our workforce is central to everything that we do. Ensuring that we have a healthy and happy workforce and strong talent pipeline is critical to continued success.

	FY22 Actual	FY22 Target	FY23 Target	FY27 Target
% of New Jobs Filled by Local Residents in Underserved Communities	85%	75%	75%	85%
% of Apprenticeships Created by DC Water and Contractors Filled by DC Residents	100%	51%	75%	75%
Number of Charrettes held with Relevant Stakeholders during Project Planning and Design Activities	11	8	10	10

FY22 set a record with **$12.8 million** in assistance provided by DC Water for our CAPs in the over **18,000** accounts enrolled in our programs

85% of new jobs were filled by local residents in FY22

Hires against Local Hiring Target (75%)



Affordability and Customer Service

In our pursuit of providing reliable and equitable services, in FY22 we were able to leverage Community Development Block Grant (CDBG) funds to make repairs to leaks on private property for eligible DC residential customers. Leaks on private property are both a sustainability and an equity issue – if residents are unable to make repairs, water is wasted, and bills continue to climb. Our Board of Directors has allocated $1m in FY23 for administration of this program using the funds obtained from the CDBG. The program will provide additional funds towards our five existing affordability programs: Customer Assistance Program (CAP), Flexible Payment Terms, Lifeline Rate, SPLASH Program, and Water Efficiency

DC Water hosts booths at District events to inform district residents of our Customer Assistance Programs (CAP)

In FY22, the Authority saw 2,650 total new enrollments across our three tiers of CAPs: CAP, CAP2 and CAP3. We assisted 50% more customers and an additional $2.5m in assistance compared with FY21. We helped nearly 4,200 DC residents obtain access to District and Federal utility assistance through the STAY DC assistance program, as well as the new in FY22 Low Income Household Water Assistance Program (LIHWAP) that provides funds to assist low-income households with water and wastewater bills. In total, we helped our customers receive more than $3.4m of funding through these programs. We also waived recertification requirements for customers in the Residential Assistance Program (RAP) and Multifamily Assistance Program (MAP), an industry-leading program that is one of the only of its kind, for FY22. These programs were critically important within the context of the ongoing pandemic and related economic impact to those we serve as an important lifeline for our most financially vulnerable families.

Social Impact and Equity

We provide water and wastewater services to over 1.6 million customers across 725 square miles. We provide reliable water and wastewater services to approximately 700,000 customers in DC and approximately 1.6 million people including neighboring jurisdictions. This level of service requires significant investment in infrastructure to keep our customers and communities healthy, safe, and well. Every year, we update our 10-year Capital Improvement Plan (CIP) to reflect the evolving needs of our communities. This update includes upgrades to our water and sewer systems based on evaluations to ensure compliance with regulatory mandates. Actions outlined in the updated CIP are focused on removing pollutants and combined sewer overflows to local rivers, as well as evaluating and improving the efficiency of our operations.

Our CIP includes billions of dollars in new investments allocated towards our city and communities. In FY22, our 10-year CIP was valued at $6.4b. Allocating resources to investments is an intentional process that we take very seriously. To help us prioritize projects that need short-, medium-, and long-term attention, we use a prioritization framework. Historically, we have used a prioritization program that looks at regulatory mandates as the top priority, followed by investments to improve health and safety, address failing infrastructure, address public concerns, and upgrade our facilities. We are pleased to share that, in FY22, we have included equity criteria in the CIP Planning process.

Our view is that equity can be progressed through the intentional investment of resources. Through this process, we can provide vulnerable communities with (1) access to safe, clean, affordable drinking water and wastewater services, (2) meaningful involvement in decision-making processes, and (3) the economic, social, and environmental benefits created by the Authority to vulnerable communities. These concerns are incorporated into the project prioritization process and weighted in project funding priority by using tools such as the Area Deprivation Index (ADI), EJScreen, and the Climate and Economic Justice Screening Tool (CEJST) to incorporate an equity index and equity weight on every project. For example, in FY22, we used this approach to update our prioritization of the inspection and rehabilitation of small diameter water mains and local sewers between FY23 and FY32.

In FY22 we used equity criteria to update our prioritization of the inspection and rehabilitation of small diameter watermains and local sewers over the next 10 years

In 2016, we established our Water Works Program to facilitate meaningful employment in DC Water construction and service projects by local and District residents. For FY22, we filled 125 positions ranging from labor (70), technical (30), service (19), and admin/management (6) positions. DC Water Works maintains a set of Strategic Partners consisting of Government agencies, community-based organizations, private contractors, and union affiliated groups that act as referral partners for contractor employment and training opportunities. In FY22, the Strategic Partners contributed to the placement of 13 individuals on DC Water projects or training programs.

Diversity, Equity, and Inclusion (DE&I)

The DC Water family is a reflection of the diverse community that we serve. As stewards of our diverse workforce and communities, the Authority champions inclusion and equity by intentionally linking business strategies, including Blueprint 2.0, to diverse ideas and perspectives from across the Authority, the District, and the national water sector. Along with hosting annual online DE&I trainings that include allyship and advocacy programming, key DE&I activities from this financial year include the following:

Our cross-divisional inclusion council, named One Water, delivered on its FY22 Inclusion Plan with accomplishments ranging from a Women's History Month event and panel discussion to proposing the use of an Equity Index Tool in CIP Planning that was highlighted in the 'Social Impact and Equity' section.

Engagement with the Women of Water (WOW) Employee Resource Group through panels and discussions throughout the year to share stories of women in leadership as well as provide guidance on how to advocate for oneself and others.

The "We are DC Water" program aims to build an inclusive culture at the Authority by empowering our employees to share their personal stories with their fellow colleagues on a variety of DC Water platforms. This year, communication campaigns celebrated Asian American Pacific Islander (AAPI) Heritage month, Pride Month, and Hispanic Heritage month.

At the Authority's annual Stars of Water Gala, a "We are DC Water" Star of the Year award was created to recognize employees who have demonstrated a commitment to DE&I. The employees exemplify the Authority's values in creating a more inclusive culture that embraces and encourages diverse ideas.

Participants in a "We are DC Water" program celebrating inclusive culture at the Authority

Health and Safety (H&S)

We are committed to providing a healthy, safe, and well working environment for our workforce. With a median age of about 50 years old, DC Water employees are particularly vulnerable to the impacts of COVID-19 and seasonal illness. To increase our employee's safety, we hosted a mobile clinic at HQO in October 2021 to provide employees with the opportunity to receive a booster shot for the Omicron variant, and three on-site flu shot clinics. With over 96% of our employees fully vaccinated against COVID-19, we are proud of our employees for taking steps to protect themselves and others from the virus.

To promote a culture of safety at the Authority, DC Water participated in the Occupational Safety and Health Administration's (OSHA) National Safety Stand-Down week in May of 2022. During the Stand-Down week, we sent daily emails with helpful tips and techniques to minimize the risk of falls and emphasized the topic during team Toolbox Talks. In July 2022, the Authority further the safety of our employees by investing in KASK Zenith X Type 1 Class E Hard Hats. Slips, trips, and falls are the most common workplace injuries nationwide, and this is also true at DC Water.

The new KASK helmets offer important safety upgrades, including electric shock protection and a chin strap and impact protection from multiple angles that ensure the helmet stays in place. This offers improved protection against traumatic brain injuries. Attachments, such as a visor for splash protection and earmuffs for hearing protection, were also made available for staff.

In efforts to further our commitment to broader employee wellness, we continued to publish a monthly Wellness calendar to help staff recharge physically and mentally. Activities included a diverse set of offerings including workouts, health tips, financial wellness sessions, and financial incentives for completion of activities.

Workforce

We consider it part of our public service mission and strategic planning to support and encourage the educational goals of the next generation through initiatives such as our internship and apprenticeship programs. In 2022, we hosted 27 interns through our Summer Internship Program. The program is designed to expose undergraduate and graduate students to a wide range of career opportunities in the public sector and provide them with valuable professional skills that can be transferred to any occupation or industry. The Authority also hosts an apprenticeship program that was honored by the DC Office of Apprenticeship for outstanding sponsorship in apprenticeship training this year. Our 2022 apprentice cohort comprises of 15 apprentices, of whom 25% are women. As part of the Authority's ongoing efforts to hire and promote from within, seven DC Water employees participated in the National Association of Clean Water Agencies (NACWA) Emerging Leader training program. The Emerging Leaders program is a six-month experience that targets emerging leaders whose span of influence and impact is growing in a meaningful way and exposes them to leadership best practices and tools.

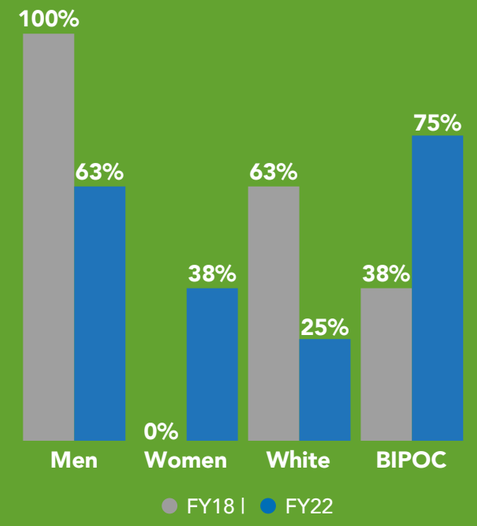
DC Water interns present their work to DC Water staff at the Intern Expo

We also continued the Leading Blue program, a year-long leadership development program aimed at equipping emerging leaders with leadership competencies in preparation for their next role. This program feeds into the Authority's succession plan program discussed further in the 'Operational Resilience' section. In part to the initiatives mentioned above, as well as through our competitive compensation and benefits, career development opportunities, and employee recognition programs, we continued to make significant strides on workforce retention and recruitment in 2022. We are honored to claim an attrition rate of only 5.7%, surpassing our FY22 goal of 7%.

	FY22 Actual	FY22 Target	FY23 Target	FY27 Target
Total Recordable Incident Rate	3.1	5.3	4.9	<FY26
Lost Time Recordable Incident Rate	2.1	2.1	1.7	<FY26
Safety Observations (Near Misses, Good Catches, etc.)	1/119,000	1/30,000	1/30,000	2/30,000
Female Representation Across the Authority	23%	24%	24%	25%
Female Representation Across Leadership (Grade A and Above)	32%	33%	33%	35%
BIPOC Representation Across the Authority	82%	80%	80%	80%
BIPOC Representation Across Leadership (Grade A and Above)	59%	60%	60%	60%

Increase in the representation of woman and BIPOC in the Senior Executive Team (SET) of DC Water since FY18

Gender and BIPOC Representation in SET



Governance

Governance is becoming increasingly essential to water and wastewater utilities as our policies, programs, and practices serve to protect us from increasingly large threats from climate change, cyberthreats, and help us innovate to mitigate and prepare for these threats. As a provider of essential services, DC Water is committed to maintaining and improving our governance practices including our risk management procedures, cybersecurity, and policies that support our ESG Governance and strategy and innovation practices.

We have organized our governance disclosure under the following categories to showcase the governance factors we believe to be the most material to DC Water and the broader water and wastewater industry.

ESG Governance

To institutionalize ESG in the Authority, roles and responsibilities must be allocated within the DC Water structure.

Policies and Transparency

Implementing critical policies is important to maintain a functioning, resilient, and accountable organization.

Cybersecurity and Privacy

As an organization dependent on technology, preparing for cyberthreats in critical to continued operations.

Strategy and Innovation

As unexpected threats emerge, there is ample opportunity for innovation to improve operations and strategic outcomes.

Risk Management

Identifying ongoing and emerging risks is critical to preparing prevention and mitigation strategies.

ESG Governance

Our initial ESG reporting efforts originated from our finance department as a tool to share our progress with the investor community and ratings agencies. Through our inaugural ESG report in FY21, we realized that the reporting process provides DC Water with an opportunity to coordinate efforts across the Authority and create goals that advance our strategic objectives as well as our ESG efforts. Therefore, over the past year, we have stood up the initial framework of a governance structure to institutionalize ESG throughout our Authority, allocate roles and responsibilities, guide future initiatives, manage data governance of our metrics, and intentionally establish the relationship between our strategy, ERM, and ESG programs.

Our FY22 ESG Governance structure consists of an ESG Working Group that fulfils the responsibilities of our ESG program on an as-needed basis under the guidance of our ESG Steering Committee currently led by the Sustainability function of the Strategy and Performance Office. In FY23, we will seek to formalize the specific roles in the Working Group to ensure key activities of our ESG program are tied to a specific member of the Group.

The Steering Committee is responsible for coordinating ESG initiatives, performance, goals, and milestones to the Authority and the Board of Directors via the Finance and Budget Committee and monthly Board Meetings.

Policies and Transparency

FY22 saw a continuation of one of the Authority's most unique programs to mitigate and manage risk: the Rolling Owner Controlled Insurance Program (ROCIP). ROCIP began in October 2004 to help address the uncertainty of insuring construction projects. The Authority procures insurance for the majority of our construction contractors through the ROCIP.

Since its inception, there have been five programs, covering 223 projects and $4.9b in construction, resulting in over $33m in avoided costs to general contractors. In addition to the avoided costs savings, the ROCIP provides a myriad of other benefits that help the Authority manage its risks related to commercial insurance coverage. The ROCIP provides consistent coverage that allows for focus on mitigation instead of confrontation, reducing construction delays and costs, confusion related to claims reporting, and litigation.

It also allows for higher limits and broader coverages for all enrolled contractors, resulting in lower rates and Intermunicipal Agreement (IMA) costs that ultimately reduce ratepayer costs. From a social impact and equity perspective, the ROCIP increases minority contractor participation due to lower coverage requirements for contractors—a benefit that has allowed for approximately 24-31% minority participation since 2004.

DC Water strives for transparency with customers and stakeholders. The Authority provides information to the public that is required by the Freedom of Information Act and additional, voluntary information. A non-comprehensive list of information that is available includes: Lead Service Information, Statements of Policies, Information on Expenditure of Funds, Budget Information, and Meeting Minutes. We provide data through our open data portal where we publish data related to capital improvement, service line materials, and water main breaks, amongst other datasets. This information and more are incorporated into a variety of reports including our Annual Report, Green Bond Report, Water Quality Report, and this ESG Report.

The ROCIP program has resulted in over $33m in avoided costs to general contractors

Cybersecurity and Privacy

As dependency on technology grows and cyberattacks increase in both number and sophistication, it is increasingly important for DC Water to emphasize cyber resiliency as well as cybersecurity. Cybersecurity focuses on the first three pillars of the of the National Institute of Standards and Technology (NIST) Cyber Framework: Identification, Protection, Detection. Cyber Resiliency broadens the focus to include the remaining two pillars, Response, and Recovery, to ensure the Authority can quickly respond to and, if necessary, recover from a successful exploit should one occur.

Over the past year, we have continued to integrate cyber resiliency capabilities into our cyber system through the creation of DC Water's Continuous Diagnostic and Mitigation (CDM) Program. The CDM Program is a dynamic approach to monitor, analyze, detect, and mitigate cyber threats to maintain an acceptable cybersecurity posture across the Authority. CDM helps the utility to prioritize risks based on potential impacts and mitigate the most significant issues, first reducing the likelihood of an incident to ensure a safe and reliable computing environment.

We believe a key tenant of promoting cyber resiliency is to share and spread information around lessons learned and performance of cyber systems. In response to increasing cyber-attacks on critical infrastructure, in February 2022, the White House authorized the creation of the National Cyber Security Taskforce for Water. DC Water was invited to join nine other utilities from across the US as part of the Taskforce. In addition to water utilities, the Taskforce consists of members from the Department of Homeland Security (DHS) and Cybersecurity and Infrastructure Security Agency (CISA). The Taskforce's objective is to develop a set of recommendations for water/wastewater utilities to implement to enhance their cybersecurity protections and create a framework for industry wide incident reporting.

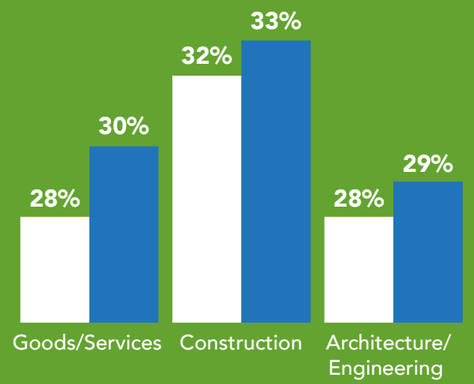
Strategy and Innovation

Application of innovative technologies and approaches will enable the advancement of our strategic goals in Blueprint 2.0 and help us adapt to new challenges for the people and planet. With that in mind, in the summer of 2021 we launched the Innovation Hub, a dedicated resource within DC Water that recognizes the valuable role that our employees play in helping address key challenges facing the Authority. Over the past year, the Innovation Hub has produced several impactful projects. For example, advanced technology involving acoustic sensors and artificial intelligence (AI) proved successful in detecting water main leaks and defective water valves. By proactively identifying the location of large- and medium-sized leaks, valuable time and resources were saved in making the necessary repairs. One such leak (now repaired) was discharging over 200k gallons of treated water per day. Another FY22 program launched from the Innovation Hub involved advanced ultrasound and AI technology to monitor sewer level and flow to prevent sewer overflows, backups, and reduce levels of Hydrogen Sulfide odors in public areas.

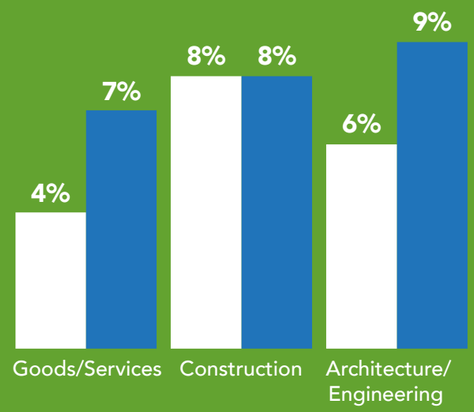
	FY22 Actual	FY22 Target	FY23 Target	FY27 Target
% of Certified Firms Working as Prime Contractors	21%	18%	25%	35%
% of Certified Firms Working on DC Water Projects	36%	25%	30%	50%

100% of Disadvantaged Business Enterprise (DBE) and Woman Business Enterprise (WBE) spending goals met for FY22

% DBE Spend



% WBE Spend



FY22 Actual	FY22 Target	FY23 Target	FY27 Target
ERM (Maturity Scale 1-5)			
1	2	2	2
Cell Tower Revenue			
$245,000	$263,584	$282,000	$320,000
Intellectual Property Sales			
$697,197	$650,000	$665,000	$1.0M
Total Revenue Generated from Alternative Sources			
$6.1M	$4.6M	$5.3M	$11.0M

$6.1 million in revenue produced through Blue Drop programs including RECs, cell tower leases, intellectual property, and Bloom sales

$8.6 million in retained earnings accumulated by Blue Drop. **$2 million** is allocated towards the Bluefin Innovation Fund

The pilot successfully validated the technology to this point. Though still ongoing, the findings indicate the potential for reduction in operational costs, sewer overflows and clean-ups, truck emissions associated with servicing overflows, and odor discharge complaints.

FY22 also saw the launch of our first-ever Crowdsourcing Platform through the Innovation Hub. There were three specific campaigns launched on the Platform in FY22 that invited employees, contractors, and partners from across DC Water to share their ideas. The "Do You Have an Idea?" campaign encouraged participants to submit ideas that advanced the strategic imperatives (i.e., How can we become more Reliable, Resilient, Sustainable, Equitable, and Healthy/Safe/Well in how we operate?). The results of this campaign were encouraging with 15 ideas among 180+ employees, contractors, and partners engaged on the platform.

Our water leak detection team convenes for our kick-off event

In 2016, DC Water launched Blue Drop to find innovative ways to generate non-ratepayer revenue. In addition to the Blue Drop programs previously mentioned in this report (i.e., Bloom and HQO Events), Blue Drop program also includes the children's book series, "Wendy's Wonderful World of Water" that won the Public Communication and Outreach Award from the Water Environment Federation (WEF). This year, 256 copies were sold with 10% of each sale of "Wendy, Where Does the Wastewater Go?" diverted to the Authority's SPLASH Fund to help financially vulnerable customers maintain water and sewer services. In FY22, Blue Drop launched a new program to lease cell towers that collected over $260k in revenue surpassing the $245k target. Overall, Blue Drop accumulated almost $8.6m in retained earnings for FY22.

Risk Management

This year, we developed an Authority-wide communication plan to socialize the purpose and value of ERM. The ERM program is anchored to advancing the imperatives outlined in Blueprint 2.0. It is designed to be integrated into our existing business processes with the aim of mitigating risk across the Authority, managing uncertainty, and strengthening our ability to respond to disruption.

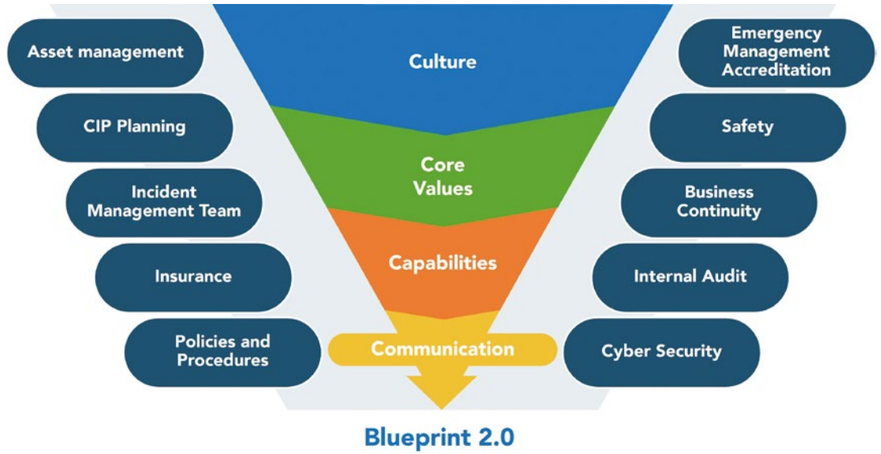
ERM programs face challenges inherent to most organization-wide endeavors that coalesce disparate silos under common governance and processes. Rather than struggle against these challenges, we developed our ERM framework, governance structure, and process tailored to fit our culture and business needs. To that end, we embedded risk discussions into existing leadership forums that leaders already attend to help drive ERM initiatives.

During our ERM mobilization phase, we engaged approximately 40 stakeholders to get their perspective on where they believed the Authority may be exposed. More specifically, we interviewed, the Senior Executive Team (SET), senior leaders, and risk managers across the Authority. A critical step in laying the foundation was identifying and inventorying the risk management activities already in existence. We were cognizant that leveraging existing content and documentation would increase staff's level of comfort and familiarity.

The intent was to build on the risk practices that already exist and then institutionalize a more formal, consistent risk management process.

To socialize ERM throughout the Authority, we convened an introductory educational ERM session for members of the Board of Directors and the Senior Executive Team. This educational session introduced the fundamentals of ERM and established a common risk vocabulary in the process. We also engaged 144 senior leaders during our annual leadership retreat in April 2022. Next year we plan to roll out ERM foundational training for all staff members to create a consistent understanding of and approach to risk management, mitigation strategies and decision-making.

In 2019, we became the first utility in the nation to pursue and successfully accomplish the Emergency Management Accreditation Program (EMAP) accreditation, an industry-recognized and approved criteria to evaluate the capabilities of our disaster preparedness and response systems. We annually submit a report to EMAP that highlights how we stay in compliance with standards required within the accreditation. Highlights from this year's efforts include: development of a 5-year plan revision cycle with annual updates and tracking participant reviews, and provided over 60 training and exercise events, mostly sponsored by EPA Region 3, for staff and partner response agencies to assist in building capacity in resilience for the utility and region.



DC Water's ERM Program helps to strengthen the organization through risk preparation and mitigation

Resilience

As we continue to contend with expected and unforeseen threats such as extreme weather events, pandemic-related affordability concerns, and cyberthreats, the Authority prepares for and mitigates these impacts through resiliency programs and practices. We continue to improve data collection and governance of the metrics we track as part of Blueprint 2.0 to monitor the status of key indicators. We can more effectively manage and allocate resources towards activities that we measure. As we grow our data collection over time, we can enhance our programs and allocate resources according to the areas of highest need.

We have organized our resilience disclosure under the following categories to showcase the factors we believe to be the most material to DC Water and the broader water and wastewater industry.

Climate

Impact related to climate change threatens water and wastewater utilities through extreme weather events, drought, fires, and other physical hazards that can be prepared for and mitigated.

Financial

Providing affordable services is paramount to what we do. Innovation helps us identify a diverse source of non-ratepayer revenue.

Operational

Maintaining agile operations allows us to quickly adapt to unexpected threats and change such as pandemics and power outages.

FY22 Actual	FY22 Target	FY23 Target	FY27 Target
Combined Coverage Test (Revenue/Debt Service)			
2.29	1.60	1.60	1.60
Debt Service as a % of Operating Revenue			
27%	<= 33%	<= 33%	<= 33%
Days Cash on Hand			
268	250	250	250
Water Services O&M Monthly Costs ($/MG)			
$1,904	$2,158	$2,319	$2,797

$20.3 million awarded to the Blue Plains floodwall project from FEMA's **BRIC** grant program as a **Justice40 project**. This grant will cover **70%** of the remaining cost of the floodwall.

$18.8 million in cashflow savings due to the re-execution of the Authority's **$156.4 million WIFIA loan**. The re-execution resulted in an interest rate of **1.87%** versus the **2.33%** rate of the original loan as well as net present value savings of **$12.6 million.**

Climate

Our mission is to exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner. As part of the Blueprint 2.0 strategy, DC Water has advanced efforts to broadly engage stakeholders to enhance resilience within our watershed, considering assets, the environment, and local communities.

Related to flood risk, the 2011 DC Water Flood Risk Mitigation Report for Blue Plains recommended construction of a floodwall to protect the plant from a 500-year storm event. The construction of a floodwall around the plant was selected as the best mitigation alternative to reduce the risk of wastewater services being disrupted and the risk of substantially degraded effluent quality being discharged into the Potomac River. This year, the project secured $20.3m in funding through the Federal Emergency Management Agency (FEMA) Building Resilient Infrastructure and Communities (BRIC) grant. The project is also recognized as a Justice40 project, a federal investment that benefits disadvantaged communities that have historically been underserved and overburdened by pollution. This grant is expected to cover 70% of the cost of the design-build contract for the three remaining segments of the floodwall (segments A, B, and D). The fourth segment, segment C, was completed in July 2021.

Storm gate installation at Blue Plains for flood protection

In efforts to mitigate the impacts of climate change and promote decarbonization, we are pursuing ways to overcome resilience obstacles while reducing emissions associated with critical infrastructure. After winning the Advanced Energy Group's (AEG) infrastructure-focused challenge in January 2021, we completed a 12-month collaboration with stakeholders to develop a scoring tool that prioritizes projects based on (1) carbon reduction, (2) resilience, and (3) equity. These three metrics are assessed through DC Water tools to measure avoided carbon, community resilience, infrastructure resilience, inclusion and engagement, and utility burden assessments. This prioritization method allows us to identify projects that can help with the decarbonization transition while simultaneously creating energy cost stability. Our efforts to lower our carbon footprint can also create confidence that we can budget for other climate-related efforts and reduce the volume and size of unexpected costs associated with unpreparedness.

Moreover, protection of our water source and supply is critical to our continued success as a water and wastewater utility. Through our partnership with the Potomac River Drinking Water Source Protection Partnership and the Metropolitan Washington Council of Governments, we are identifying collaborative, regional priorities to protect our water source in the Potomac River Basin. While we are fortunate to have a robust source water supply in the Potomac River, we nevertheless are working with our Federal and regional partners to identify secondary sources for water to further improve our water supply resilience.

Financial

Financing a multi-billion-dollar utility takes thoughtful financial planning and innovation. Our Board of Directors has adopted a series of key financial policies for financing, rate-setting, and cash and investment management to serve as the key parameters in the development of our 10-year financial plan, CIP, and operating budgets. In order to maintain financial resiliency, the cash reserve level was increased from an indenture requirement of 60 days to the Board policy of 250 days of operating expenses. A combined debt service coverage Board policy of 160 percent was implemented enhancing our capacity to meet debt service requirements built into our 10-year financial plan. This policy is greater than the indenture requirements of 120 percent for senior debt and 100 percent for subordinate debt. Additionally, a portion of the capital program will be financed from cash reserves that exceed the operating and maintenance reserve level, thereby reducing the need for long-term debt.

The Clean Rivers Project has been financed through DC Water's $850m green bond program

Another useful tool in our financial planning process is our green bond program. In July 2014, DC Water issued its inaugural green bond to finance a portion of the DC Clean Rivers Project. Since then, we have issued additional green bonds to bring the total value of issuances to approximately $850m as of the end of FY22. In addition to reporting on Use of Proceeds, we are increasing our reporting of Impact Metrics to provide stakeholders with a view into the Environmental and Social outcomes of the green bonds. In addition to the previous metrics for Water Quality, Climate Resilience, and Responsible Management, our FY21 green bond report provided data on Scope 1 and 2 GHG emissions for the first time in alignment with International Capital Market Association principles.

Supported by our AAA rating from Standard and Poor's and AA+ and Aa1 ratings respectively from Fitch and Moody's, we are able to secure low-interest financing that improves our financial resiliency. In October 2021, we successfully completed the re-execution of the Authority's $156.4m Water Infrastructure Finance and Innovation Act (WIFIA) loan, administered by the EPA. WIFIA funds nearly half of our $319m Comprehensive Infrastructure Repair, Rehabilitation, and Replacement Program. The re-execution of the loan resulted in a reduced interest rate of 1.87% compared with the 2.33% rate of the original loan, resulting in a net present value savings of $12.6m, and cashflow savings of $18.8m. As part of the reporting requirements for the WIFIA loan, the Authority publishes quarterly reports with updates on project progress.

In addition to finding innovative ways to obtain new financing, DC Water also continues to strive for strategic debt financing and refinancing strategies that decrease our debt cost, increase our financial resilience, and that ultimately reduce costs for District rate payers. In February 2022, DC Water executed an innovative refinancing structure that offered to repurchase existing bonds from investors for immediate retirement funded through refunding bond proceeds or in exchange for a new bond at a lower interest rate. The refinancing was a success with 26% of investors opting to accept DC Water's tender or exchange offers. Pursuit of this innovative strategy resulted in savings of over $33m to District ratepayers (present value of $25.5m) between FY22 and FY45.

In part due to the initiatives described in this section, we are pleased to announce our twenty-second consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its Board-adopted FY23 budget. This award is the highest form of recognition in governmental budgeting and the attainment represents a significant achievement by any governmental organization.

Operational

Strategic recruiting and succession planning are core to a resilient organization. Preparing for organizational needs early on can minimize downtime and ensure that day-to-day operations are minimally disrupted. We have enhanced our recruiting processes to create a reliable and improved experience for both the hiring manager and candidate and proactively predict talent needs to maximize our applicant pool and reduce time needed to fill roles. We also updated our hiring manager training to enable a truly diverse talent pool that's primed to work in and support an inclusive work environment. Through a variety of efficiency changes, we were also able to realize a 68% reduction in recruiting time.

Our updated succession planning efforts not only provide long-term stability for the organization but improve the employee experience through proactive learning and development opportunities, employee empowerment, and improved organizational morale. Succession planning is conducted bi-annually and utilizes a criticality matrix to identify key positions. After positions have been identified, high potential employees and external hiring needs are identified. Once confirmed, development plans between 1-5 years are prepared to ensure employee readiness for the role and allow for knowledge transfer between personnel. Our efforts have resulted in a succession pipeline more diverse than current DC Water demographics with 38% women represented compared with 23% of the Authority's overall workforce.

We have also showcased our human capital resiliency through our telework program at DC Water. Beginning during the COVID-19 pandemic, DC Water was able to transition employees able to perform duties remotely via telework. Critical operations staff were provided with safeguards including Personal Protective Equipment (PPE), staggered shifts, and social distancing. Continuing through FY22, the Office of Emergency Management worked closely with our Chief Operating Officer to monitor pandemic conditions to allow the Authority to pivot to telework should conditions warrant a change from the current operating posture.

In addition to resiliency through human capital, the Authority sees asset resiliency as a key part in our overall operational resiliency. The 2022 Global Water Awards awarded the DC Water Event Management System (EMS) with the Smart Water Project of the Year. The EMS integrates data from across management platforms to provide everyone, including DC Water employees and third-party stakeholders, with access to real-time data and performance monitoring. In under 6 months, the Authority implemented this transformative system that acts as an early warning system for non-routine events, including real-time flood tracking and water tracking dashboards, as well as an Incident Tracking Tool and Resource Management Tool. The system allows DC Water to provide a faster response time and reduce the impact of flooding and water system emergencies across the District.

To ensure continued operations of critical assets, we completed a project to enhance the redundancy and resiliency of the 69kV power supply to Blue Plains. The project connected two new power cables to existing and independent power feeders that supply it and the adjacent Naval Research Laboratory (NRL). The new power cables will provide the existing plant feeders with a designated alternate power supply from the new NRL connection. The project is designed to reduce the time needed for power restoration because of a redundant supply to the plant via two feeders at all times.

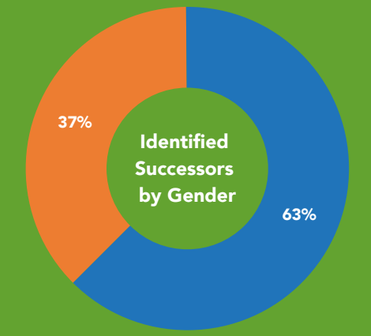
We are reducing our reliance on petroleum-based fuels by transitioning our fleet to biodiesel trucks

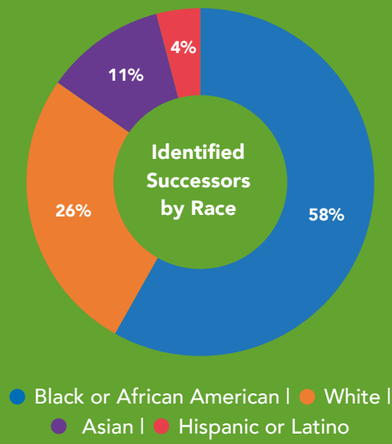
As the operator of over 575 vehicles, DC Water has the opportunity to progress its decarbonization goals, improve local air quality, and reduce its reliance on petroleum-based fuels through changes in our fleet composition. Through the EPA's Diesel Emissions Reduction Act (DERA) program, the Authority secured funding this year to purchase 12 new vehicles that operate using B100 biodiesel fuel. With existing technology, heavy-duty vehicles are difficult to decarbonize from both a technical and financial perspective. Utilizing B100 biodiesel fuel is projected to reduce CO_2 emissions from heavy-duty vehicles by 90%. B100 fuel also reduces other harmful pollutants, irritants, and carcinogens linked to petroleum-based fuels that result in public health issues such as asthma, lung cancer, and other respiratory diseases. Through a 2020 pilot program, and previous DERA award, the Authority already owns 19 B100 vehicles, bringing the total number of vehicles in our fleet running on B100 fuel to a total of 31.

	FY22 Actual	FY22 Target	FY23 Target	FY27 Target
Employee Turnover Rate	6%	7%	7%	7%
Internal Hires %	49%	35%	40%	40%
Succession Planning and Training (Maturity Scale 1-5)	1	2	2	3

101 successors identified as part of our bi-annual succession planning process that identifies critical positions

68% reduction in recruiting time resulting in 116 days of savings throughout the process





TCFD Index

Water systems are naturally vulnerable to shocks and stresses, such as climate-related weather events. Due to the criticality of our high-profile supply, we are actively working to ensure long-term resilience of our existing and future water sources. TCFD has produced a widely adopted set of disclosure recommendations on how organizations can provide information about what they are doing to mitigate risks of climate change. This is DC Water's first TCFD index, in which we are setting a baseline upon which we will build in future years.

Governance

Describe the board's oversight of climate-related risks and opportunities

Climate change is a pressing issue for DC Water's Board of Directors. Among our Board members are the District's Department of Energy and Environment leadership, a climate scientist, a climate action campaign manager, and several others who are responsible for climate-related risks and opportunities for government agencies.

DC Water's Board exhibits oversight through Board meetings and committee updates. The Audit and Risk Committee of the Board of Directors oversees risk management, which includes climate-related risks. The committee reports quarterly to the board.

Blueprint 2.0, DC Water's Strategic Plan through FY27, creates the formal structure that supports board oversight. The ERM framework lays out key risk owner roles who inform the Senior Executive Team (SET) in collaboration with the ERM Committee. The SET then can effectively communicate risks to the Audit and Risk Committee. Opportunities related to climate change mitigation and adaptation are relayed to the board primarily through the monthly CEO Reports to the Board of Directors in addition to the monthly meeting of the Environmental Quality and Operations Committee and the bi-monthly Governance Committee.

The ESG governance structure also supports the delivery of climate-related information to and from the Board.

Further Reference Material: ESG Governance | ERM | Risk Management

Describe management's role in assessing and managing climate-related risks and opportunities

We leveraged existing reporting structures in our risk governance structure. DC Water's ERM team will facilitate information flow from individual risk owners to the Enterprise Risk Management Committee (ERMC) and to the SET, and finally the Board, enabling a strong risk-aware culture.

Members of DC Water's SET are responsible for assessing and managing climate-related risks and opportunities. The SET receives regular executive reports on risk assessments, capital projects, and emergency management through the ERM framework and the Office of Emergency Management (OEM). The SET decides which risks and opportunities to act on and in what manner.

The SET is comprised of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Strategy and Performance Officer, Chief of Staff, Chief Communications and Stakeholders Engagement Officer, Chief People and Inclusion Officer, and the Chief Legal Officer.

DC Water's ESG Steering Committee manages our overall ESG program. Our Hazard Mitigation Task Force, comprised of executive leadership and representatives across all relevant departments, prepares and reviews projects that address climate-related risks as part of their broader responsibilities of implementing the Authority's Hazard Mitigation Plan.

Further Reference Material: ESG Governance

Strategy

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

DC Water's ERM framework was established to better identify and prioritize the top risks facing the organization across its several groups together. Through the ERM process, we reviewed the vulnerability to and impact of each top risk and grouped risks into two tiers to enable strategic action. Going forward, DC Water intends to filter identified risks into short-, medium-, and long-term categories in addition to the current prioritization structure. There are six risks in Tier 1 and seven risks in Tier 2. Climate change is embedded in all thirteen risks, but is most directly accounted for in Reliability, Changing Regulations, and Catastrophic Events.

DC Water has also identified priority climate-related opportunities. Our solar and microgrid projects are opportunities to transition our energy sources to renewable while simultaneously creating energy cost stability. They provide us ownership of the source of power which protects our strategy from fluctuations in the energy market. This combination of opportunities means our efforts to lower our carbon footprint also create confidence that we can budget for other climate-related efforts.

Further Reference Material: Strategic Resiliency | Climate Resiliency

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

DC Water's Strategic Plan, Blueprint 2.0, is built on five Strategic Imperatives. Three of those five imperatives – Resilient, Sustainable, and Reliable – are directly impacted by climate-driven risks and opportunities. DC Water's strategy is also grounded in the UN SDGs and the City Water Resilience Framework. In efforts to advance Blueprint 2.0's Strategic Imperatives, we have worked to align every workstream, project, and outcome to the achievement of a Strategic Imperative and an accompanying Strategic Theme. As a result, everything from inter-departmental workflows to our Capital Improvement Plan contribute to advancing resiliency, sustainability, and reliability at DC Water.

We have been able to fund climate-related projects through creative means. To advance the construction of our GI portion of the Clean Rivers program, we issued an Environmental Impact Bond (EIB) for the project's financing, the first issuance of its kind in the nation. The EIB utilizes a pay-for-success model that acts as a performance-based financial tool, compensating investors based on the performance of the GI. The GI is currently meeting performance expectations for an as-expected investor payout.

Further Reference Material: Financial Resiliency

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario

As our strategy matures, we aspire to incorporate scenario testing as shown in our Blueprint 2.0 strategic management maturity model. The maturity model highlights actions to be conducted in three prioritization time frames during Blueprint 2.0's 2022-2027 timeline – year 1, years 2 and 3, and years 4 and 5.

This will provide us with a better understanding of the resilience of our strategy to climate scenarios and use that to inform our long-term strategy.

Further Reference Material: Strategic Resiliency | Governance

Risk Management

Describe the organization's processes for identifying and assessing climate-related risks

DC Water identifies and assesses risk through four mechanisms: our ERM framework, our Asset Management program, our Office of Emergency Management (OEM), and our Hazard Mitigation Task Force.

In our initial enterprise risk assessment, we performed a comprehensive top-down risk assessment. Using a combination of identification methods: surveys, interviews, and internal and external research, we identified the top risks to the Authority. Subsequently, we conducted a risk prioritization workshop in which DC Water leadership came to a consensus on the Authority's top risks.

DC Water's asset management program follows the scope set out by the Institute of Asset Management and utilizes the Maximo Enterprise Asset Management software to organize the day-to-day evaluation of our assets. Our approach to asset management decision-making is guided by business case evaluation, risk analysis, our aging assets and shutdown strategies, and lifecycle cost and value optimization.

DC Water's OEM employs a Hazard Mitigation Plan (HMP) which illustrates identified hazards and risks to be managed or reduced for resilience. The HMP documents hazards, defines the mitigation strategies and measures, and outlines the process for monitoring implementation. The OEM also oversees our compliance with American Water Works Association (AWWA) J100 Risk and Resilience Assessments required under the American's Water Infrastructure Act (AWIA) of 2018.

Findings from the J100 assessment, emerging threats, and various other risk assessments are transferred into the Authority's planned mitigation efforts and managed by the Hazard Mitigation Task Force.

Further Reference Material: ERM + ESG | Risk Management

TCFD Index

Describe the organization's processes for managing climate-related risks

DC Water's asset management plan is intertwined with our asset operations as we believe proactive management is key to the success of managing our assets. This includes emergency management protocols and capital improvement plans.

DC Water's OEM prepares for emergencies by maintaining and developing emergency management plans such as continuity of operations and public notification plans, scheduling and creating training and exercises, providing technology and support vehicles, and developing and maintaining relationships with other agencies and the critical response community. In 2019, DC Water became the first utility in the country to become accredited by the EMAP, in recognition of their excellence across 62 standards in emergency management.

The Authority participates in the Mayor's Homeland Security and Emergency Management Agency, Emergency Operations Center and works with OMAC to support the Joint Information Center. DC Water's CEO co-chairs the inter-agency Flood Task Force, which strives to improve the District's flood readiness.

DC Water also builds infrastructure upgrades to address climate-related risk into our capital improvement plans. These projects are established through the annual risk identification process and cross reference in relation to projects identified in the Hazard Mitigation Plan.

Further Reference Material: Risk Management

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

DC Water's ERM framework was enacted to better integrate risks across all work clusters, including climate-related risks, into one system and appropriately prioritize them. The framework ranks risk by considering several factors on impact and vulnerability to determine risk.

Our capital improvement projects are intricately related to our asset management process. For all gaps identified via DC Water's risk assessment processes, a business case evaluation is conducted to determine the most effective response measures. The Authority is shifting to using life-cycle cost approaches to better conduct value-driven asset management, which better embeds climate risk in that prioritization framework.

Further Reference Material: Risk Management

Metrics and Targets

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

As part of Blueprint 2.0, DC Water is actively reviewing and updating our Key Risk Indicators (KRIs). To date, the Authority has monitored a variety of metrics related to climate-driven risks and opportunities, including GHG emissions, renewable energy generation, percentage of facilities in flood plains, total combined sewer overflows, and source water drought potential.

Further Reference Material: Energy and Emissions

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

DC Water is committed to helping DC meet its carbon goals outlined in the Clean Energy DC Plan. This includes 2032 goals of 50% reduction in GHG emissions and energy consumption and 50% increase in renewable energy generation, and a 2050 goal of carbon neutrality. The primary identified pathways for the District are efficient building design and operation, modernized and renewable energy supply, and electrification and fuel switching, all of which DC Water is pursuing simultaneously.

Further Reference Material: Energy and Emissions

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gases (GHG) emissions and the related risks

DC Water's total 2021 Scope 1, 2, and 3 GHG emissions are 191,600 metric tons CO_2e, which is reduced to 162,600 metric tons CO_2e upon application of carbon credits. In accordance with industry best-practice for GHG accounting, DC Water tracks emissions on a calendar year cycle as opposed to our fiscal year. DC Water believes accurate measurement of Scope 3 emissions is important, and we are becoming more sophisticated at identifying and monitoring such emissions. As a result, our complete Scope 3 baseline emissions level is still in development.

Further Reference Material: Energy and Emissions

Total Emissions for DC Water

Scope Emission Source	Metric Tons CO_2e	% of Total Emissions
Scope 1	51,800	27%
Scope 2	70,700	37%
Scope 3	69,100	36%
Total	191,600	100%
Carbon Credits	-29,000	-15%
Total Emissions with Carbon Credits	162,600	85%

DC Water's Scope 1, 2, 3, and Carbon Credits breakdown demonstrates how Bloom, our soil conditioner made from biosolids, contributed to our carbon credits offset of 15%, enabling us to reduce our total emissions by 29,000 metric tons CO_2e.

Scope and Emission Source		% of Total Emissions	Total Emissions in Metric Tons CO_2e
Scope 1	Vehicle	1%	1,200
	Bio Gas	1%	2,600
	Natural Gas	3%	6,200
	Process Emissions	22%	41,800
Scope 2	Electricity	37%	70,700
Scope 3	Biosolids Hauling	2%	4,500
	Biosolids Land Application	8%	15,700
	Chemical Sourcing	26%	48,900
Total		100%	191,600
Carbon Credits	Fertilizer Credits	-2%	-3,200
	Carbon Sequestration	-5%	-10,100
	Replacement of Inorganic Fertilizers	-8%	-15,700
Total Carbon Credits		-15%	-29,000
Total Emissions with Carbon Credits		85%	162,600

SASB Index

The Sustainability Accounting Standards Board (SASB) Standard provides organizations with an industry-comparable disclosure to present on ESG topics. We present our FY22 SASB disclosure in-line with the Water Utilities SASB Standard that provide our stakeholders with transparency related to the risks and opportunities facing our organization through metrics designed specifically for Water Utilities. The Authority is aware that SASB merged with the Value Reporting Foundation in August 2022 and will monitor changes and updates to the Standard for the next financial year.

SASB Code	Accounting Metric	FY21	FY22
Energy Management			
IF-WU-130a.1	(1) Total energy consumed	1,300,000* GJ at Blue Plains	1,550,000 GJ for all DC Water
	(2) Percentage grid electricity	47% non-renewable use at Blue Plains	50% for all DC Water
	(3) Percentage renewable	53% renewable use at Blue Plains	43% for all DC Water
Distribution Network Efficiency			
IF-WU-140a.1	Water main replacement rate	0.64%	0.65%
IF-WU-140a.2	Volume of non-revenue real water losses	45,000,000 m^3	40,000,000 m^3
Effluent Quality Management			
IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	0 incidents	0 incidents
IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	Please see our statement on effluents of emerging concern https://www.dcwater.com/UCMR4	Please see our statement on PFAS and water at https://www.dcwater.com/pfas-and-drinking-water
Water Affordability and Access			
IF-WU-240a.1	Average retail water rate for:		
	(1) Residential	i. Residential: 0-4 Ccf: $3.49	i. Residential: 0-4 Ccf: $3.49
		ii. Residental: > 4 Ccf: $4.50	ii. Residental: > 4 Ccf: $4.50
		iii. Multi-Family: $3.96	iii. Multi-Family: $3.96
	(2) Commercial	Non-Residential: $4.65	Non-Residential: $4.65
	(3) Industrial customers		
IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	For FY21, the monthly residential bill for average use of 10 Ccf was $179.41	For FY22, the monthly residential bill for average use of 10 Ccf was $191.98

SASB Code	Accounting Metric	FY21	FY22
IF-WU-240a.3	Number of residential customer water disconnections for non-payment	We did not disconnect any customers in FY21 for non-payment	614 residential customers
	Percentage reconnected within 30 days	N/A. Please see above	Not currently tracked
IF-WU-240a.4	Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	Please see the Customer section of the FY21 ESG Report	Please see the Affordability and Customer Service section of the FY22 ESG+R report
Drinking Water Quality			
IF-WU-250a.1	Number of:		
	(1) Acute health-based violations	0 violations	0 violations
	(2) Non-acute health-based violations	0 violations	0 violations
	(3) Non-health-based drinking water violations	0 violations	0 violations
IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	Please see our statement on effluents of emerging concern https://www.dcwater.com/UCMR4	Please see our statement on PFAS and drinking water at https://www.dcwater.com/pfas-and-drinking-water
End-Use Efficiency			
IF-WU-420a.1	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	71.6% of revenue comes from volumetric revenue	71.5% of revenue comes from volumetric revenue
Water Supply Resilience			
IF-WU-440a.1	Total water sourced from regions with High or Extremely High Baseline Water Stress, percentage purchased from a third party	0 m^3	0 m^3
IF-WU-440a.2	Volume of recycled water delivered to customers	0 m^3	0 m^3
IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	Please see the Water and Resource Management section of the FY21 ESG Report	Please see the Water and Climate Resilience sections of the FY22 ESG+R Report
Network Resiliency and Impacts of Climate Change			
IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	2.5 million m^3 per day	2.5 million m^3 per day
IF-WU-450a.2	(1) Number of sanitary sewer overflows	54	37
	(2) Volume of sanitary sewer overflows	804 m^3	219 m^3
	(3) Percentage of volume recovered	66% volume recovered	91% volume recovered

SASB Code	Accounting Metric	FY21	FY22
IF-WU-450a.3	(1) Number of unplanned service disruptions	Not reported	0
	(2) Customer affected, each by duration category	Not reported	0
IF-WU-450a.4	Description of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	Please see the Risk Management section of the FY21 ESG Report	Please see the Risk Management section of the FY22 ESG+R Report
	Activity Metric		
IF-WU-000.A	Number of:		
	(1) Residential customers:		
	for water	107,800 customers	107,100 customers
	for wastewater	109,000 customers	109,200 customers
	(2) Commercial customers:		
	for water	9,100 customers	9,100 customers
	for wastewater	11,300 customers	11,200 customers
	(3) Industrial customers:		
	for water		
	for wastewater	30 customers	30 customers
	(4) Other customers:		
	for water	10,500 customers	10,700 customers
	for wastewater	12,200 customers	12,300 customers
IF-WU-000.B	Total water sourced, percentage by source type	131,425,000** m^3 purchased from Washington Aquaduct	131,592,000 m^3 purchased from Washington Aquaduct
	Percentage from purchased water	100%	100%
IF-WU-000.C	Total water delivered to:		
	(1) Residential	18,800,000 m^3	17,900,000 m^3
	(2) Commercial	25,800,000 m^3	29,900,000 m^3
	(3) Industrial	N/A	N/A
	(4) All other customers	46,400,000 m^3	44,100,000 m^3
IF-WU-000.D	Average volume of wastewater treated per day, by		
	(1) Sanitary sewer	1,068,000 m^3	1,001,000 m^3
	(2) Stormwater	79,500 m^3	79,500 m^3
	(3) Combined sewer	1,147,000 m^3	1,080,000 m^3
IF-WU-000.E	Length of		
	(1) Water mains	2,100 km	2,100 km
	(2) Sewer pipe	3,200 km	3,200 km

*Restatement: FY21 SASB Disclosure incorrectly stated 1,300 GJ. The value shown in the FY22 SASB Disclosure represents the correct value.

**Restatement: FY21 SASB Disclosure incorrectly stated 158,000,000 m^3. The value shown in the FY22 SASB Disclosure represents the correct value.

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
1385 CANAL STREET SE, WASHINGTON, DC 20003