

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY



OPERATING BUDGETS

LEADERSHIP | VALUE | INNOVATION



REVISED FY 2013 APPROVED FY 2014

Adopted January 3, 2013

Allen Y. Lew, *Chairman of the Board*

George S. Hawkins, *General Manager*

Yvette Downs, *Acting Chief Financial Officer*





DC WATER'S STRATEGIC PLAN

DC WATER'S VISION

To be a world-class utility

DC WATER'S VALUES

Respect: Serve with a positive attitude, courtesy, and respect that engender collaboration and trust

Ethics: Maintain high ethical standards, accountability, and honesty as we advance the greater good

Vigilance: Attend to public health, the environment, quality, efficiency, and sustainability of our enterprise.

Accountability: Address challenges promptly, implement effective solutions, and provide excellent service as a committed team.

DC WATER'S MISSION

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

DC WATER's GOALS

The goals, presented on the following pages and the accompanying strategic plan framework, represent the core strategies that DC Water will pursue. The Board and Executive Management believe that they are essential to the achievement of the mission and to becoming a world-class water utility

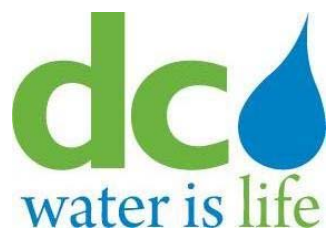
DC WATER's OBJECTIVES

Objectives are the strategic measures that will enable the Board AND Executive Management to evaluate achievement of the goals. Some of the specific measures will need to be further researched and refined as the organization implements the plan and obtains additional insight and information.

DC WATER's INITIATIVES

Initiatives are the allocation of resources (time and money) to achieve the objectives and the goals.

(DC Water Strategic Plan adopted by the DC WATER Board of Directors on March 7, 2013)



BOARD OF DIRECTORS

(As of January 3, 2013)

District of Columbia

Allen Lew, Chairman

Rachna Butani, Principal
Alethia N. Nancoo, Principal
Alan J. Roth, Principal
Vacant, Principal
Vacant, Principal

Terry Bellamy, Alternate
Joseph Cotruvo, Alternate
Howard Croft, Alternate
Howard Gibbs, Alternate
Brenda Richardson, Alternate
Vacant, Alternate

Fairfax County

Edward L. Long, Jr., Principal
James Patteson, Alternate

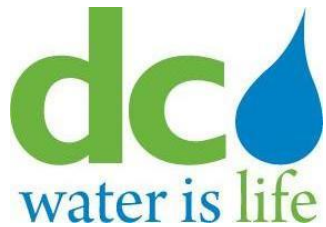
Montgomery County

Timothy L. Firestine, Principal, Vice Chairman
Robert Hoyt, Principal
Kathleen Boucher, Alternate
David Lake, Alternate

Prince George's County

Bradford Seamon, Principal
Carla Reid, Principal
Adam Ortiz, Alternate
Dawn Hawkins-Nixon, Alternate

Linda R. Manley, Board Secretary



ACKNOWLEDGEMENTS

PRINCIPAL STAFF MEMBERS

General Manager

George S. Hawkins

General Manager's Staff

Christopher Carew, Chief of Staff

Randy E. Hayman, General Counsel

Alan Heymann, External Affairs, Chief

Joe Edwards, Acting Chief Information Officer

Linda R. Manley, Board Secretary

Office of the Chief Financial Officer

Yvette Downs, Acting Chief Financial Officer

John Madrid, Controller

Robert Hunt, Treasury and Debt, Manager

Tanya L. DeLeon, Risk Management, Manager

Operations

Walter M. Bailey, Assistant General Manager, Blue Plains

Aklile Tesfaye, Wastewater Treatment Operations, Director

Salil Kharkar, Wastewater Treatment Process Engineering, Director

Anthony Mack, Maintenance Services, Director

Leonard Benson, Chief Engineer

David McLaughlin, Engineering and Technical Services, Director

Carlton Ray, Clean Rivers, Director

Brian McDermott, Permits, Director

Charles Kiely, Assistant General Manager, Customer Care Operations

Cuthbert Braveboy, Sewer Services, Director

Chuck Sweeney, Water Services, Director

Lauren Preston, Customer Service, Director

Support Services

Katrina Wiggins, Assistant General Manager, Support Services

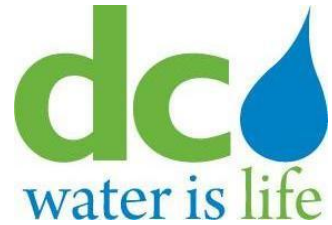
Steven Caldwell, Facilities Management and Security, Director

Timothy Fitzgerald, Fleet Management, Acting Director

Arthur R. Green, Human Capital Management, Director

Rosalind R. Inge, Procurement, Director

Ayodele McClenney, Occupational Safety and Health, Director



ACKNOWLEDGEMENTS

Finance and Budget Department

Temi Abosedo
Gail Alexander-Reeves
Kofi Anim
Javed Awan
Anil Bansal
Jessica Belle
Val Blinkoff
Deborah Cole
Yvette Downs
Annie Fulton-George
Michael Goddard
Rodea Hines
Robert Hunt
Michelle Hunter
Stacey Johnson
Easmon Kaneh
Syed Khalil
William Lake
Reginald Lipscomb
James Myers
Lola Oyeyem
Quang Phami
Yvonne Reid
Sylvia Riley
Suzette Stona
Hoa Truong
Ngozi Ugwu
Pade Zuokemefa

The Finance and Budget Department would like to extend its appreciation to all the departmental staff members whose hard work and dedication helped make this document possible.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

District of Columbia Water & Sewer Authority

District of Columbia

For the Fiscal Year Beginning

October 1, 2012

Christopher P. Morrell

President

Jeffrey R. Egan

Executive Director

TABLE OF CONTENTS

Section I. Budget in Brief

| | |
|---|------|
| | 1 |
| Message from the General Manager | I-1 |
| Message from the Chief Financial Officer / Board of Directors / Organizational Structure | I-2 |
| Facts at a Glance / Service Area | I-3 |
| Performance Measures | I-4 |
| Operating Budget Summaries | I-5 |
| Operating Budget Highlights | I-6 |
| Regional Macroeconomics | I-8 |
| Capital Improvement Program | I-10 |
| Capital Improvement and the Environment | I-12 |
| Financial Plan | I-13 |
| Customer Outreach | I-20 |

Section II. Budget Overview

| | |
|--|-------|
| DC Water Key Facts & Service Area Map | II-2 |
| Operating and Capital Expenditures | II-3 |
| FY 2011 – FY 2014 Comparative Expenditures | II-4 |
| FY 2013 Revised Budgets | II-5 |
| FY 2014 Approved Budgets | II-6 |
| FY 2013 Operating and Capital Revenues | II-7 |
| FY 2014 Operating and Capital Revenues | II-8 |
| DC Water Statement of Cash Flows | II-9 |
| Budget Summary | II-10 |
| FY 2014 Proposed Retail Rates & Fees | II-11 |
| DC Water History and Governance | II-12 |
| Accounting and Budget Processes | II-13 |
| System Capacity | II-14 |
| Regional Demographics and Customer Demand | II-16 |
| FY 2014 Budget Calendar | II-21 |

Section III. FY 2012 – FY 2021 Financial Plan

| | |
|--|--------|
| DC Water Board Strategic Plan 2010 - 2015 | III-2 |
| FY 2012 – FY 2021 Financial Plan | III-3 |
| DC Water Key Financial Policies | III-4 |
| Financial Accomplishments | III-7 |
| Future Goals and Financial Assumptions | III-12 |
| Revenues | III-17 |
| Operating Budget Proposal | III-22 |
| Capital Financing Program, Cash Position and Long Term Debt | III-25 |
| Cash Position and Reserves | III-29 |

Section IV. Rates and Revenue

| | |
|--|-------|
| DC Water Cash Receipts | IV-2 |
| Customer Accounts | IV-4 |
| Consumption | IV-7 |
| Recent & Proposed Rate & Fee Changes | IV-9 |
| Why Rate Increases are Needed | IV-20 |
| DC Water Affordability of Retail Rates | IV-28 |

Section V. FY 2012 – FY 2021 Capital Program

| | |
|--|------|
| Capital Improvement Program by Category | V-2 |
| Capital Improvement Program Overview | V-3 |
| Historical and Projected Capital Spending | V-11 |
| FY 2012 – FY 2021 CIP – Disbursements Basis | V-12 |
| FY 2013 & FY 2014 Capital Equipment Disbursements | V-13 |
| FY 2012 – FY 2021 CIP – Lifetime Budgets | V-17 |
| FY 2014 Capital Authority Request | V-19 |
| List of New Capital Projects | V-20 |

TABLE OF CONTENTS

Section VI. Capital Financing Cash and Debt

| | |
|---|-------|
| FY 2012 – FY 2021 Sources of Capital Financing . | VI-2 |
| FY 2012 – FY 2014 Sources & Uses of Funds | VI-3 |
| Statement of Cash Reserves..... | VI-4 |
| Debt Management FY 2012 – FY 2014 | VI-5 |
| Outstanding Debt | VI-6 |
| Senior & Subordinate Debt Service Coverage | VI-8 |
| Existing and Projected Debt Services | |
| FY 2012 – FY 2021..... | VI-9 |
| Debt Service as Percentage of Total Oper. Expend. | |
| | VI-10 |
| Outstanding & Proposed Debt Service | |
| FY 2012 – FY 2044..... | VI-11 |
| Outstanding Principal | VI-12 |
| Outstanding Principal vs. Net Fixed Assets | VI-13 |
| Debt to Net Fixed Assets Ratio..... | VI-14 |

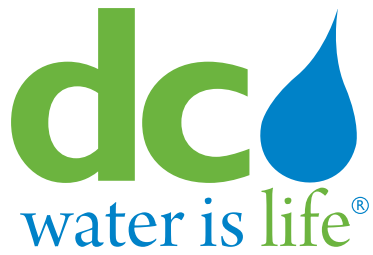
Section VII. Departmental Summaries

| | |
|---|--------|
| Introduction to DC Water’s Operational, Administrative and Support Departments | VII-2 |
| FY 2011 – FY 2014 Operating Expenditures | VII-3 |
| FY 2013 & FY 2014 Operating Expend. by Type ... | VII-4 |
| FY 2011 – FY 2014 Operating Expenditures | VII-5 |
| FY 2011 – FY 2014 Oper. Expend. by Department | VII-6 |
| FY 2013 Oper. Expend. by Department by Type ... | VII-7 |
| FY 2014 Oper. Expend. by Department by Type ... | VII-8 |
| Authorized Positions..... | VII-9 |
| Filled vs. Vacant Positions..... | VII-10 |
| FY 2013 & FY 2014 Proposed Positions..... | VII-11 |
| Overtime..... | VII-12 |
| DC Water Organization Chart..... | VII-14 |

| | |
|---|---------|
| Wastewater Treatment - Operations..... | VII-16 |
| Wastewater Treatment - Process Engineering .. | |
| | VII-24 |
| Maintenance Services | VII-28 |
| Water Services..... | VII-32 |
| Sewer Services | VII-38 |
| Customer Service..... | VII-42 |
| Water/Sewer Pumping Maintenance | VII-46 |
| Engineering and Technical Services..... | VII-50 |
| DC Clean Rivers (CSO LTCP)..... | VII-54 |
| Permit Operations | VII-58 |
| General Manager | VII-62 |
| Office of the Secretary to the Board | VII-66 |
| Internal Audit..... | VII-70 |
| General Counsel | VII-74 |
| External Affairs..... | VII-78 |
| Information Technology..... | VII-82 |
| Finance and Budget | VII-86 |
| Risk Management | VII-90 |
| Asst. Gen. Mgr. – Support Services | VII-94 |
| Human Capital Management..... | VII-98 |
| Facilities and Security Management..... | VII-112 |
| Procurement..... | VII-116 |
| Occupational Safety and Health | VII-120 |
| Fleet Management | VII-124 |

Section VIII. Glossary and Acronyms

| | |
|----------------|--------|
| Glossary | VIII-2 |
| Acronyms | VIII-9 |



BUDGET IN BRIEF

LEADERSHIP | VALUE | INNOVATION



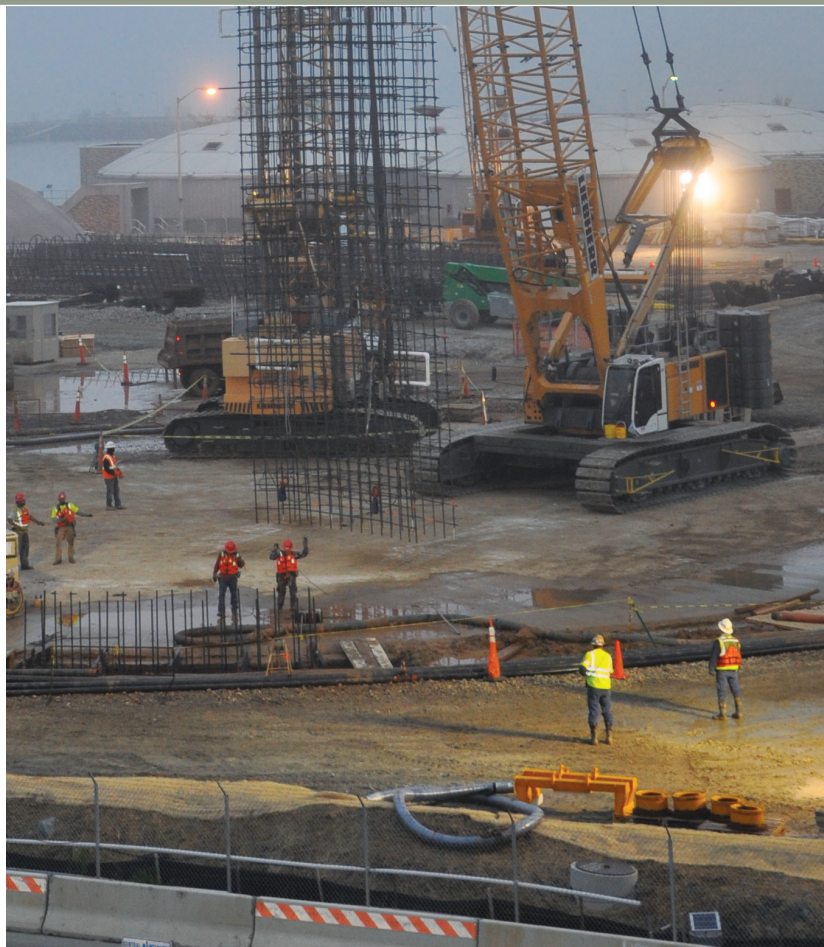
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**Revised FY 2013 Approved FY 2014
Adopted January 3, 2013**

Allen Y. Lew, *Chairman of the Board*

George S. Hawkins, *General Manager*

Yvette Downs, *Acting Chief Financial Officer*



BLUE HORIZON 2020

Vision

- To be a world-class utility.

Values

- Respect: Serve with a positive attitude, courtesy, and respect that engender collaboration and trust
- Ethics: Maintain high ethical standards, accountability, and honesty as we advance the greater good.
- Vigilance: Attend to public health, the environment, quality, efficiency, and sustainability of our enterprise.
- Accountability: Address challenges promptly, implement effective solutions, and provide excellent service as a committed team.

Mission

- Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

Goals

- The following goals represent the core strategies that DC Water will pursue. The Board and Executive Management believe that they are essential to the achievement of the mission and to becoming a world-class water utility.
- Develop, maintain and recruit a high performing workforce.
- Collaborate locally, regionally and nationally
- Increase Board focus on strategic direction
- Enhance customer/stakeholder confidence, commitment and perception
- Assure financial stability and integrity
- Assure safety and security
- Consider DC Water role in drinking water treatment
- Optimally manage infrastructure
- Enhance operating excellence through innovation, sustainability and adoption of best practices.

(Adopted by the Board of Directors on March 7, 2013)

| | |
|-------|--|
| 1 | MESSAGE FROM THE GENERAL MANAGER |
| 2 | MESSAGE FROM THE CHIEF FINANCIAL OFFICER / BOARD OF DIRECTORS / ORGANIZATIONAL STRUCTURE |
| 3 | FACTS AT A GLANCE / SERVICE AREA |
| 4 | PERFORMANCE MEASURES |
| 5 | OPERATING BUDGET SUMMARIES |
| 6-7 | OPERATING BUDGET HIGHLIGHTS |
| 8-9 | REGIONAL MACRO ECONOMICS |
| 10-11 | CAPITAL IMPROVEMENT PROGRAM |
| 12 | CAPITAL IMPROVEMENTS AND THE ENVIRONMENT |
| 13-19 | FINANCIAL PLAN |
| 20 | CUSTOMER SERVICE, OUTREACH AND EXTERNAL AFFAIRS |
| 21 | AWARDS |

dc 2012 BUDGET PRESENTATION AWARD



The Government Finance Officers Association of the United States and Canada (GFOA) presented a distinguished Budget Presentation Award to the District of Columbia Water and Sewer Authority, for its annual budget for the fiscal year beginning October 1, 2012. To receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.



This year marked a milestone for DC Water, as we celebrated the 75th anniversary of the Blue Plains Advanced Wastewater Treatment Plant. Our Plant has been a major part of another anniversary this year as well – the Clean Water Act marked 40 years since its passage.

It's safe to say that the Act was a rousing success. In 1965, President Lyndon Johnson called the Potomac River a national disgrace because of its condition as a cesspool of sewage and industrial pollution. Today, it is the site of a national bass fishing tournament, just downstream from one of the largest wastewater treatment plants in the world – ours. Fish are swimming again in the Potomac and other rivers that run through our major cities. The Clean Water Act should be celebrated for what it is—a flagship environmental achievement, one of the great government success stories of our time. But that is not the end of the story. Improvements in many water bodies have stalled. Our waters will not remain clean for another 40 years if we continue to look at the same sources.

Consider Blue Plains. Our federal permit under the Clean Water Act mandates that we remove nitrogen and phosphorus from the effluent, or cleaned wastewater, that we discharge into the Potomac. The limits get tighter with each new permit. In 2000, we removed 7.3 million pounds of nitrogen per year at a cost of \$16 million. In 2010, we removed another 2.9 million pounds per year at a cost of \$130 million. For 2015, we are required to remove another 1.2 million pounds per year at a cost of \$1 billion. This is about 350 times more expensive per pound! Yet for all of this reduction, Blue Plains' discharge contains just one percent of the total nutrient load that goes into the Chesapeake Bay. Agricultural runoff causes 40 times more of the problem. Even if we reduce pollution from utility and industry to zero, the area's waters would still not be that much cleaner.

Though these environmental projects are mandated by the federal government, they do not come with funding sources, and therefore burden metropolitan ratepayers with a disproportionate share of resolving the nation's clean-water problem. DC Water's budgets reflect increasing amounts of debt service from these projects for the next thirty years.

At DC Water, we keep advancing on the environmental front. In FY 2013, we are investigating the potential for green infrastructure projects on a scale larger than the District has ever seen, all to measure its feasibility in capturing runoff before it can enter the storm or sewer systems. Whether or not this effort changes any DC Water plans, it will help advance GI technology and develop next generation designs to benefit cities nationwide.

In Fiscal Year 2013, we will spend nearly \$700 million on capital improvements for drinking water delivery, sewer conveyance and wastewater treatment, including a cutting-edge wastewater-to-energy project. I encourage you to learn more about our budget priorities and plans in the following pages.

A handwritten signature in blue ink that reads "George S. Hawkins". The signature is fluid and cursive.

George S. Hawkins
January 2013



I am pleased to present DC Water's Board-adopted operating and capital budgets for fiscal years 2013 and 2014. The FY 2014 budget has remained relatively flat compared to the FY 2013 Revised budget, with the exception of the debt service and DC PILOT fees (which accounts for 85 percent of the \$39.1 million increase in the FY 2014 operating budget). An anticipated increase in the issuance of municipal bonds is a reflection of the magnitude of capital investments

underway by DC Water throughout Washington, DC. Most of these investments over the next few years are required by regulatory agencies and the remainder reflects a need to replace our aging system. Balancing delivery of services, necessary re-investments, improvements to performance and the cost to our customers is one of the most significant challenges facing DC Water. To manage this challenge, these budgets are built on a foundation of three focus areas: industry leadership, delivering value, and innovation. Collectively, we have developed a budget that assures both financial sustainability and integrity. To each and every individual involved in the budget development process, I thank you.

Consistent with our Board of Directors new Strategic Plan, Blue Horizon 2020, we have included a number of cost-saving activities and launched new initiatives to help leverage our assets and technology, which will improve operational efficiency throughout DC Water. Technologies such as trenchless lateral replacements

will save in the costs and disruption of digging trenches. This budget provides for additional employees needed to operate our new state-of-the-art nitrogen and digester facilities that will be operational in FY 2014. Our five-year, \$20 million Asset Management program will enable us to better leverage technology for more efficient operation, maintenance, planning and disposal of assets. Also, DC Water has entered into a Partnership Agreement with the DC Government and the US Environmental Protection Agency (EPA), which outlines a process by which the existing Long-Term Control Plan consent decree can be amended to explore a green infrastructure approach to reducing combined sewer overflows into the Potomac River and Rock Creek. The effort to fund this pilot has been included within the FY 2012-2021 Capital Improvement Program (CIP) discussion of our \$2.6 billion Clean Rivers Project.

DC Water's revised FY 2013 Operating Budget totals \$440.3 million. The approved FY 2014 Operating Budget totals \$479.5 million, (\$39.1 million increase, or 8.2 percent over the previous year). Our CIP was held flat at \$3.8 billion (on a cash disbursements basis), and includes a continuation of major capital investment already underway as well as new initiatives previously mentioned.

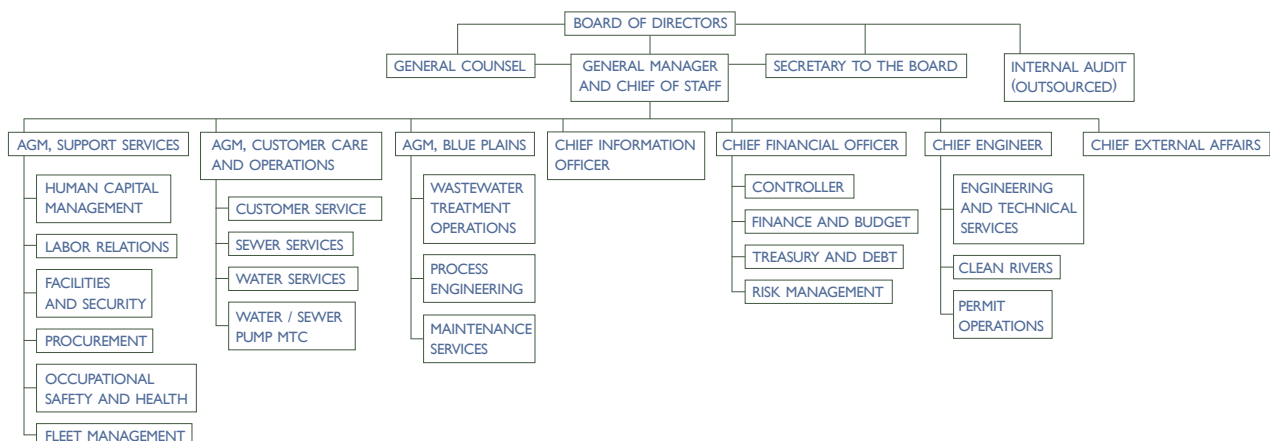
These budgets maintain DC Water's vision for a strong financial future while ensuring continual improvements to meet the challenges ahead.

Yvette Downs, Acting Chief Financial Officer
January 2013

dc BOARD OF DIRECTORS / ORGANIZATIONAL STRUCTURE

- Allen Lew** *Chairman / Principal / District of Columbia*
- Rachna Butani** *Principal / District of Columbia*
- Alethia Nancoo** *Principal / District of Columbia*
- Alan J. Roth** *Principal / District of Columbia*
- Timothy L. Firestine** *Vice Chairman / Principal / Montgomery County, MD*
- Robert Hoyt** *Principal / Montgomery County, MD*
- Bradford Seamon** *Principal / Prince George's County, MD*
- Carla Reid** *Principal / Prince George's County, MD*
- Edward L. Long, Jr.** *Principal / Fairfax County, VA*
- Howard C. Gibbs** *Alternate / District of Columbia*

- Brenda Richardson** *Alternate / District of Columbia*
- Joseph Cotruvo** *Alternate / District of Columbia*
- Howard Croft** *Alternate / District of Columbia*
- Terry Bellamy** *Alternate / District of Columbia*
- David W. Lake** *Alternate / Montgomery County, MD*
- Kathleen Boucher** *Alternate / Montgomery County, MD*
- Adam Ortiz** *Alternate / Prince George's County, MD*
- Dawn Hawkins-Nixon** *Alternate / Prince George's County, MD*
- James Patteson** *Alternate / Fairfax County, VA*



History:

In 1996, the District of Columbia Water and Sewer Authority was created by District law, with the approval of the United States Congress, as an independent authority of the District Government with a separate legal existence.

Age of Pipes:

The median age of District water main pipes is 78 years old, with approximately 9 percent of pipes installed in the 1900s and 2 percent dating back to the 1860s before the Civil War.

Service Area:

Providing more than 600,000 residents and 17.8 million annual visitors in the District of Columbia with retail water and wastewater (sewer) service, DC Water has a total service area of approximately 725 square miles. In addition, DC Water treats 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.

Employees:

Approximately 1,100 people are employed by DC Water and work at various facilities across the District.

Drinking Water Quality:

With a strong emphasis on water quality, DC Water maintains an annual flushing program, regulatory and voluntary water quality testing, ongoing system upgrades and lead service replacements. In partnership with the U.S. Army Corps of Engineers Washington Aqueduct, DC Water ensures a high quality treatment process for delivering optimal drinking water all year round.

Pumped and Treated Water Storage:

During Fiscal Year 2012, DC Water pumped an average of 100.9 million gallons of water per day. In addition, DC Water stores 61 million gallons of treated water at its eight facilities. The Washington Aqueduct stores an additional 49 million gallons.

Water Distribution System:

DC Water delivers water through 1,350 miles of interconnected pipes, four pumping stations, five reservoirs, three water tanks, 37,105 valves, and 9,343 fire hydrants.

Blue Plains Advanced Wastewater Treatment Plant:

Blue Plains, located at the southernmost tip of the District, is the largest advanced wastewater treatment facility in the world, covering 153 acres along the Potomac River.

Wastewater Treatment Capacity:

Blue Plains treats an annual average of 300 million gallons per day (MGD) and has a design capacity of 370 MGD, with a peak design capacity to treat more than one billion gallons per day.

Sewer System:

1,800 miles of sanitary and combined sewers and 22 flow-metering stations, nine off-site wastewater pumping stations, 16 stormwater pumping stations, 12 inflatable dams and a swirl facility comprise the DC Water sewer system.

Financial Performance:

In Fiscal Year 2012, DC Water maintained a "AA" credit rating by two leading credit rating agencies and received an upgrade to "AA+" by the third. DC Water also received its 16th consecutive unqualified audit opinion of its financial statements.

Customer Service:

DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media including Facebook, YouTube and Twitter. Using an interactive voice recognition system, DC Water makes information readily available in more than 150 languages. A 24-hour Emergency Command Center, at (202) 612-3400, operates as the centralized communication facility for receiving and responding to a variety of emergency calls from customers and the public, remaining in contact with crews in the field.

Community Service:

Donating their time and resources, DC Water employees actively support a variety of charitable projects and community service. DC Water also invests in the community through its education programs in DC public and public charter schools, and engaging the public through tours of Blue Plains. More than 1,000 people toured Blue Plains in FY 2012.

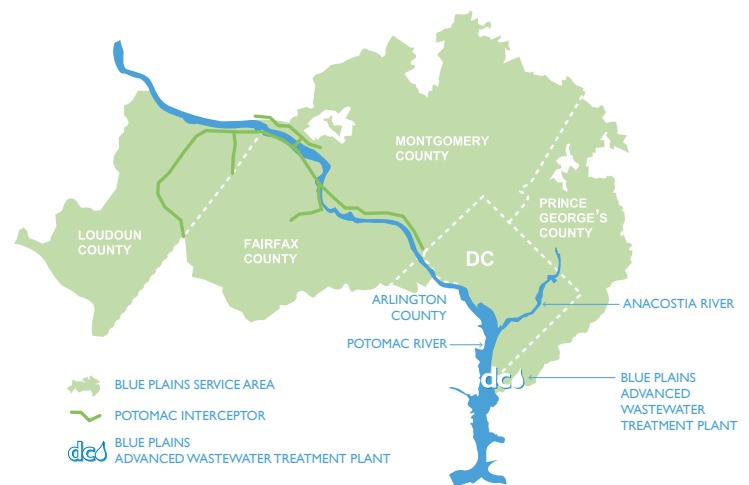
Governance:

DC Water's Board of Directors establishes policies and guides the strategic planning process. The Board is composed of 22 members, representing the District, Montgomery and Prince George's counties in Maryland and Fairfax County in Virginia. The District members set rates, charges and policies for District services. The entire Board votes and establishes policies for joint-use services. The General Manager reports to the Board and manages the day-to-day operations and performance of the enterprise.

DC Water Financial Information

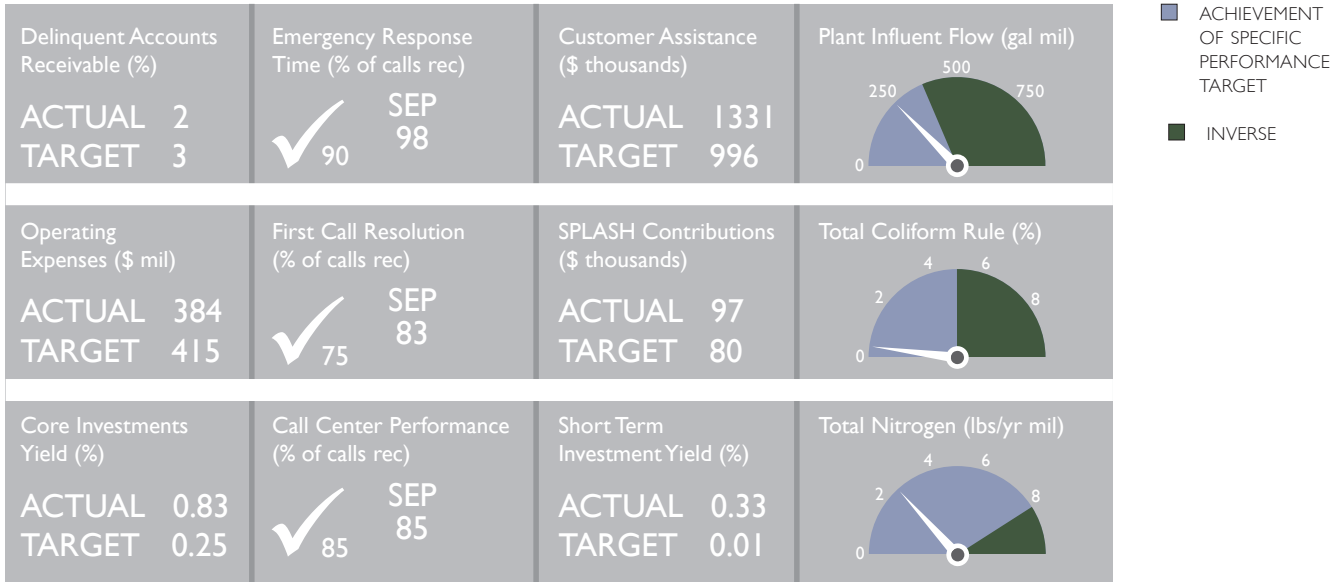
- Bond Rating: Aa2/AA+/AA
- FY 2013 Revenue: \$447.5 million (cash receipts)
- FY 2013 Revised Operating Budget: \$440.3 million
- FY 2013 Capital Budget: \$644.2 million

DC WATER SERVICE AREA

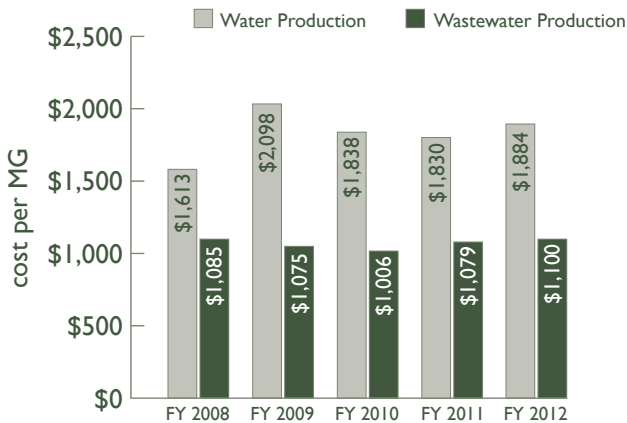


The operating dashboard below provides a snap shot view of our salient performance measures, reported each month. A detailed explanation of these measures is provided in the Glossary and Acronyms Section (IX) of the Revised FY 2013 and Approved FY 2014 Budget Book.

FY 2012 OPERATING PERFORMANCE DASHBOARD



DC WATER OPERATING EFFICIENCY RESULTS



US NATIONAL MEDIAN COST PER MILLION GALLONS (per AWWA)

| | Water Production | Wastewater Treatment |
|---------|------------------|----------------------|
| FY 2008 | \$1,650 | \$2,077 |
| FY 2009 | \$1,760 | \$1,967 |
| FY 2010 | \$1,771 | \$2,128 |
| FY 2011 | \$2,002 | \$2,789 |



The following highlights the FY 2013/2014 operating budgets: Detailed descriptions and tables can be found in the full revised FY 2013 and approved FY 2014 operating budget book available online at dcwater.com.

- Revised FY 2013 operating budget totals \$440.3 million
- Approved FY 2014 operating budget totals \$479.5 million
- Proposed FY 2014 water and sewer rate increase of \$0.42 per Ccf from \$7.60 to \$8.02 per Ccf,
- Proposed FY 2014 monthly Impervious Area Charge (IAC) increased by \$3.20 from \$9.57 per Equivalent Residential Unit (ERU) to \$12.77 per ERU.
- Proposed FY 2014 PILOT fee increase of \$0.03, per Ccf, from \$0.50 per Ccf to \$0.53 per Ccf. ROW increase of \$0.01 per Ccf, from \$0.16 per Ccf to \$0.17 per Ccf.

Note: 1 Ccf = 748 gallons

A Budget that focuses on: Industry Leadership, Value and Innovation

The revised FY 2013 and approved FY 2014 operating budgets provide the resources necessary to sustain a multi-billion dollar water treatment and distribution and sewage collection and treatment system. DC Water continues to deliver clean water; collect and treat the sewage before returning clean water to the local waterways and repair main and sewer breaks as needed. These budgets are built on a foundation of three core focus areas: **industry leadership, delivering value, and innovation.**

Industry Leadership: As DC Water strives in its mission to be a “best in world” organization, it also continues to make changes and improvements to improve processes and best utilize all its assets with the goal of protecting the environment. In FY 2012, the DC Water research and technology program continued to support innovations in water reclamation technology and enhancements to water, air and biosolids quality. The program serves DC Water by investigating new processes, sustainable solutions, and emerging issues. Through collaboration with regional, national, and international universities, DC Water currently supports about 20 MS and Ph.D. students who are completing their research on DC Water projects. Collaborating universities include Virginia Tech, University of Maryland, George Washington University, Howard University, Bucknell University, Columbia University, Ghent University, University of Innsbruck and University of Queensland. Supporting organizations include USDA and the Metropolitan Washington Council of Governments. DC Water also continues a strong collaborative relationship with the Water Environment Research Foundation (WERF). Technology projects are focused on reengineering existing infrastructure to achieve energy and carbon neutrality while continuing to meet ever-more stringent water quality permits.

Delivering Value: DC Water’s management is tasked with a responsibility to stretch every capital dollar and add needed value to each of its projects. One such example of value delivery is the adoption of new sewer lateral installation techniques. DC Water is responsible for maintaining approximately 150,000 sewer laterals in public spaces. In addition we replace more than 400 sewer laterals per year at a cost of about \$4.4 million. For decades, DC Water has employed the conventional open cut construction method for lateral replacements, resulting in significant restoration costs, direct labor charges, and unavoidable customer inconveniences. DC Water evaluated and employed trenchless technologies to reduce the life cycle costs by selecting a cured in place pipe (CIPP) solution with in-house crews rather than contractors. Typically, it can be installed in less than one day compared to the four days needed for the conventional method – resulting in only minor interference with the customer’s daily routine. Work is completed with minimal surface excavation, providing a far safer environment for employees. The simple but effective CIPP process eliminates infiltration and root intrusion and permanently seals open joints and holes in pipe walls. The CIPP process virtually eliminates road and pavement restorations associated with open trench construction while also reducing the need for traffic control. Time spent on the job site is significantly reduced, often as high as 75 percent if we do not have to install a cleanout, and the average cost of installation is about \$3,900 – or a \$7,300 savings over the conventional open cut method. Imagine spending 65 percent less to do more simply by working smarter.

Innovation: The Authority continues to look for best practices to enhance service performance and mitigate cost increases. This budget incorporates efficiencies anticipated from the implementation of new mobile service order scheduling for meter technicians, allowing more scheduling of service orders in advance and giving the customer a more precise appointment time. DC Water is able to better serve its customers through this new technology by allowing operators to dispatch service orders electronically to a mobile terminal directly in trucks, and to complete the record keeping in the truck real-time. By moving to electronic record keeping, mobile scheduling also saves more than 500 pieces of paper a day and reduces labor cost.

FUNDING SOURCES AND USES FOR OPERATING BUDGETS

| | | FY 2013 Revised Budget | FY 2014 Approved Budget |
|----------------------------------|-------------------------|---------------------------|----------------------------|
| Sources (\$ thousands) | Retail Revenues | 324,668 | 347,787 |
| | Wholesale Revenues | 75,195 | 80,900 |
| | Other Revenues | 47,616 | 48,883 |
| | Total Revenues | 447,479 | 477,570 |
| Uses (\$ thousands) | O&M Expenditures | 297,009 | 303,973 |
| | Debt Service | 121,330 | 150,389 |
| | PILOT | 16,882 | 20,081 |
| | ROW | 5,100 | 5,100 |
| | Subtotal | 440,321 | 479,543 |
| | Less Charges to Capital | (16,690) | (17,860) |
| | Total Uses | 423,631 | 461,683 |

Operations

Management's Top Budget Priorities

Budget Prioritization

- Health/Safety of Employees and Customers
- Legal Requirements and Board Directives
- Customer Service
- Efficiency

Technique / Approach

- Teamwork
- Communication
- Process improvement
- Performance management and accountability
- Innovation / creativity
- Linkage between operating and capital budgets

Management's Top Operating Initiatives

Water System Initiatives

- Continue high level emergency response time
- Review overall strategy on water distribution infrastructure improvements
- Continue enhancements of water quality operations with focus on
 - o Regulatory compliance
 - o Maintaining high water quality standards
 - o Reservoir profile analysis
 - o Water conservation initiative and outreach
 - o Leak analysis
 - o Valve exercising

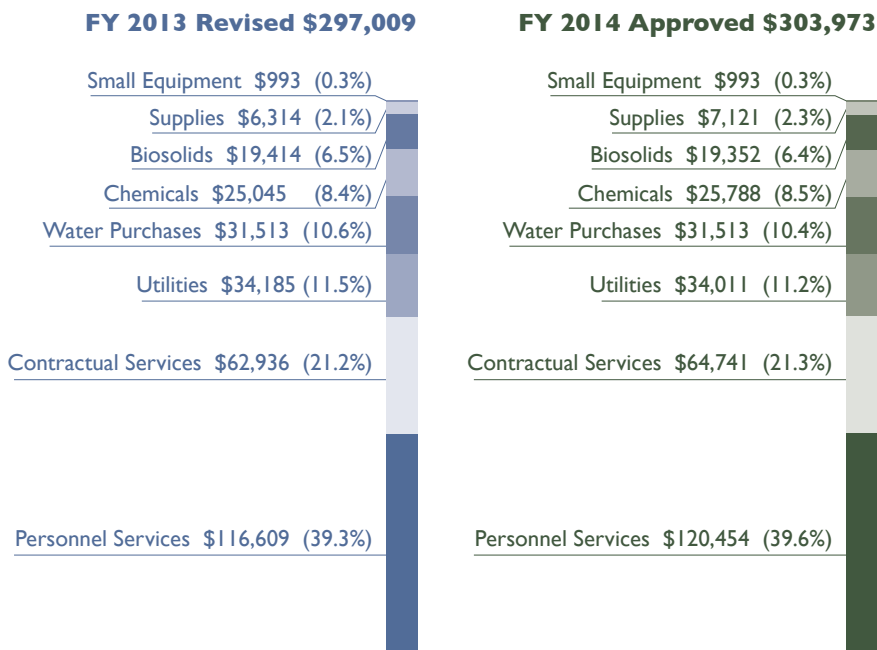
Wastewater System Initiatives

- Maintain full compliance with the National Pollutant Discharge Elimination Systems (NPDES) Permit
- Sewer service root foaming pilot
- Trenchless sewer lateral replacements
- Digestion process hydrolysis
- Side-stream treatment of nitrogen removal
- Biosolids product quality improvement
- Sewer odor and corrosion pilot

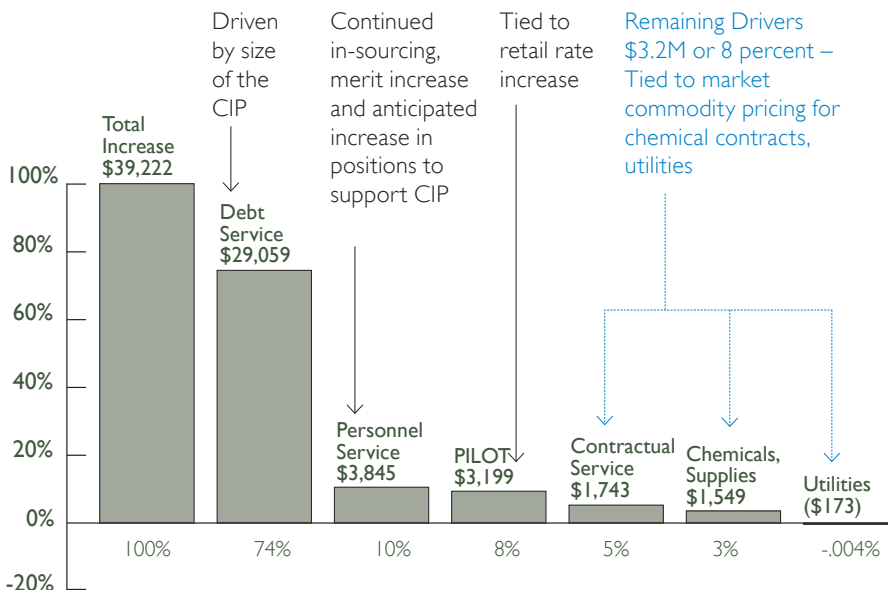
Other Management Initiatives

- Develop, maintain, and recruit a high performing workforce
- Increase Board and staff collaboration in local and national activities
- Enhance customer/stakeholder confidence, communications and perception
- Enhance operating excellence through innovation and adoption of best practices
- Assure safety and security
- Assure financial sustainability and integrity
- In-source select contractual services
- Optimally manage infrastructure
- Consider DC Water's role in drinking water

OPERATIONS AND MAINTENANCE EXPENDITURES BY CATEGORY (\$000's)



FY 2014 O & M BUDGET DRIVERS (\$000's)



SUMMARY OF OPERATING BUDGET AND POSITIONS BY DEPARTMENT (\$000's)

| | (\$\$) | | | | *Positions | | | |
|--|-------------------|---------------------|--------------------|---------------------|-------------------|---------------------|--------------------|---------------------|
| | FY 2012 ACTUAL | FY 2013 APPROVED | FY 2013 REVISED | FY 2014 APPROVED | FY 2012 ACTUAL | FY 2013 APPROVED | FY 2013 REVISED | FY 2014 APPROVED |
| OPERATIONS | | | | | | | | |
| Wastewater Treatment | 72,628 | 87,735 | 83,305 | 84,900 | 121 | 121 | 108 | 118 |
| Wastewater Treatment - Process Engineering | - | - | 3,317 | | - | - | 37 | 42 |
| Maintenance Services | 18,192 | 21,217 | 21,062 | 7,816 | 97 | 139 | 115 | 117 |
| Water Services | 50,260 | 61,207 | 18,743 | 21,160 | 158 | 207 | 207 | 207 |
| Sewer Services | 19,227 | 21,213 | 59,331 | 19,312 | 153 | 159 | 159 | 159 |
| Customer Service | 15,329 | 16,602 | 16,574 | 57,603 | 118 | 125 | 125 | 125 |
| Water & Sewer Pumping Services | 4,944 | 4,691 | 4,843 | 15,994 | 30 | 33 | 33 | 33 |
| Engineering & Technical Services | 17,121 | 19,829 | 19,501 | 5,136 | 135 | 170 | 171 | 171 |
| Clean Rivers (CSO LTCP) | 475 | 1,394 | 1,431 | 19,566 | 5 | 10 | 10 | 10 |
| Permit Operations | 1,266 | 1,522 | 1,909 | 1,646 | 14 | 15 | 15 | 15 |
| | | | | 2,015 | | | | |
| Subtotal Operations | 199,442 | 235,409 | 230,017 | 235,147 | 831 | 979 | 980 | 997 |
| ADMINISTRATION | | | | | | | | |
| General Manager | 2,598 | 3,985 | 3,691 | 3,979 | 9 | 15 | 14 | 14 |
| Office of the Secretary | 604 | 598 | 611 | 619 | 2 | 2 | 2 | 2 |
| Internal Audit | 702 | 840 | 840 | 830 | - | - | - | - |
| General Counsel | 4,813 | 7,033 | 6,941 | 7,316 | 11 | 15 | 15 | 15 |
| External Affairs | 1,801 | 2,213 | 2,233 | 2,202 | 12 | 12 | 12 | 12 |
| Information Technology | 7,400 | 10,261 | 9,969 | 10,229 | 11 | 24 | 24 | 24 |
| Finance and Budget | 7,220 | 8,184 | 8,381 | 8,819 | 42 | 46 | 46 | 46 |
| Risk Management | 5,258 | 6,194 | 5,918 | 6,033 | 4 | 4 | 4 | 4 |
| Assistant General Manager - Support Services | 324 | 330 | 332 | 340 | 2 | 2 | 2 | 2 |
| Human Capital Management | 4,285 | 4,470 | 4,536 | 4,630 | 23 | 23 | 23 | 23 |
| Facilities Management and Security | 11,394 | 12,990 | 13,048 | 12,879 | 58 | 67 | 67 | 67 |
| Procurement | 3,856 | 4,362 | 4,105 | 4,140 | 33 | 38 | 38 | 38 |
| Occupational Safety and Health | 1,303 | 1,733 | 1,760 | 1,894 | 8 | 10 | 10 | 10 |
| Fleet Management | 4,332 | 4,466 | 4,625 | 4,918 | 5 | 6 | 6 | 6 |
| Subtotal Administration | 55,890 | 67,659 | 66,991 | 68,827 | 220 | 264 | 263 | 263 |
| Subtotal - Operation & Maintenance | 255,331 | 303,069 | 297,009 | 303,973 | 1,051 | 1,243 | 1,243 | 1,260 |
| Debt Service | 99,272 | 129,392 | 121,330 | 150,389 | - | - | - | - |
| Payment in Lieu of Taxes | 16,882 | 19,215 | 16,882 | 20,081 | - | - | - | - |
| Right of Way | 5,100 | 5,100 | 5,100 | 5,100 | - | - | - | - |
| Total O & M Expenditures | 376,585 | 456,775 | 440,321 | 479,543 | 1,051 | 1,243 | 1,243 | 1,260 |
| Personnel Services charged to Capital Projects | (9,550) | (16,690) | (16,690) | (17,860) | | | | |
| Total Net Operating Expenditures | 367,035 | 440,085 | 423,631 | 461,683 | 1,051 | 1,243 | 1,243 | 1,260 |

*Personnel increases associated with integration of new capital investments are a major driver of the changes in the FY 2013 FY 2014 operating budgets and include all 17 planned new positions authorized in FY 2014.

Regional Demographics

At DC Water, identifying and understanding customer requirements are a strategic component of our planning process. Therefore, we must be sensitive to the local economy in terms of socio-political and macro-economic trends. DC Water's retail customers include 'Residential, Commercial and Multifamily', (which is the largest base), Federal Government', DC Government', and the 'DC Housing Authority.' There are more than 600,000 residents in the District of Columbia living in approximately 284,000 households and merely 134,000 customers with the responsibility to pay for the majority of

operations, maintenance and replacement of the water and sewer infrastructure throughout Washington, DC. Compared to the additional 1.6 million living throughout the DC Water service area and using a small portion of the wastewater collection and a larger portion of the treatment facilities, there are fewer customers to share the burden of the aging infrastructure assets serving the residents, visitors and governmental entities in Washington DC. The FY 2014 budget incorporates trends and statistics impacting DC and the region.

Key Economic Indicators

The Census Bureau recently noted that the DC metropolitan region had several jurisdictions within the top 10 wealthiest communities in the United States. Employment in the region is slightly easing. DC resident's unemployment has decreased by 1.2 percent from 9.8 percent in FY 2011 to 8.6 percent as of December 2012. Other economic indicators appear to be positive such as higher commercial leased vacancy rates, stable tourism demonstrated by strong hotel vacancy rates and solid restaurant patronage in downtown Washington, DC.

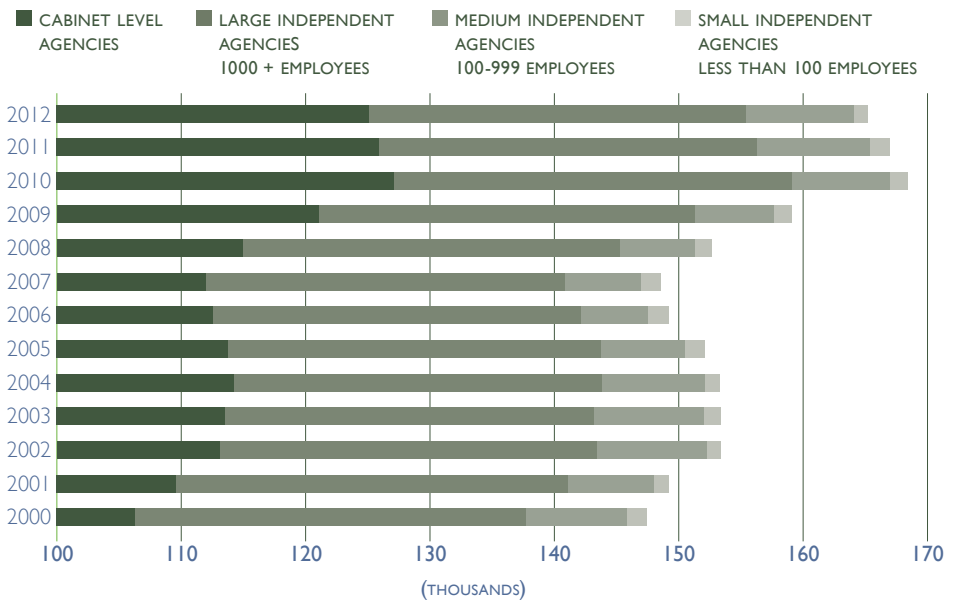
DC PER CAPITA INCOME IS HIGHER THAN U.S. AVERAGE



Employment within the District of Columbia

The national economic recovery is mirrored in the local economy through a reduction in unemployment rates in the District of Columbia, as well as throughout the metropolitan region. While approximately 19.9 percent of the families in Washington DC live at or below the poverty level according to the U.S. Census Bureau. The unemployment within the District has decreased over the last year. Federal employment is a major economic driver within the region and is holding steady. A wage freeze for Federal employees is still in effect.

TOTAL FEDERAL EMPLOYMENT IN THE DISTRICT HAS REMAINED RELATIVELY STABLE



Area Characteristics

Urban tourist, educational center. A vibrant business and commercial hub in the east coast. The nerve center of the federal government and a strong local government presence. Diverse cultures including major national and international theaters and attractions.

Average Temperature: Winter – 37 degrees F • Spring – 56 degrees F • Fall – 60 degrees F

Diverse Customer Base

DC Water has a diverse customer base and thus receives cash receipts from a variety of sources. (A detailed listing of our customer categories and accounts are in Section IV of our Adopted Budget Book). This diversity mitigates reliance on any single customer and provides a level of revenue stability.

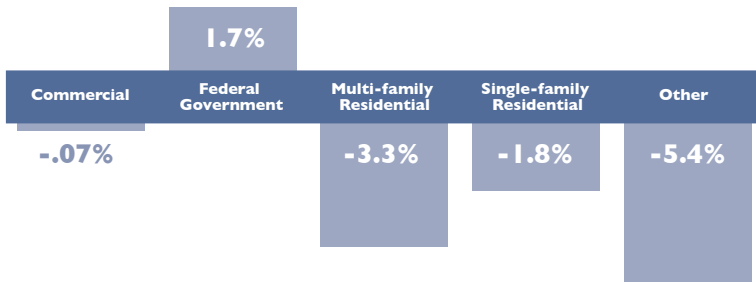
Water Consumption Trends

Similar to many water utilities across the country, DC Water has historically experienced about a one percent decline in average annual water consumption, primarily due to water conservation measures by customers. DC Water FY 2012 results show a 3.4 percent decline, which is in line with the experience of other regional water utilities. Based on the last five years, DC Water has anticipated an additional 2.24 percent decline in FY 2013 and a one percent decline in FY 2014 and beyond.

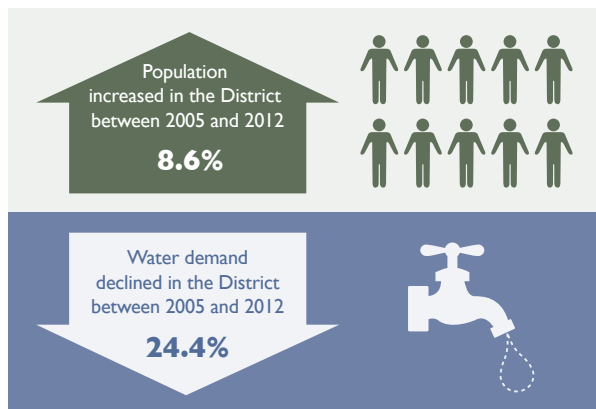
| | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--|---------|---------|---------|---------|
| DC Water | (4.3%) | (0.8%) | (0.6%) | (3.4%) |
| Washington Suburban Sanitary Commission (WSSC) | (3.5%) | 4.2% | 3.7% | (5.0%) |
| Arlington County | (2.3%) | (0.8%) | (0.8%) | (3.1%) |
| Loudoun Water | (7.0%) | (1.0%) | 5.0% | (0.6%) |
| Fairfax County Water | (5.0%) | 11% | 5.2% | (4.2%) |

DC WATER LONG-TERM WATER DEMAND SHOWS A DECLINE RELATIVELY CONSISTENT WITH THE CONSUMPTION

AVERAGE ANNUAL RATE OF CHANGE IN DEMAND FOR THE 4 LARGEST CUSTOMER CLASSES



TOTAL RESIDENTIAL PER CAPITA WATER DEMAND IS DECLINING AS POPULATION INCREASES



Development of DC Water's Capital Improvement Program (CIP) budget was especially challenging this year as the anticipated spending levels reach their peaks. To mitigate the financial impacts DC Water balances between the resources required to meet the Authority's stringent regulatory requirements while maintain and sustain its aging infrastructure and the impact that higher rates will have on our customers during these difficult financial times. The FY 2012-2021 CIP provides a framework for the development, prioritization, implementation and measurement of the capital projects undertaken.

The financial summary of the FY 2012-2021 CIP is:

- The Ten-Year (CIP) totals \$3.8 billion (cash disbursements basis)
- Lifetime budget is \$8.4 billion
- Capital Authority request is \$557.0 million

A more detailed description of major CIP changes and program details can be found within the revised FY 2013 and approved FY 2014 operating budget books online at dcwater.com.

FY 2012 – FY 2021 CAPITAL IMPROVEMENT PROGRAM (\$000's)

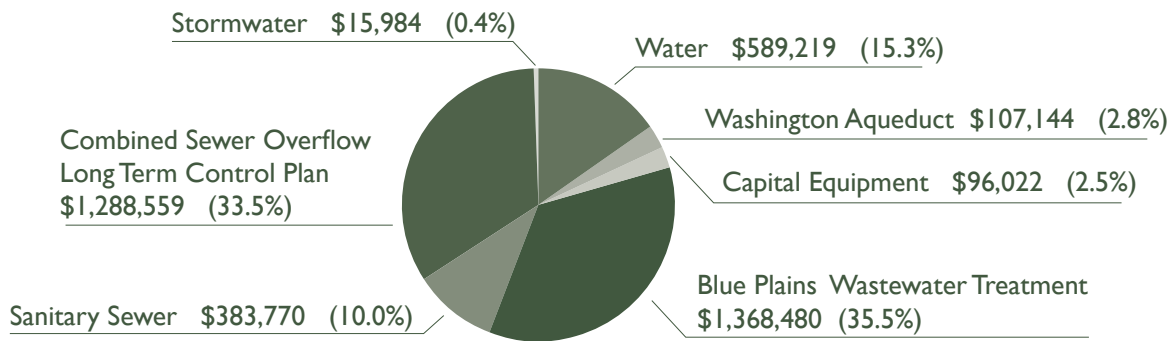
| PROGRAM AREA | TOTAL DISBURSEMENT BUDGET | TOTAL PROJECT LIFETIME BUDGET |
|-------------------------------|---------------------------|-------------------------------|
| Wastewater Treatment | 1,368,480 | 2,733,742 |
| Sanitary Sewer | 383,770 | 924,498 |
| Combined Sewer Overflow (CSO) | 1,288,559 | 2,812,315 |
| Stormwater | 15,984 | 63,168 |
| Water | 589,219 | 1,615,971 |
| Washington Aqueduct | 107,144 | 203,138 |
| Capital Equipment | 96,022 | 96,022 |
| Total | 3,849,178 | 8,448,854 |



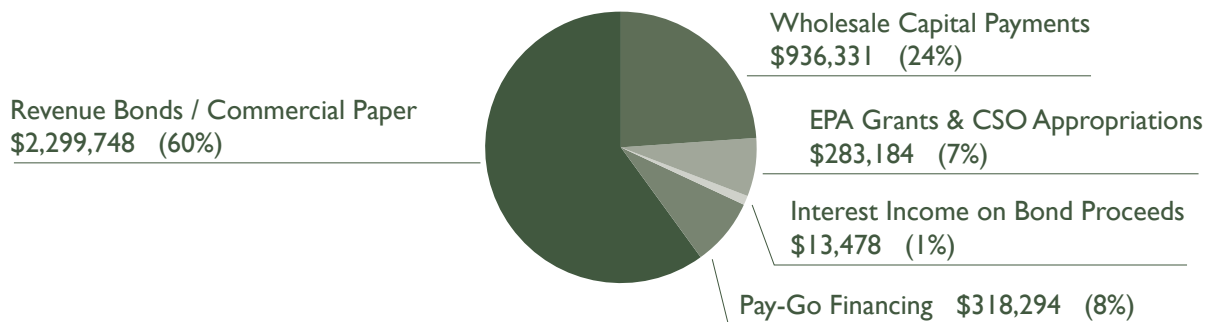
FY 2012 – FY 2021 PROJECTED CAPITAL IMPROVEMENT PLAN DISBURSEMENTS BASIS (\$000's)

| | Actuals FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total FY '12-'21 |
|----------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Wastewater Treatment | 253,305 | 358,543 | 267,836 | 180,493 | 113,542 | 100,679 | 59,777 | 18,896 | 7,289 | 8,120 | 1,368,480 |
| Sanitary Sewer | 23,783 | 29,084 | 42,136 | 43,170 | 48,458 | 45,989 | 43,023 | 38,259 | 35,620 | 34,249 | 383,770 |
| CSO | 112,658 | 163,509 | 152,345 | 207,115 | 194,390 | 112,044 | 63,893 | 72,005 | 102,612 | 107,988 | 1,288,559 |
| Stormwater | 3,315 | 3,252 | 3,680 | 952 | 859 | 736 | 795 | 866 | 793 | 736 | 15,984 |
| Water | 44,553 | 60,858 | 66,841 | 64,133 | 60,332 | 61,763 | 59,765 | 53,051 | 62,176 | 55,745 | 589,219 |
| Washington Aqueduct | 11,286 | 10,598 | 10,744 | 11,016 | 11,280 | 11,588 | 10,891 | 10,323 | 9,842 | 9,576 | 107,144 |
| Capital Equipment | 13,713 | 18,422 | 13,543 | 9,529 | 6,998 | 7,133 | 7,211 | 6,531 | 6,481 | 6,461 | 96,022 |
| Total | 462,613 | 644,265 | 557,125 | 516,408 | 435,861 | 339,931 | 245,355 | 199,930 | 224,813 | 222,876 | 3,849,178 |

Uses of Funds (\$000's)



Sources of Funds (\$000's)



MEASURE OF PRIORITY (\$000's)

| | Mandates Agreements, Regulatory Standards, Court Orders, Issues and Permits required, Stipulated Agreements, Etc. | "Health & Safety" Required to address Public Safety | Board Policy Undertaken as a result of the Board's commitment to outside agencies | Potential Failure Related to Facilities in danger of failing, or critical to meeting permit requirements | "High Profile / Good Neighbor" Address Public concerns | "Good Engineering Practices / High Payback" Need to fulfill Mission and upgrade Facilities | "Good Engineering Practices / Low Payback" "Lower priority projects" | Total |
|-------------------|---|---|---|---|---|---|---|------------------|
| FY 2012 | \$223,121 | \$9,323 | \$10,891 | \$38,010 | \$7,060 | \$166,618 | \$7,593 | \$462,613 |
| FY 2013 | 297,463 | 9,508 | 10,649 | 41,992 | 5,822 | 257,307 | 19,526 | 644,265 |
| FY 2014 | 217,719 | 19,984 | 8,571 | 54,829 | 8,631 | 235,626 | 11,764 | 557,125 |
| FY 2015 | 255,818 | 25,634 | 5,874 | 54,327 | 18,214 | 136,090 | 20,450 | 516,408 |
| FY 2016 | 216,995 | 18,615 | 5,302 | 53,095 | 13,073 | 96,063 | 32,718 | 435,861 |
| FY 2017 | 163,346 | 7,983 | 3,321 | 48,988 | 2,996 | 88,392 | 24,904 | 339,931 |
| FY 2018 | 81,501 | 8,456 | 1,923 | 35,172 | 0 | 87,737 | 30,566 | 245,355 |
| FY 2019 | 62,977 | 8,152 | 2,018 | 19,402 | - | 99,550 | 7,831 | 199,930 |
| FY 2020 | 92,082 | 5,235 | 1,967 | 11,454 | 0 | 103,804 | 10,271 | 224,813 |
| FY 2021 | 91,131 | 2,573 | - | 9,954 | - | 97,598 | 21,620 | 222,876 |
| Total | 1,702,154 | 115,464 | 50,515 | 367,220 | 55,796 | 1,368,987 | 187,230 | 3,849,178 |
| % of Total | 44.25% | 3.0% | 1.31% | 9.54% | 1.45% | 35.57% | 4.88% | 100.00% |

Water and sewer authorities are tasked with a monumental responsibility—to provide life-sustaining water and sewer services on a 24/7/365 basis while protecting the environment, and doing it all with limited funding. The nation is facing mounting challenges with aging infrastructure in need of replacement and repair. Consider this: the average water main in the District is 78 years old, and sewer pipes are even older. Add in increasing environmental protections with very large price tags, and the dilemmas facing water utilities are enormous. DC Water's Team Blue continues to face these challenges with leadership, determination, innovation and hard work.

Asset Management

Asset Management is a comprehensive business program advocated by the US EPA and the utility industry to optimize infrastructure sustainability. It is essentially the practice of managing infrastructure capital assets to minimize the total cost of acquiring; operating and maintaining them, while improving service levels. The process involves incorporating detailed asset inventories, data management, related business processes and long-range financial planning to drive decision-making by optimizing the ability to prioritize capital program projects and preventative maintenance work. DC Water's CIP plan includes a five-year Asset Management Program with \$20 million of funding in the Wastewater, Water and Sewer Service Areas. The purpose of this project is to fully leverage technology to operate, maintain, upgrade and dispose of assets to achieve the greatest efficiencies as well as asset life cycle value.

Enhanced Nitrogen Removal Facilities on Schedule to meet Chesapeake Bay Goals

The Authority continues construction of the \$950 million Enhanced Nutrient Removal Facilities. When complete, this series of nitrification/denitrification tanks, pumps and other infrastructure will reduce the amount of nitrogen in Blue Plains' effluent to meet the new U.S. Environmental Protection Agency (EPA) and Chesapeake Bay Program goals of 4.7 million pounds per year or less by 2015. DC Water already meets the new phosphorous goals.

Blue Plains was the first wastewater treatment plant in the Chesapeake Bay watershed to meet the first program goals, and has met or exceeded them every year since 2000. The first step was reducing nitrogen from the plant by 40 percent over the 1985 levels. DC Water's EPA permit requirements are among the most stringent in the world. Team Blue's research arm continues to provide the innovation and research needed to meet such strict requirements, and to be the first to do so.

Clean Rivers Project

Similar to many older communities in the Mid-Atlantic, Northeast, and Midwest portions of the country, a portion of the District of Columbia is served by a combined sewer system. Approximately one-third of the system is combined,

mostly in the downtown and older parts of the city. In dry weather, the system delivers wastewater to the Blue Plains Wastewater Treatment Plant. In wet weather, rain water is captured by this system, and if the conveyance capacity of the system is exceeded, the excess flow spills into the waterways surrounding the District of Columbia. Under a Federal consent decree, DC Water developed and started implementing its twenty year Clean Rivers Project. The benefits of the project include a reduction of 96 percent in overflows, resulting in improved water quality and a significant reduction in debris on our national capital waterways. The project is currently under way with construction of a three mile tunnel under the Anacostia River.

In 2012, DC Water embarked on a mission to incorporate green infrastructure into the solution for combined sewer overflows to Rock Creek and the Potomac River. Reinforcing the concept at a Green Summit in February 2012, the DC Water team explained that green infrastructure such as green roofs, rain gardens, tree plantings; rain barrels, bioswales and porous pavers can reduce runoff during intense rainstorms and proposed a pilot study to assess its feasibility. At the end of this study, if the capture rate is not adequate, DC Water would still build the Rock Creek and Potomac tunnels as planned, but all parties involved hope the capture rate will be high enough to reduce the size of the tunnels or even eliminate the need altogether. This solution has the potential to green the District on a scale never before attempted, add sustainable jobs to the region and clean the waterways. In December 2012, DC Water, the District of Columbia and the U.S. EPA entered into a partnership agreement to pilot this effort and review the original requirements of the consent decree. The Anacostia River Tunnel plans remain unchanged and that part of the project will become operational in 2018. The current cost estimate for the entire project is \$2.6 billion, nearly all of which is bond financed, meaning DC Water's ratepayers will ultimately pay for the majority of the construction through their water and sewer bills. The federal government has contributed \$168 million to date through appropriations and the Clean Water Act revolving funds.



Overview

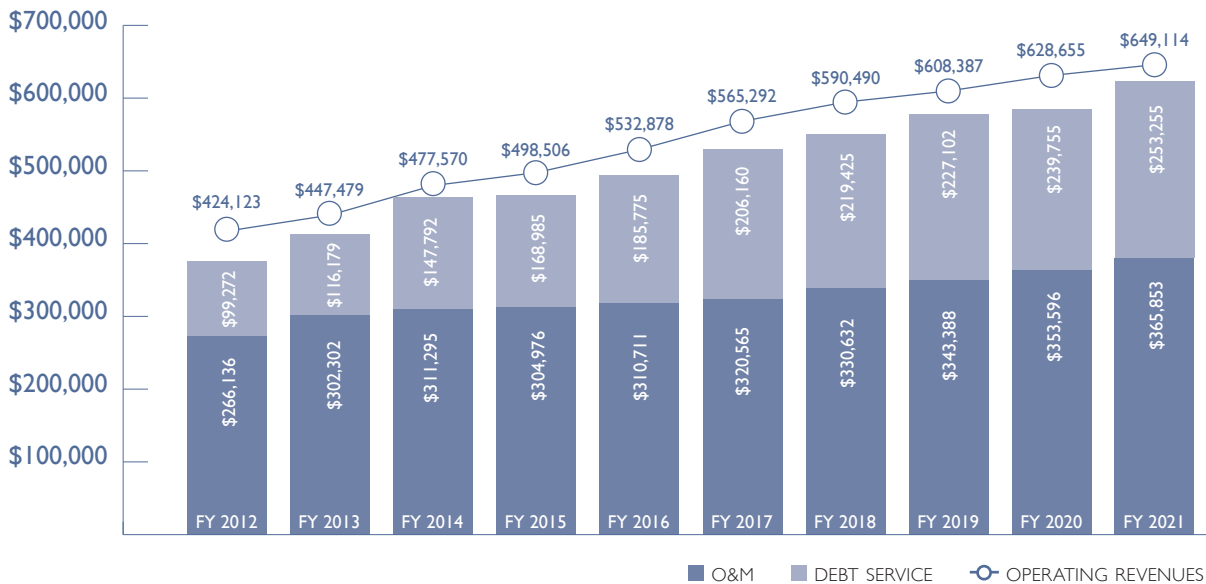
DC Water has a ten year financial plan that provides a strong financial framework to support the Board strategic plan, policies, priorities and guidance in several key financial areas. This financial plan serves as one of management’s key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. Given DC Water’s substantial borrowing needs over the next ten years, adherence to these Board policies is crucial in order to cost-effectively access the capital markets and retain our credibility with customers and regulators.

The financial plan projects:

- Revenue requirements of \$424.1 million in FY 2012 to \$649.1 million in FY 2021
- Operating expenses of \$266.1 million in FY 2012 to \$365.9 million in FY 2021
- Debt service increase from \$99.3 million in FY 2012 to \$253.3 million in FY 2021
- Projected rates to support our revenue requirements, (see page 15)
- Coverage ratios to ensure meeting or exceeding our indenture coverage rates
- Sufficient liquidity to meet all obligations (see page 17)

Our financial planning process is guided by several key Board documents including the following: *Strategic Plan / Blue Horizon 2020*; *Statement of Investment Policy*; *Financial Policies*; *Pay-As-You-Go Policy*; *Retail Rate Setting Policy*; *Rate Stabilization Fund Policy*; *Operating Reserve Policy*; *Water and Sewer Facilities Plan*; *FY 2012-2021 10-year CIP* (which can be found in full at dcwater.com)

FINANCIAL PLAN (\$000's)

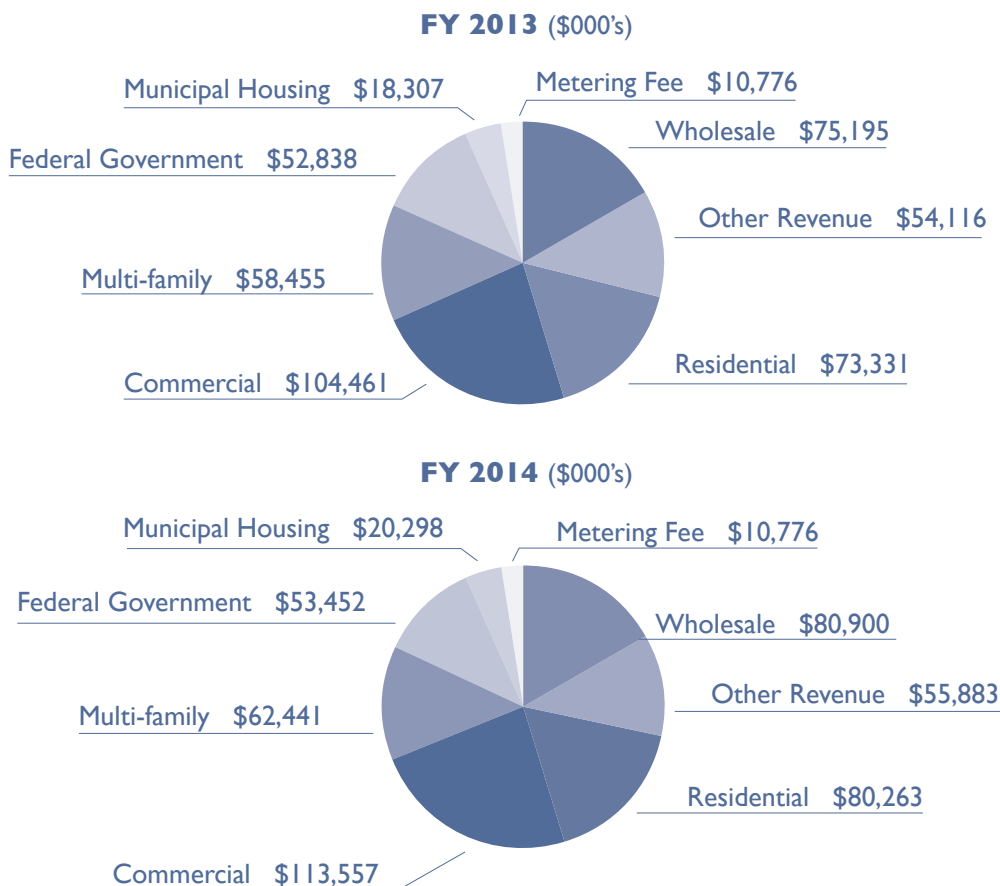


Projected Debt Service Coverage Levels

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Senior | 3.60 | 3.25 | 2.53 | 2.50 | 2.41 | 2.21 | 2.09 | 1.97 | 1.89 | 1.79 |
| Subordinate | 1.90 | 1.52 | 1.48 | 1.63 | 1.78 | 1.82 | 1.88 | 1.90 | 1.87 | 1.81 |
| Combined | 1.52 | 1.31 | 1.24 | 1.30 | 1.34 | 1.33 | 1.32 | 1.30 | 1.28 | 1.25 |

FY 2013 and FY 2014 Operating Revenues

To provide continuous delivery of water and wastewater services, DC Water must receive adequate revenues to cover operating and maintenance (O&M) costs, debt service, and other liquidity requirements. Revenue projections are a central part of the Ten-Year Financial Plan. The revised FY 2013 revenue budget totals \$447.5 million and is projected to increase to \$477.6 million in FY 2014.



Proposed Retail Rate and Fee Changes

Financial Plan revenue projections reflect the FY 2013 Board-approved retail rates as well as the FY 2014 proposed rates.

| | FY 2013 (current) | FY 2014 (proposed) | Units of Measurement |
|--|----------------------|-----------------------|--------------------------|
| Water | \$3.42 | \$3.61 | per Ccf or (748 gallons) |
| Sewer | \$4.18 | \$4.41 | per Ccf or (748 gallons) |
| Monthly Impervious Area Surface Charge | \$9.57 | \$12.77 | per ERU or (1,000 sq ft) |
| Customer Metering Fee | \$3.86 | \$3.86 | for meter size of 3/4 |
| Payment in Lieu of Taxes (PILOT) | \$0.50 | \$0.53 | per Ccf or (748 gallons) |
| Right of Way (ROW) | \$0.16 | \$0.17 | per Ccf or (748 gallons) |

In FY 2011, a Customer Segmentation Study was performed to identify classes of customers for the purpose of rate-setting, planning, supply management and cost analysis. Typically this classification is based on: A. general service characteristics, B. demand patterns. Each class is assumed to have somewhat different needs and progressively higher demands than the previous class. Most water utilities typically have three principal classes of customers: A. Residential, B. Commercial, and C. Industrial. DC Water currently has two customer classes: A. Residential, B. Non-Residential.

Further, the FY 2012 Cost of Service Study identified several customer categories that demonstrated a reasonable level of differentiation in terms of peak usage. The customer classes identified included A. Residential, B. Multi-family, and C. Non-residential. DC Water will determine whether to adopt and approve the expanded customer class during its FY 2014 ratemaking process.

Water and Sewer Rates

The proposed water and sewer rate increases included in the Ten Year Financial Plan are driven by the following factors:

- Average annual debt service increase of 11.2 percent
- Average annual O/M increase of 3.0 percent
- Anticipated operating cost savings at Blue Plains beginning in FY 2014 due to implementation of the digester/cambi biosolids management project

Clean Rivers Impervious Area Charge

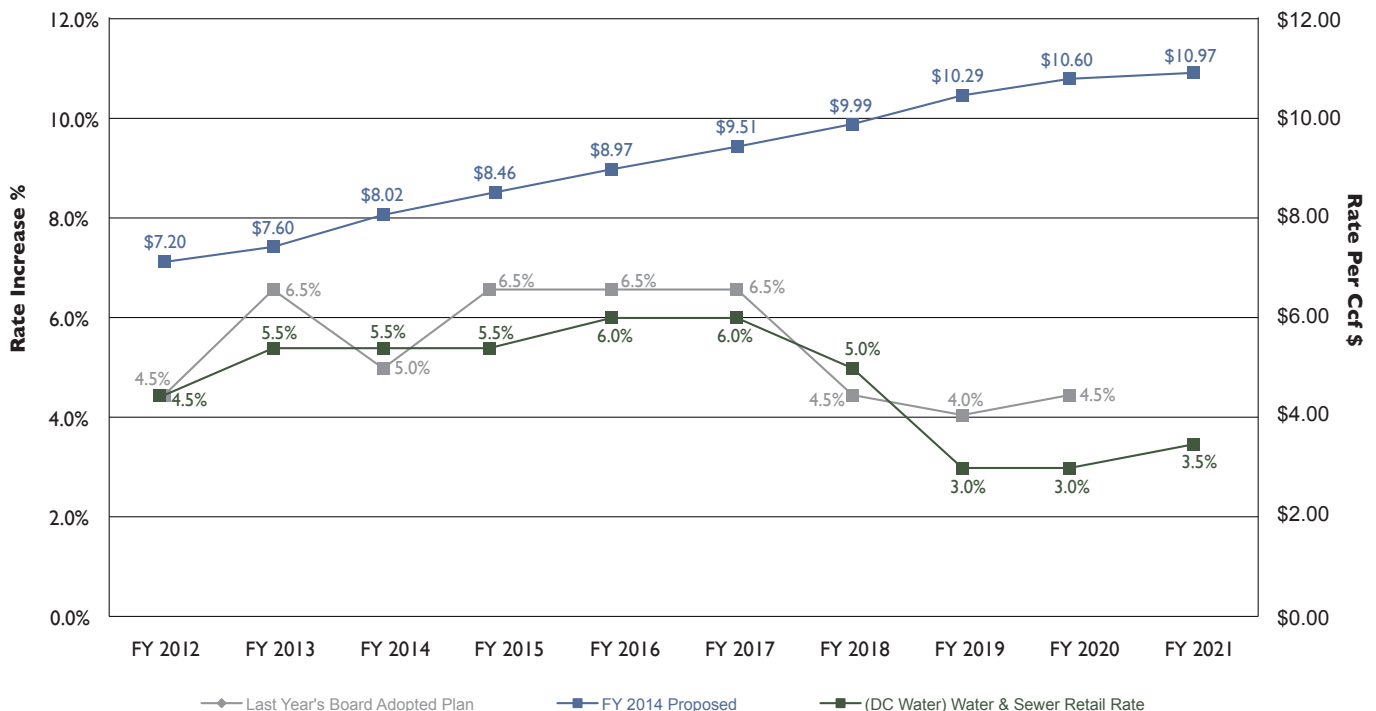
The Clean Rivers Impervious Area Charge (IAC) is a separate sewer service fee established in FY 2009 to recover the cost of implementing the CSO-Long Term Control Program. The FY 2014 proposed monthly IAC is \$12.77 per ERU (Equivalent Residential Unit) with annual rates ranging from \$12.77 to \$30.67 per ERU per month. The Clean Rivers projected IAC is primarily driven by anticipated debt service costs to support the \$2.6 billion CSO Long Term Control Plan (DC Clean Rivers Project) and is based upon the amount of impervious surface on each individual property which impacts wet weather runoff that must be treated at the Blue Plains Wastewater Treatment

Plant. If additional federal assistance is provided, the impervious rate increases would be lower; the ten-year plan assumes no external funding beyond the special Congressional appropriations DC Water received through 9/30/12 totaling \$168.6 million.

CLEAN RIVERS IAC



WATER AND SEWER RATES



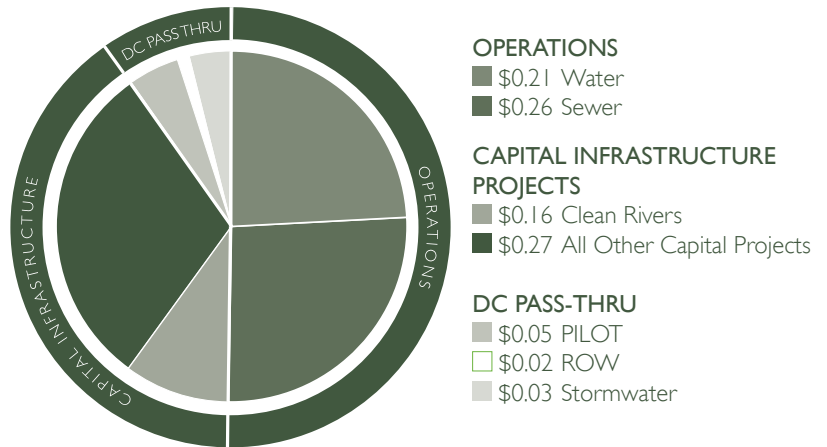
Right of Way and PILOT Fees

DC Water pays a Payment in Lieu of Taxes (PILOT) fee to the District Government each year to be based upon services received and certified from the DC Chief Financial Officer. The annual fee is adjusted in accordance with adjustments made to the retail water and sewer rates. In addition, a Right of Way (ROW) fee is made as a permit fee for the water and sewer lines that occupy space under ground in the public right of way.

Customer Affordability

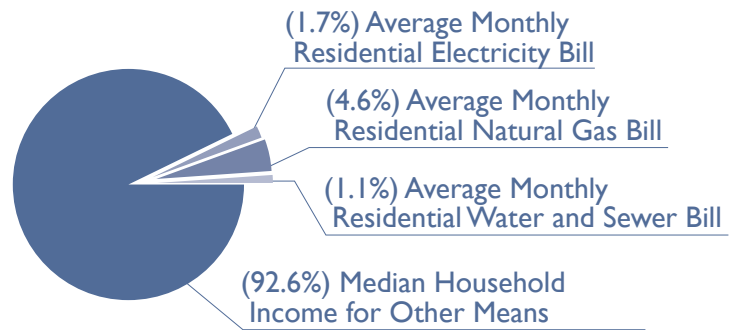
At DC Water, we have consciously sought to balance our operating and financial needs with consideration to the financial impact upon our customers. Our rates and fees are comparable with similar water and wastewater utilities. However, the concept of utility affordability can be viewed differently within each individual household. EPA guidelines suggest that fees and charges should be within 4 percent of the median household income to be considered affordable (2 percent for water and 2 percent for sewer). Using 2012 data (last available census data), DC Water is well under that target.

WHERE DOES YOUR MONEY GO?



2012 MONTHLY DC MEDIAN HOUSEHOLD INCOME

Observation: The average DC residential water customer uses 6.69 Ccfs (or 5,004) gallons a month. Based on this use, DC Water’s average monthly residential water and sewer bill is about one percent of the total monthly household income for the median income family. This is lower than the average monthly electricity and natural gas bills.



Even with this favorable affordability index, there are many low income residents in DC for whom the average water/sewer bill would consume greater than 4 percent of their monthly household income. Recognizing this, DC Water provides programs to assist customers most in need. Through the Customer Assistance Program (CAP), the Authority provides eligible customers a discount of 4 Ccfs per month on the water, sewer, ROW and PILOT portions of their bills. Since it began, participation in CAP has continued to increase. At the end of FY 2012, 5,600 customers had received a discount on their monthly bills at a cost of \$1.3 million. In FY 2013 this discount would mean a reduction of \$33.04 on a monthly bill for an eligible customer using 4 ccfs or more a month. The District Department of Environment, Office of Energy, administers this program for the Authority and similar programs for several other utilities in the area.

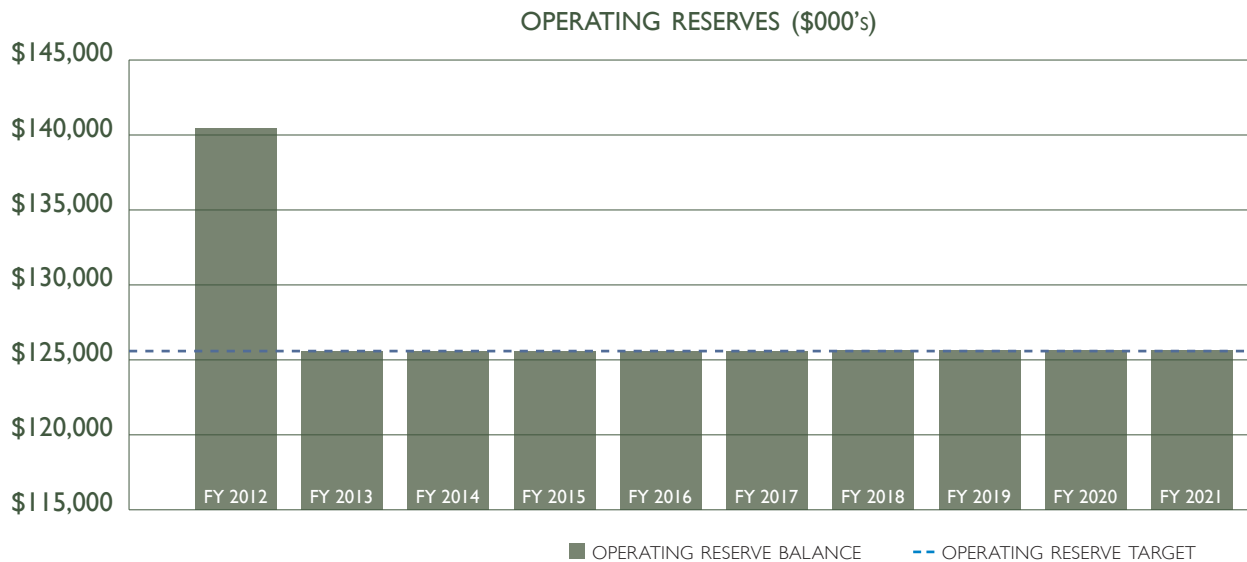
In addition, the Authority offers assistance to families in need through a bill roundup program called SPLASH (Serving People Lending a Supporting Hand), so that they can maintain this life-giving service – water – in times of emergency. The program is administered by the Greater Washington Urban League. In addition numerous DC Water employees make donations to SPLASH through voluntary payroll donations. Every dollar received by the Authority is distributed to eligible customers.



Photo courtesy of USEPA

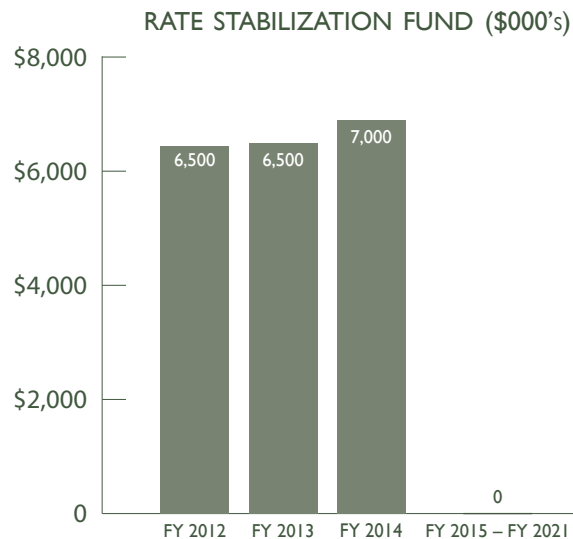
Operating Reserves

Consistent with Board policy, DC Water continues to maintain cash reserves equivalent to 120 days of budgeted operations and maintenance with the objective of maintaining at least \$125.5 million in operating reserves. The ten-year plan reflects continued maintenance of this reserve level.



Rate Stabilization Fund

At the end of FY 2012, DC Water's rate stabilization fund (RSF) balance was \$27.95 million. The budget calls for use of \$6.5 million in FY 2013. RSF will have a balance of \$18.55 million at the end of FY 2021. Use of RSF funds allows DC Water to implement future rate increases in a gradual manner while still meeting Board and indenture policies on cash reserves and debt service coverage.



Debt Management

DC Water’s ten-year \$3.8 billion CIP (cash disbursement basis), debt service continues to be the fastest growing line item of the operating budget with an average annual increase of 11.2 percent. Debt management consists of managing funds borrowed through revenue bonds, commercial paper, and other short-term notes. Currently, debt financing represents 60 percent of the funding in the ten-year capital program and debt service is projected to be 34 percent of the FY 2014 operating budget. Debt to net fixed assets (plant) ratio will increase from 52 to 55 percent in the current ten-year financial plan. At the end of FY2012, (September 2012), DC Water had approximately \$1.8 billion outstanding debt; 29 percent senior lien and 71 percent subordinate.

In March 2012, the Authority successfully issued an additional \$441 million in Public Utility Subordinate Lien Revenue Bonds, Series 2012. The Series 2012 Bonds are comprised of: 2012A fixed rate new money bonds; 2012B indexed variable rate new money bonds; and 2012C fixed-rate refunding bonds.

The results from Series 2012 achieved the lowest long-term financing cost of any bond issuance in DC Water history; a rating upgrade from Standard and Poor’s elevating the senior lien debt to AA+ and subordinate lien debt to AA; and produced approximately \$18 million in net present value savings over the life of the bonds. The notable results are due to the solid financing team and strong financial performance, diligent planning and market favorability.

In addition, as new issuances are planned, internet road shows for domestic and international investors are provided giving pertinent information on the Authority’s strong management, capital improvement activities, and the financial forecasts. The next debt issuance is anticipated in the third quarter of FY 2013. DC Water provides information for current and future investors on its website, dcwater.com.

Capital Financing Plan

DC Water’s capital program is funded through multiple sources including equitable wholesale cash payments, interest earnings and a comprehensive capital financing plan. This financing plan continues to meet the dual objectives of 1) securing the lowest costs of capital possible and 2) maximizing administrative and operating flexibility. This plan includes several components.

Grants – The Financial Plan assumes that 7 percent of the capital expenditures between FY 2012-2021 will be from federal grants. DC Water currently receives grants from several sources including EPA Clean Water and Safe Drinking Water Acts, direct appropriations and various agreements. DC Water is aggressively pursuing additional federal support for the many regulatory and critical infrastructure investments that must be made in the near future.

Pay-As-You-Go Financing (PAYGO) – PAYGO financing is operating cash in excess of operating requirements and reserves that is used for capital financing or for repayment of higher cost debt in order to enact Board policy seeking the least costly capital financing for capital projects. The Board and staff continually monitor and evaluate its cash balances, reserve requirements, capital financing requirements market interest rates, and determine the optimal financing package to produce the lowest practical cost of debt for financing its capital projects.

Interim Financing Program – In FY 2002 the Board approved a \$100 million commercial program which was increased to \$225 million in FY 2010. The notes are backed by two irrevocable letters of credit; considered subordinate debt under the Master Indenture of Trust; and are issued in increments with maturities less than 270 days. The proceeds are used for interim bond financing, short-term financing for capital equipment and certain taxable costs for the Washington Aqueduct.

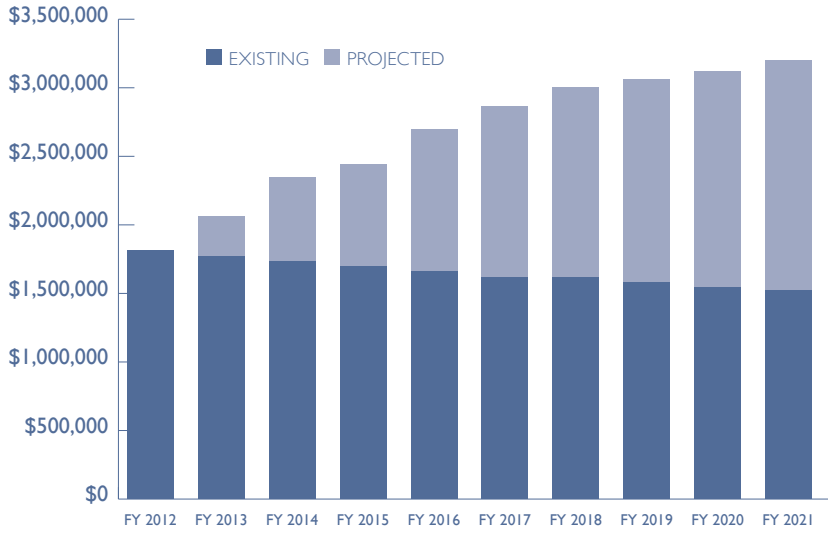
Long Term Financing – The current capital financing program provides plans to issue bonds every 12 to 18 months. Bond issuances are used to finance capital projects and described in further detail in the Capital, Financing Cash and Debt section of the full budget book.

| | | |
|-------------------|-----|----------------|
| Moody’s | Aa2 | Stable Outlook |
| Standard & Poor’s | AA+ | Stable Outlook |
| Fitch Ratings | AA | Stable Outlook |



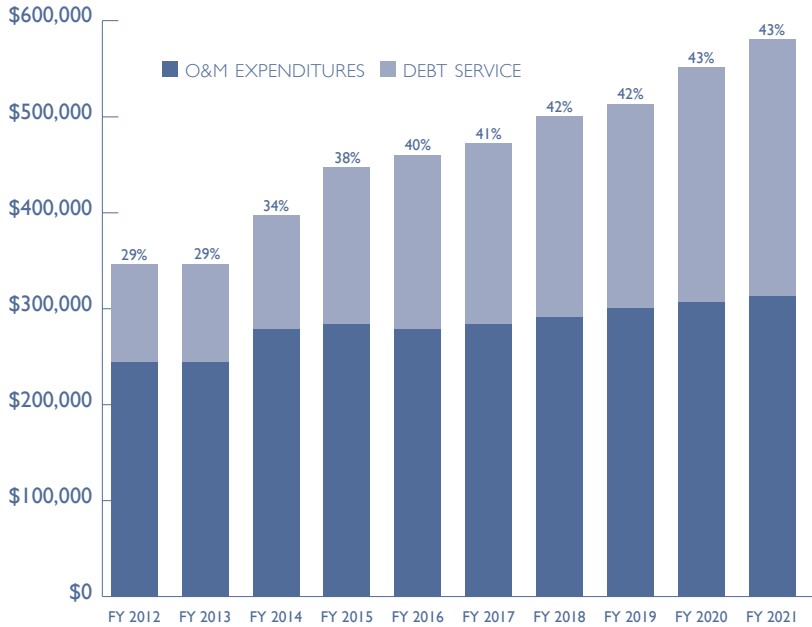
OUTSTANDING DEBT EXISTING AND PROJECTED

Based on FY 2012-FY 2021 Capital Improvement Plan (in \$000's)

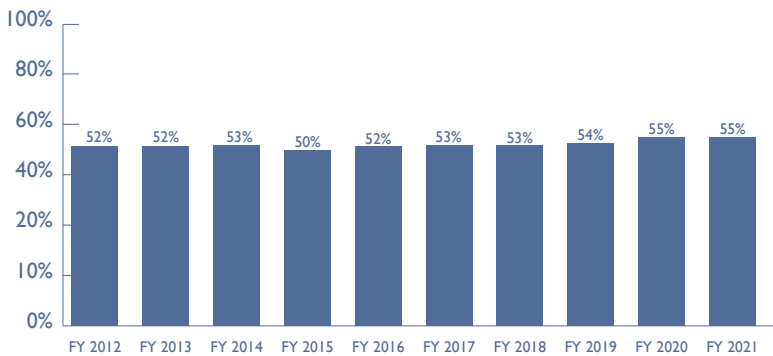


DEBT SERVICES AS PERCENTAGE OF TOTAL OPERATING EXPENDITURES

Financial Plan FY 2012-FY 2021 (in \$000's)



DEBT TO NET FIXED ASSETS RATIO FY 2012 – FY 2021



DC Water’s customer service, communication, outreach and government relations work touched more customers and stakeholders than ever before. The Office of External Affairs continues to win acclaim from customers and within the water sector for its social media efforts. The Authority’s outreach team also began an aggressive expansion of its participation in large public events, bringing a pro-tap water message and the water itself to tens of thousands of customers. And a reinvigorated government relations program reinforced DC Water’s relationships with regulators on the local and national level.

Customer Service and Training

DC Water recognizes that a strong, skilled workforce is vital to providing excellent service to its customers. Each year DC Water provides training to its workforce to support its outreach efforts whilst relying on cutting edge technology to serve its customers. In FY 2013, we will continue to offer training programs and classes that provide the knowledge and skills that are essential for employees to complete their job in a competent manner while meeting customer expectations. The table below provides a summary of DC Water’s total training budgets for FY 2013 and FY 2014.

| Training Type | FY 2013 | | FY 2014 | |
|---------------|----------------|------------------|----------------|------------------|
| | Budget (000's) | Total Budget (%) | Budget (000's) | Total Budget (%) |
| In-House | 509 | 34 | 554 | 34 |
| Contractual | 919 | 61 | 983 | 60 |
| Safety | 100 | 5 | 100 | 6 |
| Total | 1,528 | 100 | 1,637 | 100 |

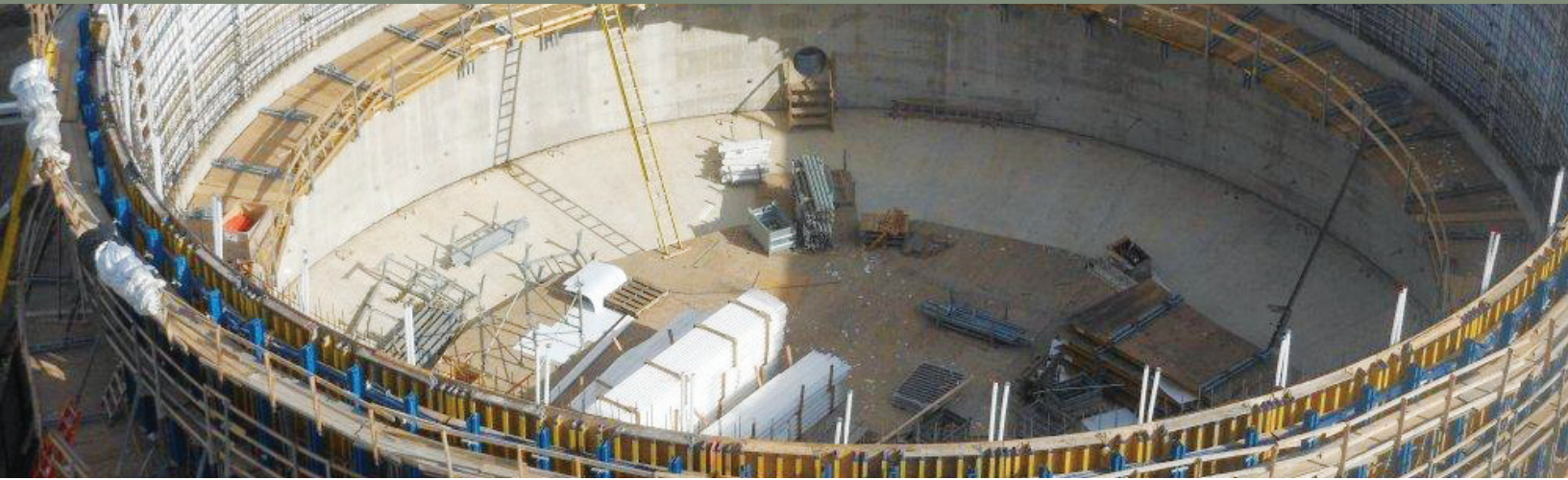
Communications, Marketing and Outreach

DC Water’s industry-leading efforts to market tap water reached new heights in Fiscal Year 2012, culminating in a *Washington City Paper* cover story touting DC tap as a prized local ingredient for food and drink, and multiple national news cycles surrounding the 2013 presidential inauguration. After the chair of the inaugural committee, U.S. Senator Charles Schumer, announced that expensive bottled water from New York would be served at the celebration, General Manager Hawkins stepped forward with a letter suggesting the use of DC tap water instead. Following extensive media coverage, Senator Schumer responded that tap water would be available at the inauguration as it is every day in the Capitol.

To foster more use of tap water, DC Water gave away 150 branded dog bowls to businesses and dog parks across the District, distributed pint glasses and kids’ cups to more than 30 restaurants, and donated reusable water bottles to every member of the Metropolitan Police Department (MPD) during the summer. MPD officers will join a growing number of District residents, employees and visitors choosing to carry reusable water bottles and using the TapIt™ network for free water refills on the go.

Attending more than 150 Advisory Neighborhood Commission and other public meetings and outreach events over the past year, DC Water continues to increase its presence throughout the District. Along with an environmental education program reaching more than 1,000 students in schools across the City, the Authority kicked off an active summer 2012 outreach calendar with its first-time participation in the Capital Pride Parade and Festival. Portable water refill stations and free reusable bottles, branded with the DC Water logo, took more water to the public than ever. The outreach team conducted blind taste tests of tap water and bottled water in each ward. More than half the 839 participants rank tap water as better tasting than bottled water or do not taste a difference between the two.





Engineering and Technical Services

Design-Build Pioneer Award for Demonstrated Leadership in the Advancement of Design-Build Project Delivery
 – *Design-Build Institute of America*

Excellence in Environmental Engineering for Planning (DC Water Biosolids Program)

Excellence in Environmental Engineering for Research (Advancements in Energy Neutrality)

Appreciation Award for 55 Years of Continuing Support and Advocate of the Construction Industry
 – *National Utility Contractors Association, DC Chapter*

Washington Contractor Award
 – *Associated General Contractors of Metropolitan Washington*

External Affairs

2012 Silver Communicators Award Award of Distinction (Animation)
 – *The Communicator Award*

Excellence in Environmental Engineering for Environmental Communications Awards
 – *American Academy of Environmental Engineers*

2012 Silver Communicators Award Award of Distinction (Public Service)
 – *The Communicator Award*

2012 Bronze Telly Award (Education)
 – *Telly Awards*

2012 Bronze Telly Award (Animation)
 – *Telly Awards*

Finance

Finalist in CFO of the Year Awards
 – *The Washington Business Journal*

Distinguished Budget Presentation Award
 – *Government Finance Officers Association*

Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (fiscal year ended September 30, 2011)
 – *Government Finance Officers Association*

General Manager

National Environmental Achievement Award for Outstanding Contributions to Environmental Protection and the Clean Water Community
 – *National Association of Clean Water Agencies*

Research and Technology Award for innovative work on nutrient removal
 – *National Association of Clean Water Agencies*

Wastewater Treatment

2011 Stewardship Award-DC Water's Floatable Debris Unit
 – *Anacostia Community Boathouse Association*

2011 Award for Excellence in Innovation for Biosolids Program
 – *Water Environment Research Foundation*

Research and Technology Award for high strength nitrogen treatment
 – *American Academy of Environmental Engineers*

Planning Award for biosolids program
 – *American Academy of Environmental Engineers*

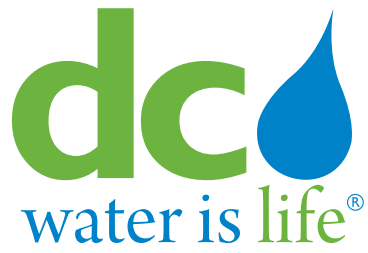
Planning Honour Award for biosolids program
 – *International Water Association*

Fuhrman Medal for Research Collaboration between practice and academia
 – *Water Environment Federation*

dcwater.com | water is life

fpo. please place the FSC logo here and space with others evenly. thanks





DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION II

OVERVIEW

REVISED FY 2013 APPROVED FY 2014



FACTS AT A GLANCE

History: In 1996, the District of Columbia Water and Sewer Authority was created by District law, with the approval of the United States Congress, as an independent authority of the District Government with a separate legal existence.

Age of Pipes: The median age of District water main pipes is over 77 years old, with approximately 9 percent of pipes installed in the 1900s and 2 percent dating back to the 1860s before the Civil War.

Service Area: Providing more than 600,000 residents and 16.6 million annual visitors in the District of Columbia with retail water and wastewater (sewer) service, DC Water has a total service area of approximately 725 square miles. In addition, DC Water treats 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.

Employees: Approximately 1,000 people are employed by DC Water and work at various facilities across the District.

Drinking Water Quality: With a strong emphasis on water quality, DC Water maintains an annual flushing program, regulatory and voluntary water quality testing, ongoing system upgrades and lead service replacements. In partnership with the U.S. Army Corps of Engineers Washington Aqueduct, DC Water ensures a high quality treatment process for delivering optimal drinking water all year round.

Pumped and Treated Water Storage: During Fiscal Year 2012, DC Water pumped an average of 102 million gallons of water per day. In addition, DC Water stores 61 million gallons of treated water at its eight facilities. The Washington Aqueduct stores an additional 49 million gallons.

Water Distribution System: DC Water delivers water through 1,300 miles of interconnected pipes, four pumping stations, five reservoirs, three water tanks, 36,000 valves, and 9,089 fire hydrants.

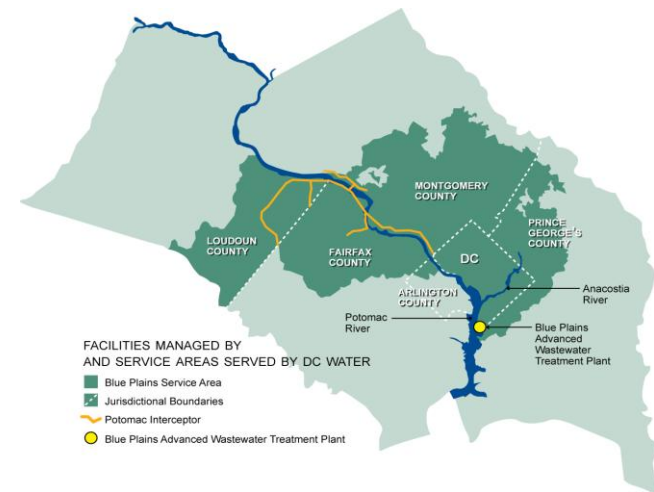
Blue Plains Advanced Wastewater Treatment Plant: Blue Plains, located at the southernmost tip of the District, is the largest advanced wastewater treatment facility in the world, covering 153 acres along the Potomac River.

Wastewater Treatment Capacity: Blue Plains treats an annual average of 300 million gallons per day (MGD) and has a design capacity of 370 MGD, with a peak design capacity to treat more than one billion gallons per day.

Sewer System: 1,800 miles of sanitary and combined sewers and 22 flow-metering stations, nine off-site wastewater pumping stations, 16 stormwater pumping stations, 12 inflatable dams and a swirl facility comprise the DC Water sewer system.

Financial Performance: In Fiscal Year 2012, all three leading credit rating agencies reaffirmed DC Water's "AA+" credit rating. DC Water also received its 15th consecutive unqualified audit opinion of its financial statements.

DC WATER SERVICE AREA



Customer Service: DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media to include Facebook, YouTube and Twitter. Using an interactive voice recognition system, DC Water makes information readily available in more than 150 languages. A 24-hour Emergency Command Center, at (202) 612-3400, operates as the centralized communication facility for receiving and responding to a variety of emergency calls from customers and the public.

Community Service: Donating their time and resources, DC Water employees actively support a variety of charitable projects and community service. DC Water also invests in the community by conducting science laboratory exercises in District high schools and engaging the public through tours of Blue Plains.

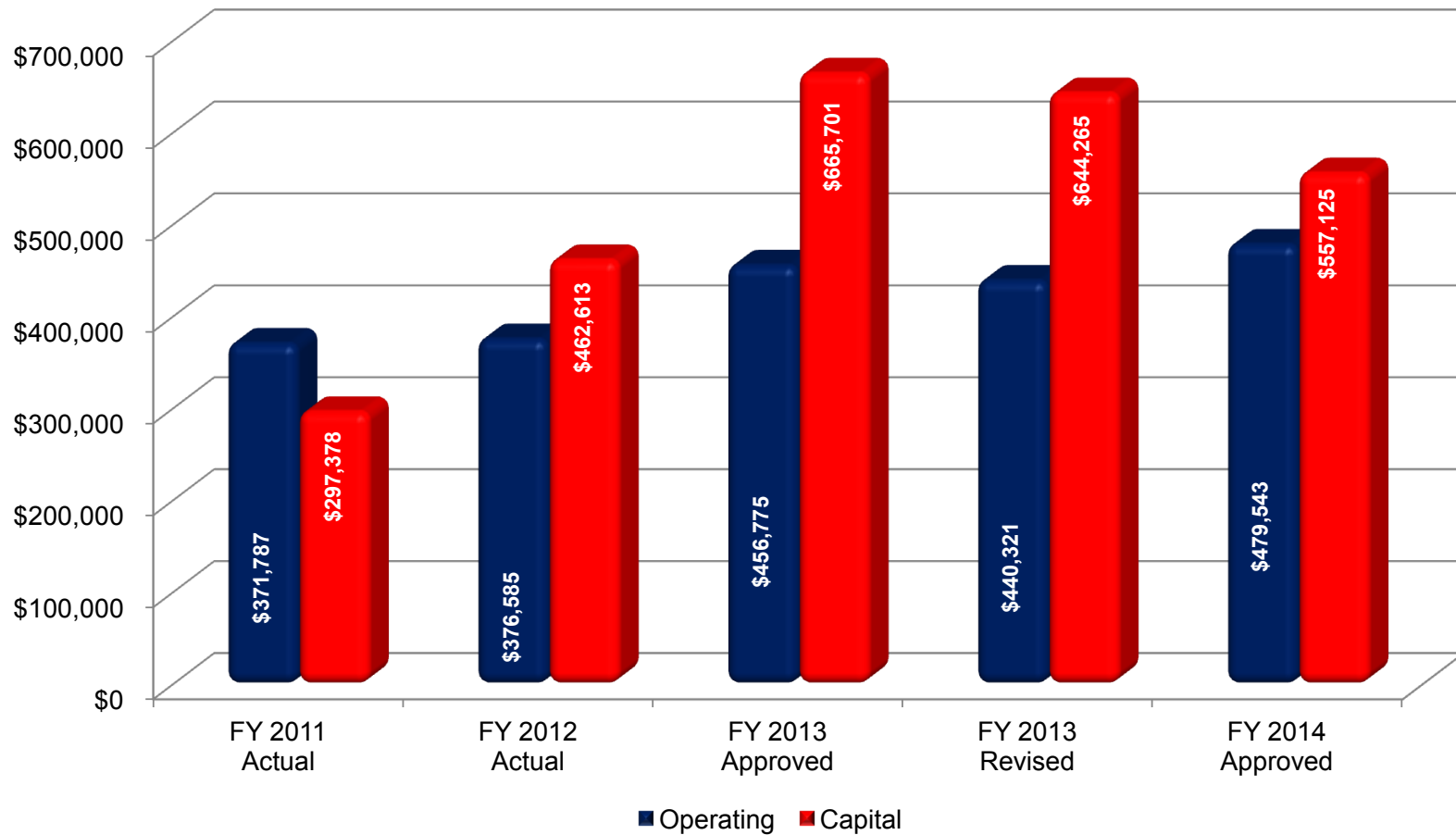
Governance: DC Water's Board of Directors establishes policies and guides the strategic planning process. The Board is composed of 22 members, representing the District, Montgomery and Prince George's Counties in Maryland and Fairfax County in Virginia. The District members set rates, charges and policies for District services. The entire Board votes and establishes policies for joint-use services. The General Manager reports to the Board and manages operations and performance of the enterprise.

DC Water Financial Information

- Bond Rating: Aa2/AA+/AA
- FY 2013 Revenue: \$447.6 million (cash receipts)
- FY 2013 Revised Operating Budget: \$440.3 million
- FY 2013 Capital Budget: \$642.6 million

OPERATING AND CAPITAL BUDGETS ENSURE SERVICE NEEDS AND STRATEGIC OBJECTIVES ARE MET

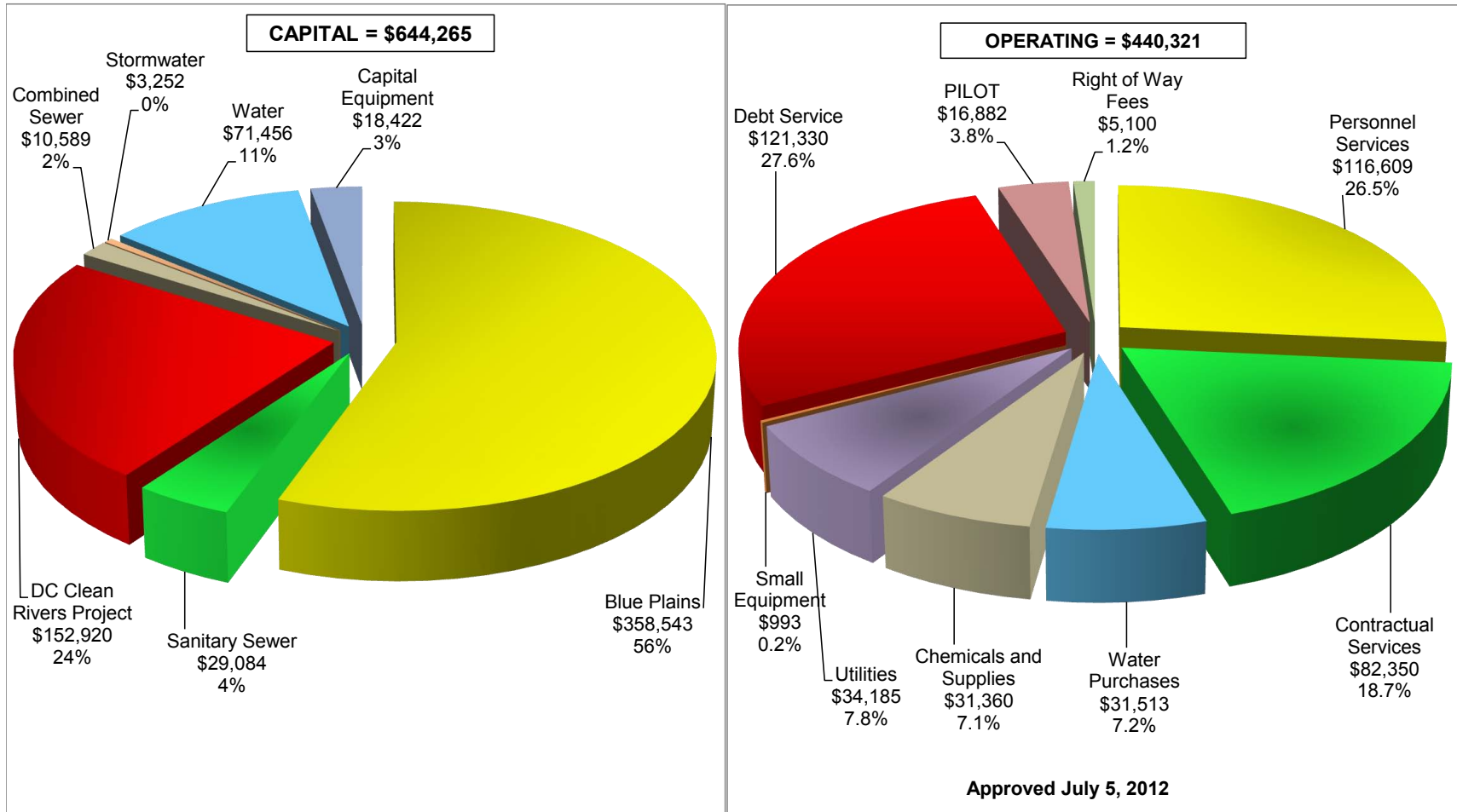
Operating and Capital Expenditures
FY 2011 - FY 2014
(\$000's)



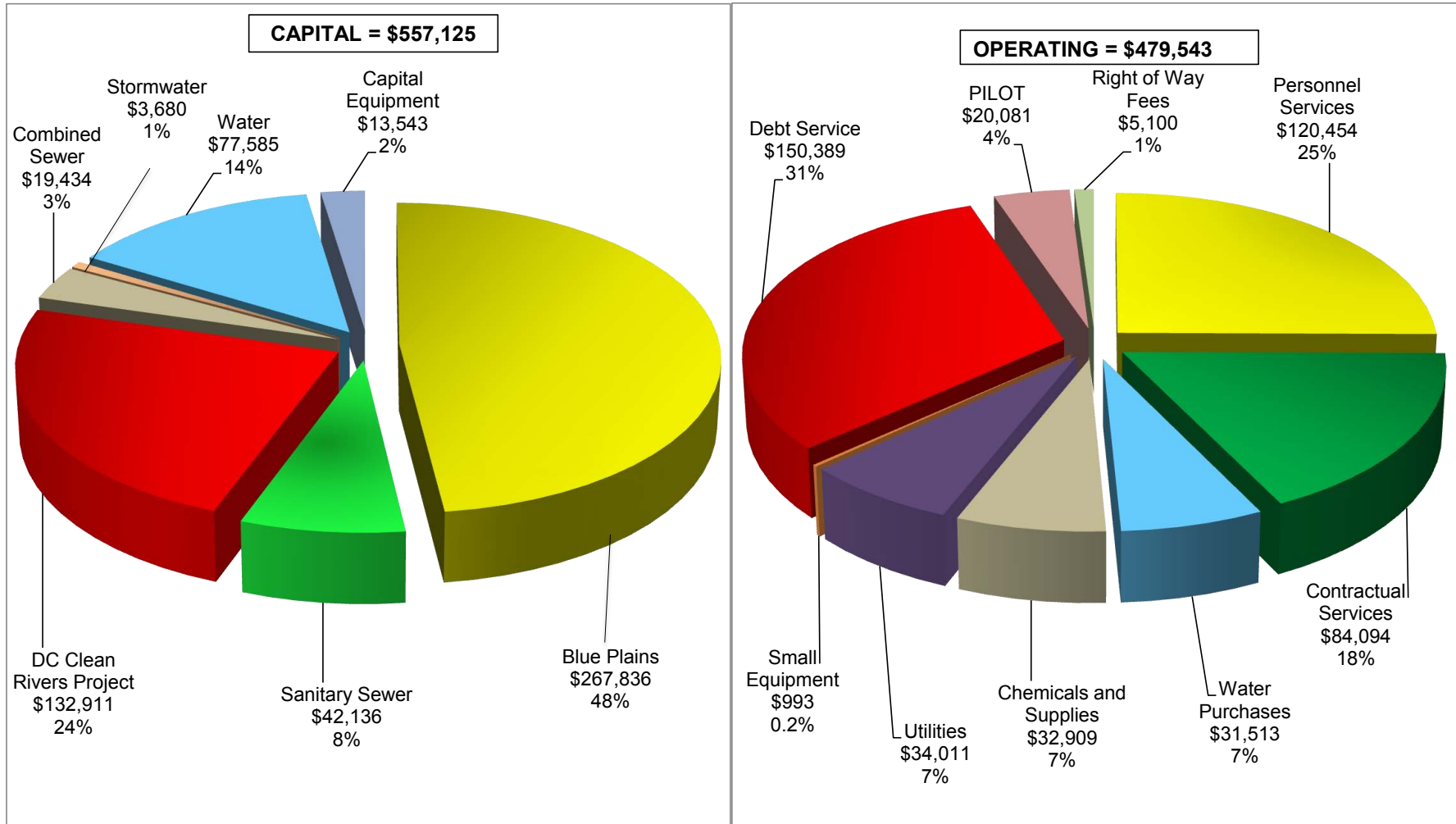
Comparative Expenditures
(\$000's)

| | FY 2011 ACTUAL | FY 2012 ACTUAL | FY 2013 APPROVED | FY 2013 REVISED | FY 2014 APPROVED |
|--|---------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| <u>CAPITAL (Cash Disbursements Basis)</u> | | | | | |
| Blue Plains | 125,879 | 253,305 | 378,648 | 358,543 | 267,836 |
| Sanitary Sewer | 24,494 | 23,783 | 45,381 | 29,084 | 42,136 |
| Combined Sewer | 36,457 | 10,778 | 12,165 | 10,589 | 19,434 |
| Combined Sewer Overflow Long Term Control Plan | 41,415 | 101,880 | 139,856 | 152,920 | 132,911 |
| Stormwater | 2,160 | 3,315 | 4,276 | 3,252 | 3,680 |
| Water | 56,388 | 55,839 | 70,034 | 71,456 | 77,585 |
| Capital Equipment | 10,585 | 13,713 | 15,341 | 18,422 | 13,543 |
| Total Capital | 297,378 | 462,613 | 665,701 | 644,265 | 557,125 |
| <u>OPERATING</u> | | | | | |
| Personnel Services | 103,145 | 107,334 | 117,796 | 116,609 | 120,454 |
| Contractual Services | 71,067 | 64,939 | 82,349 | 82,350 | 84,094 |
| Water Purchases | 27,170 | 28,389 | 32,523 | 31,513 | 31,513 |
| Chemicals and Supplies | 26,412 | 26,744 | 31,360 | 31,360 | 32,909 |
| Utilities | 29,429 | 26,786 | 38,047 | 34,185 | 34,011 |
| Small Equipment | 694 | 1,139 | 993 | 993 | 993 |
| Total O&M | 257,917 | 255,331 | 303,068 | 297,009 | 303,973 |
| Debt Service | 91,888 | 99,272 | 129,392 | 121,330 | 150,389 |
| Payment in Lieu of Taxes | 16,882 | 16,882 | 19,215 | 16,882 | 20,081 |
| Right of Way Fees | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 |
| Subtotal Operating | 371,787 | 376,585 | 456,775 | 440,321 | 479,543 |
| Personnel Services charged to Capital Projects | (9,906) | (9,550) | (16,690) | (16,690) | (17,860) |
| Total Operating | 361,881 | 367,035 | 440,085 | 423,631 | 461,683 |

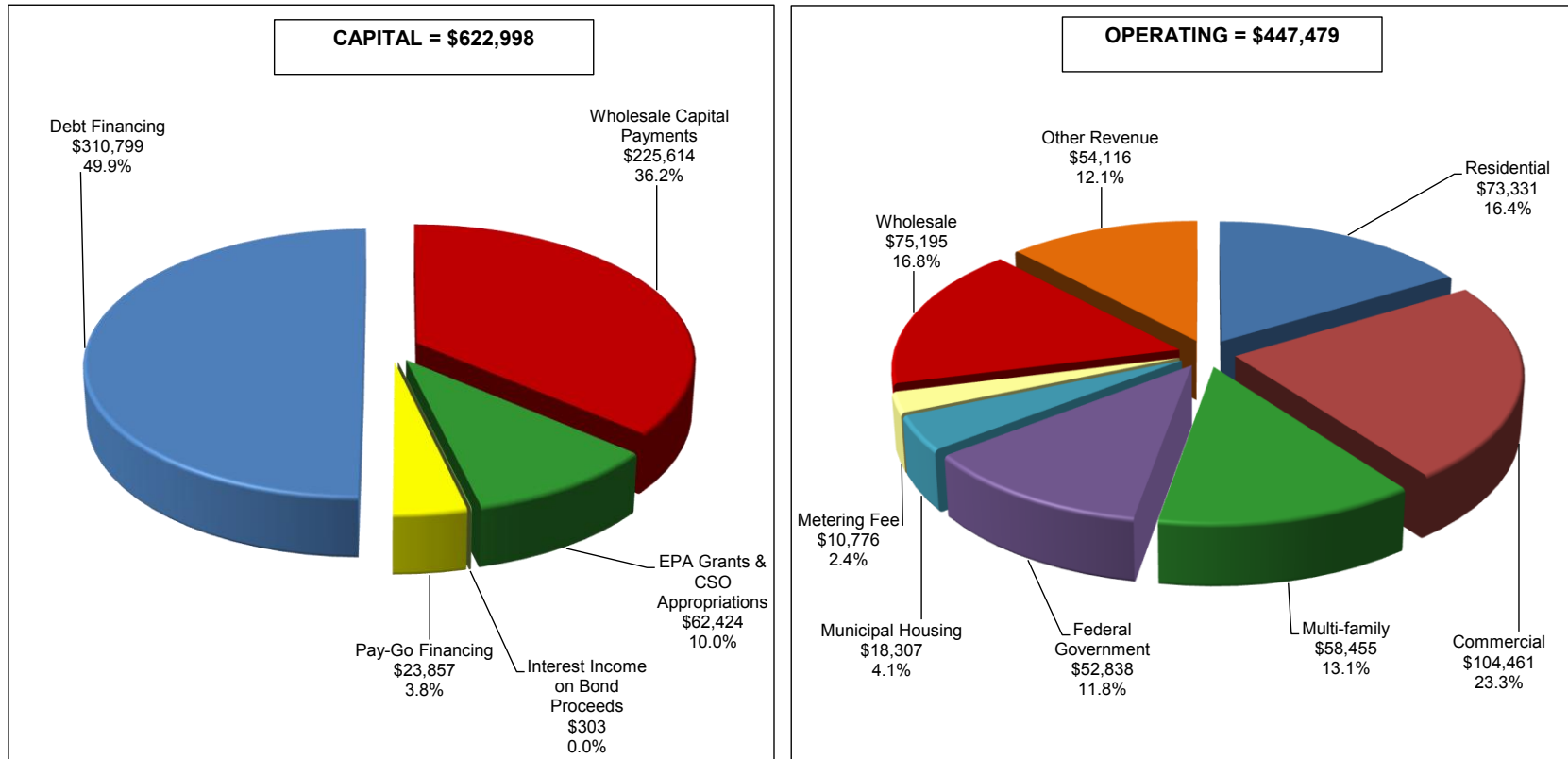
FY 2013 Revised Budgets (\$000's)



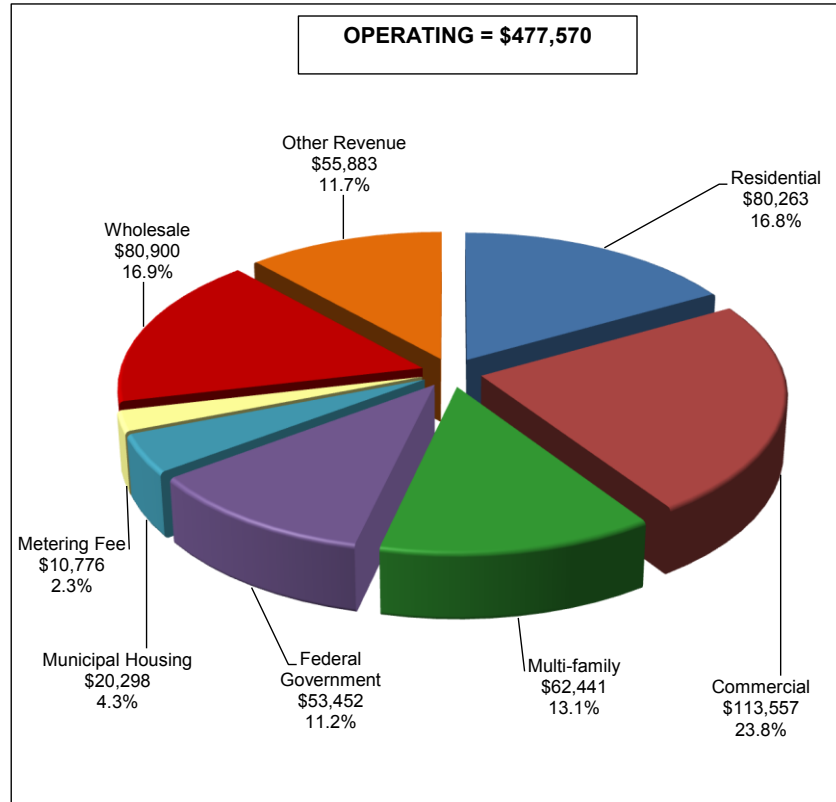
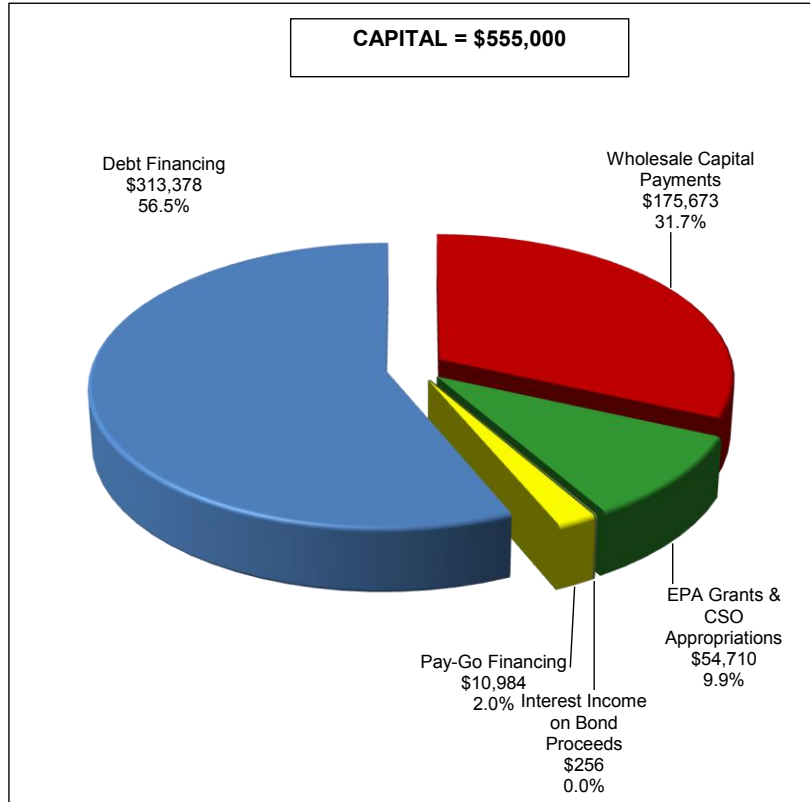
FY 2014 Approved Budgets (\$000's)



FY 2013 Revised Operating Revenues (\$000's)



FY 2014 Projected Revenues (\$000's)



CASH FLOW SUMMARY

(\$000's)


| | FY 2012 Actual | FY 2013 Approved Budget | FY 2013 Revised Budget | FY 2014 Approved Budget |
|---|-------------------|-------------------------------|------------------------------|-------------------------------|
| OPERATING BUDGET | | | | |
| Operating Receipts | | | | |
| Residential, Commercial & Multi-Family | \$ 199,803 | \$ 215,961 | \$ 205,789 | \$ 214,703 |
| Federal | 40,457 | 42,854 | 42,854 | 41,513 |
| Municipal | 6,271 | 9,489 | 8,892 | 9,287 |
| D.C. Housing Authority | 6,655 | 6,376 | 5,723 | 5,977 |
| Groundwater | - | 5 | 5 | 5 |
| Metering Fee | 11,030 | 10,776 | 10,776 | 10,776 |
| Payment in Lieu of Taxes / Right of Way Fee | 22,676 | 24,315 | 22,142 | 25,181 |
| Clean Rivers IAC Revenue | 31,032 | 44,896 | 44,129 | 58,525 |
| <i>Subtotal Retail</i> | \$ 317,924 | \$ 354,672 | \$ 340,310 | \$ 365,968 |
| <i>Wholesale</i> | 75,240 | 77,446 | 75,195 | 80,900 |
| <i>Other Operating Receipts ⁽¹⁾</i> | 30,708 | 27,775 | 31,855 | 30,547 |
| Total Operating Receipts | \$ 423,871 | \$ 459,893 | \$ 447,359 | \$ 477,415 |
| Operating Disbursements | | | | |
| Personnel Services | 96,989 | 101,106 | 99,919 | 102,594 |
| Contractual Services | 68,748 | 82,350 | 82,350 | 84,094 |
| Chemicals & Supplies | 28,973 | 31,359 | 31,360 | 32,909 |
| Utilities & Rent | 24,730 | 38,047 | 34,185 | 34,011 |
| Water Purchases | 28,287 | 32,523 | 31,513 | 31,513 |
| Small Equipment | 894 | 993 | 993 | 993 |
| <i>Subtotal Operations & Maintenance</i> | \$ 248,622 | \$ 286,378 | \$ 280,320 | \$ 286,114 |
| Payment in Lieu of Taxes / Right of Way Fee | 17,514 | 24,314 | 21,982 | 25,181 |
| Debt Service | 99,272 | 127,627 | 116,179 | 147,792 |
| Total Operating Disbursements | \$ 365,408 | \$ 438,319 | \$ 418,481 | \$ 459,086 |
| Operating Surplus | \$ 58,463 | \$ 21,574 | \$ 28,878 | \$ 18,328 |
| CAPITAL BUDGET (See Section VI for more details) | | | | |
| Sources of Capital Funds | \$ 574,459 | \$ 528,625 | \$ 623,684 | \$ 555,000 |
| Uses of Capital Funds | 462,613 | 665,701 | 644,266 | 557,125 |
| Capital Results | \$ 111,846 | \$ (137,076) | \$ (20,582) | \$ (2,125) |
| CASH RESERVES | | | | |
| Beginning O&M Reserve Balance (Net of Rate Stabilization Fund) | \$ 150,035 | \$ 125,500 | \$ 140,251 | \$ 125,500 |
| Operating Surplus | 58,463 | 21,574 | 28,878 | 18,328 |
| Wholesale Customer Refunds/Payments for Prior Years | (5,661) | (3,000) | (5,800) | (1,500) |
| Transfer to Rate Stabilization Fund | (17,750) | - | (4,100) | - |
| Transfer to DC PILOT Fund | (4,468) | - | - | - |
| Reimbursement for Legal Settlement | - | - | (4,200) | - |
| Federal Customer Refund/Payments for Prior Years | (1,000) | (5,105) | (5,105) | (6,000) |
| Interest Earned from Bond Reserve | 252 | 256 | 120 | 156 |
| Pay-As-You-Go Capital Financing | (39,621) | (13,725) | (24,543) | (10,984) |
| Ending O&M Reserve Balance (Net of Rate Stabilization Fund) | \$ 140,251 | \$ 125,500 | \$ 125,500 | \$ 125,500 |
| Rate Stabilization Fund | \$ 27,950 | \$ 15,950 | \$ 25,550 | \$ 18,550 |
| DC PILOT Reserve Fund | \$ 14,468 | \$ 10,000 | \$ 14,468 | \$ 14,468 |


⁽¹⁾ Does not include interest earned from the debt service reserve fund


Budget Summary


| Description | Unit of Measurement | FY 2013 Revised Budget | FY 2014 Approved Budget | Increase/ (Decrease) |
|--------------------------------------|---------------------|------------------------|-------------------------|----------------------|
| Operating Budget | \$000's | \$440,321 | \$479,543 | \$39,222 |
| Ten-Year CIP (Cash Disbursements) | \$billion | \$3.8 | \$3.8 | \$0 |
| Retail Water & Sewer Rates | Ccf | \$7.60 | \$8.02 | \$0.42 |
| Monthly Clean Rivers IAC | ERU | \$9.57 | \$12.77 | \$3.20 |
| PILOT Fee | Ccf | \$0.50 | \$0.53 | \$0.03 |
| ROW Fee | Ccf | \$0.16 | \$0.17 | \$0.01 |
| Wholesale Operating Revenues | \$000's | \$75,195 | \$80,900 | \$5,705 |

FY 2014 Approved Retail Rates & Fees

-  FY 2014 combined Water and Sewer rate increase of \$0.42 per Ccf or {\$0.56 per 1,000 gallons}
 - Water rate increase of \$0.19 per Ccf to \$3.61 per Ccf {increase of \$0.26 to \$4.83 per 1,000 gallons}
 - Sewer rate increase of \$0.23 per Ccf to \$4.41 per Ccf {increase of \$0.30 to \$5.89 per 1,000 gallons}

-  FY 2014 monthly Clean Rivers Impervious Area Charge increase of \$3.20 to \$12.77 per ERU to recover the costs of the DC Clean Rivers Project

-  FY 2014 PILOT fee increase of \$0.03 per Ccf to \$0.53 per Ccf {increase of \$0.04 to \$0.71 per 1,000 gallons}

-  FY 2014 ROW increase of \$0.01 per Ccf to \$0.17 per Ccf {increase of \$0.01 to \$0.22 per 1,000 gallons} to recover full cost of District charge per current MOU

DC WATER HISTORY & GOVERNANCE

The District of Columbia Water and Sewer Authority (DC Water) was created in April 1996 and began operating October 1, 1996 under and pursuant to an act of the Council of the District of Columbia and an act of the United States Congress. Previously, the Water and Sewer Utility Administration, a division of the District's Department of Public Works, performed DC Water's operations. In the aftermath of the District's financial crisis in the 1990s, Congress created an independent utility agency governed by a Board of Directors consisting of eleven principal and eleven alternate members who represent the District of Columbia, Montgomery and Prince George's Counties in Maryland and Fairfax County in Virginia govern DC Water. The Mayor of the District of Columbia appoints, and the Council confirms, all District Board members, including the Chairperson. In addition, the Mayor appoints the five principal and five alternate members who represent the surrounding jurisdictions based on submissions from those jurisdictions. All members serve four-year terms. The existence of a quorum and an affirmative vote of a majority of the members present, who are permitted to participate in the matter under consideration, shall be required to approve any Board action; except, that 7 affirmative votes shall be required for approval of the Authority's budget and 8 affirmative votes shall be required for the selection or relieving of the General Manager. All Board members participate in decisions directly affecting the general management of joint-use facilities (such as projects at the Blue Plains Advanced Wastewater Treatment Plant), and only the District of Columbia members participate in decisions for those matters that affect only District ratepayers. Rates setting authority resides solely with the Board of Directors, and is a non-joint use matter.

At its inception, DC Water faced a cash shortage and projected multi-million dollar deficit. The newly established utility was also burdened with a barely functional fleet, poorly maintained infrastructure, an antiquated billing system, and a number of operating weaknesses. Through the leadership of an active Board of Directors and strong management staff, a line of credit was obtained, municipal bonds were issued and new strategic goals, business processes and technologies were developed. DC Water made tremendous strides in its prudent financial management and cutting-edge technology, customer service improvements, extensive capital investment, environmental stewardship, peer-reviewed research and establishment of an award winning fleet. Our credit rating since 1996 has gone from no credit to AA+.

Over the years, we have developed strong partnerships with the District government, Congress, suburban jurisdictions, federal regulators and environmental advocates. We are continuing to strengthen our existing partnerships while reaching out to establish new relationships. Our success has been acknowledged through many awards as well as positive financial results and audits over the years. Since 1996, the Authority has met its mission of providing clean drinking water to residents of the District of Columbia and wastewater conveyance and treatment services to both residents of the District and wholesale customers in Maryland and Virginia.

At DC Water, we focus all of our technology initiatives on improving both the quality of services we provide to our customers and organizational effectiveness. We were one of the first utilities to automate our meter reading program (AMR) which has been heralded as a best practice in the industry. The new automated meters use radio frequency and cell phone technology to send daily water usage information from the meter to DC Water. In addition we developed a powerful application in-house called the High Use Notification Application (HUNA). This tool analyzes daily water consumption and provides monthly and yearly averages on an account. It also allows customers access to daily meter readings via the web and has advanced features which alert customers of metering anomalies.

ACCOUNTING AND BUDGET PROCESSES

Basis of Accounting

DC Water is a single enterprise fund and maintains accounting records using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when goods and services are received. DC Water expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service (including principal and interest) that is budgeted in full when due. Depreciation and interest expense are recorded as expenses for financial statement purposes. (Depreciation is not budgeted.)

Annual Budget Process

As a first step in the budget development process, the Office of Finance and Budget updates DC Water's 10-year plan to reflect any revisions to the capital improvement program and any other major revenue or operating budget issues, and analyzes the potential impact of these items on rates. In addition to these items, the 10-year plan is also developed based on the financial and rate-setting policies adopted by the Board as well as the Board's Strategic Plan.

In June, departments submit their initial budget requests for management review. DC Water's strategic and operational priorities are included in each department's work plan and performance agreements, as appropriate. During the month of June and in early July, departments complete budget reviews with Finance and Budget staff, and in July and August, reviews are held with the Executive Team and with the General Manager in tandem.

In October of each year, management presents the operating budget, ten-year plan, and capital improvement program to the Board's Environmental Quality and Sewerage Services, DC Water Retail Water and Sewer Rates and Finance and Budget Committees for their review. This budget is proposed for the following fiscal year (e.g., beginning October 1, 2013). The Committees review the budget documents from October through December and submit budget recommendations to the full Board in late December. Decisions are finalized and Board action on the budget is taken in January.

Upon budget adoption, the Budget Office publishes and distributes the approved budget book and ensures that DC Water's budget is included in the District of Columbia's budget submission, which is transmitted to the U.S. Congress for approval. Once approved by Congress, the budget is effective October 1 of each year.

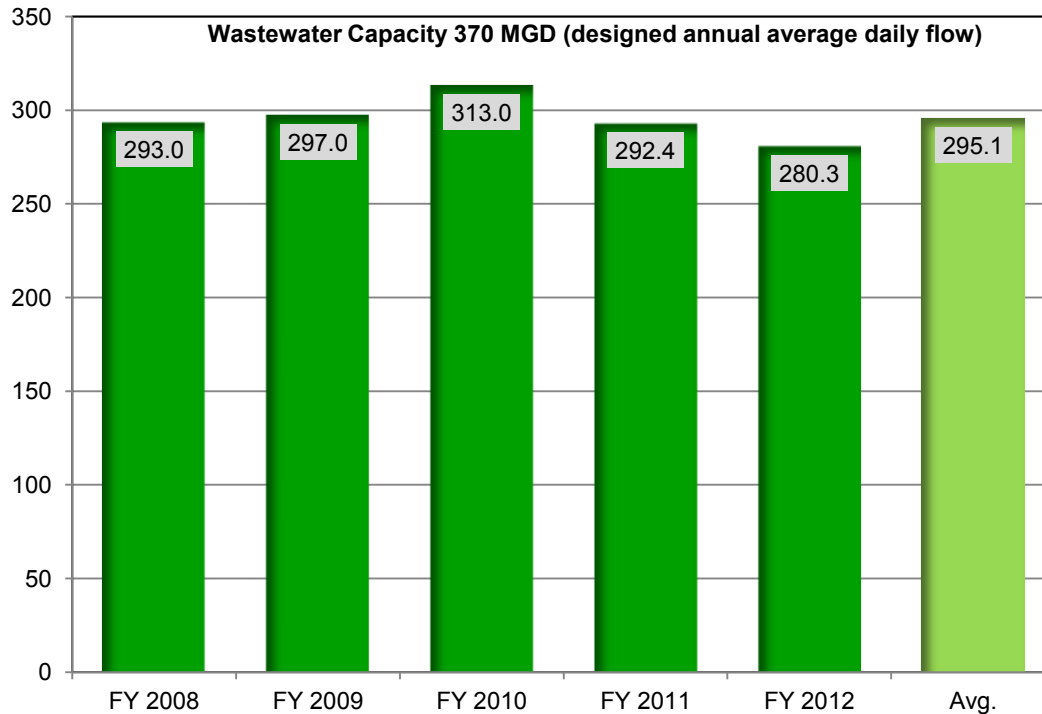
Budgetary Control

After the U.S. Congress approves the budget, the operating and capital budgets are loaded into the DC Water's financial management system, which prevents overspending without appropriate approvals. The Department of Finance and Budget prepares daily and monthly management reports for each operating unit, management staff, the Board of Directors and its various committees. The reports are consistently reviewed each month to ensure that DC Water complies with its authorized budget levels.

WASTEWATER SYSTEM CAPACITY ENSURES SERVICE AREA MEETS NEEDS THROUGH 2040

- Blue Plains is the world's largest advanced wastewater treatment plant
 - Treats an average of approximately 300 million gallons per day (MGD) annually
 - Designed for average daily flow of 370 MGD and peak wet weather capacity of 1,076 MGD
 - This budget proposal assumes average daily flows of 290 MGD – FY 2013 and 300 MGD – FY 2014
- System comprises 1,800 miles of sanitary, stormwater and combined sewers; 125,000 building sewer lateral; 22 flow-metering stations; 9 off-site wastewater pumping stations; and 16 stormwater pumping stations

Historical Wastewater Treatment vs. Capacity FY 2008 – FY 2012

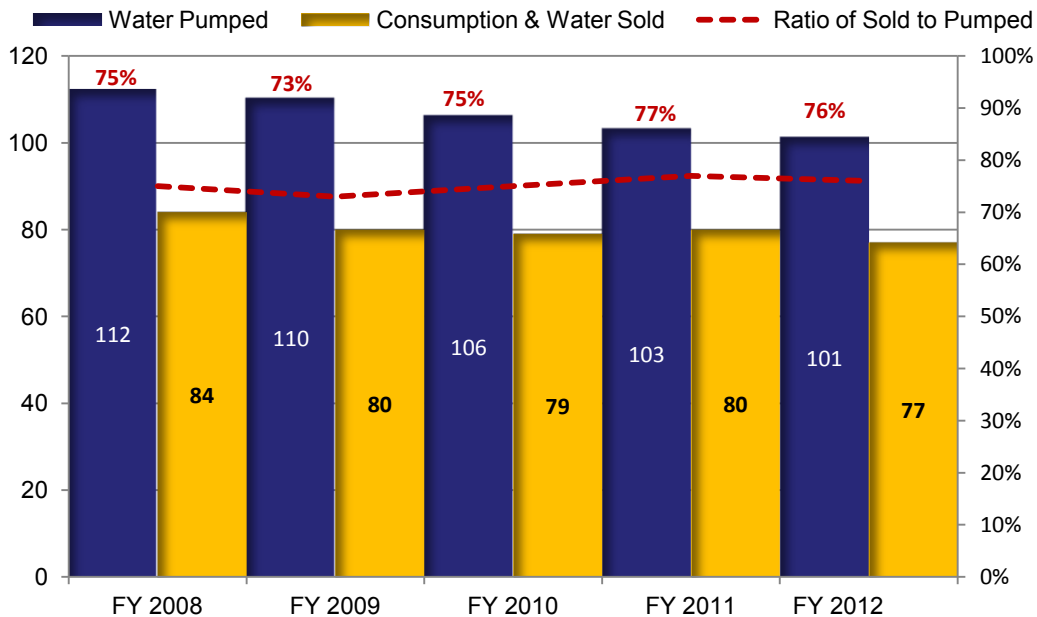


Note: In FY 2010, two historical snow storms are included in the system capacity

WATER SYSTEM CAPACITY MEETS SERVICE AREA NEEDS

- Water purchased from the Washington Aqueduct, owned and operated by U.S. Army Corps of Engineers
- Total treatment capacity of 320 MGD exceeds average daily and peak requirements in service areas
- Four pumping stations with adequate capacity to meet peak demand
 - Bryant Street, New Fort Reno, 16th and Alaska, Anacostia
- One Washington Aqueduct pumping station with capacity sufficient to take over for Bryant Street pumping station
- 1,300 miles of concrete and steel pipes

Volume of Water Pumped versus Sold FY 2008 – FY 2012



| Infrastructure Index Leakage (ILI) : | |
|--------------------------------------|------|
| FY 2008 | 9.57 |
| FY 2009 | 8.84 |
| FY 2010 | 7.54 |
| FY 2011 | 7.21 |
| FY 2012 | 8.31 |

REGIONAL DEMOGRAPHICS AND CUSTOMER DEMAND

Strong financial planning requires careful monitoring and analysis of various trends and factors that may influence the market place. In this case, the market place for DC Water is the District of Columbia and its surrounding region. DC Water monitors consumption and wastewater flow trends within the customer base, weather patterns, regional income changes, population trends, federal activity in the region, housing starts, office vacancy rates and employment trends. A review of experiences from similar national systems is a useful benchmark assessment. While there are no crystal balls in the area of forecasting water demand, monitoring such data can provide insight into customer behavior and anticipated service demands.

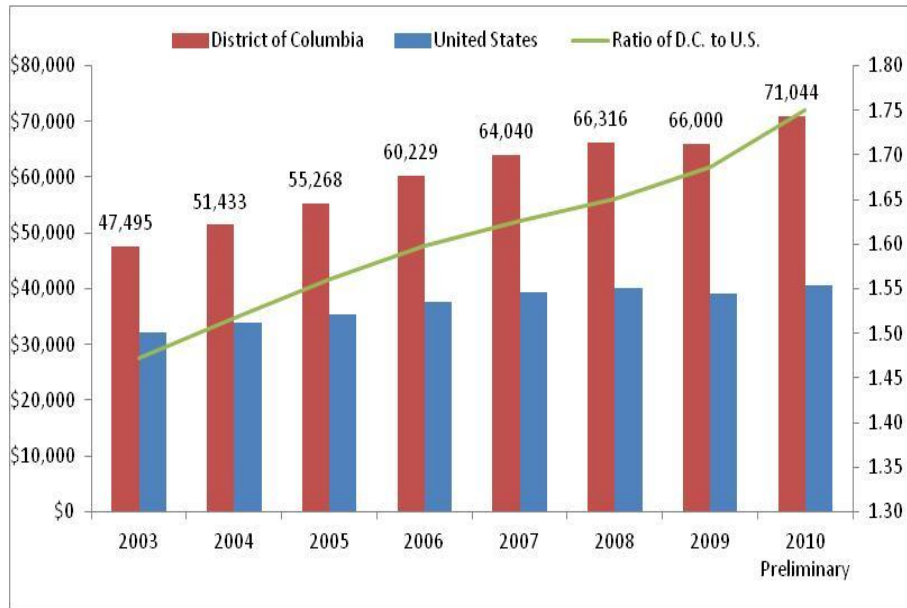
Regional Economy

Despite a sluggish national economy, DC Water's service area has weathered the national recession well. The regional income remains stable and unemployment rates remain one of the lowest among America's large metropolitan areas (although the unemployment rate for the District of Columbia remains above 8.8 percent). Regional per capita incomes remain higher than the U.S. average. Office vacancy rates are declining, which experts believe are favorable economic indicators. A major local employer, the federal government, remains relatively stable for this employment sector. Select demographic charts following support the generally positive outlook for the Washington Metropolitan region and its economy.

As the largest job center in the DC Metropolitan region, DC can be impacted by economic declines. However, impacts are tempered by the relatively stable federal employment enjoyed by the nation's capital.

REGIONAL DEMOGRAPHICS AND CUSTOMER DEMAND, Cont.

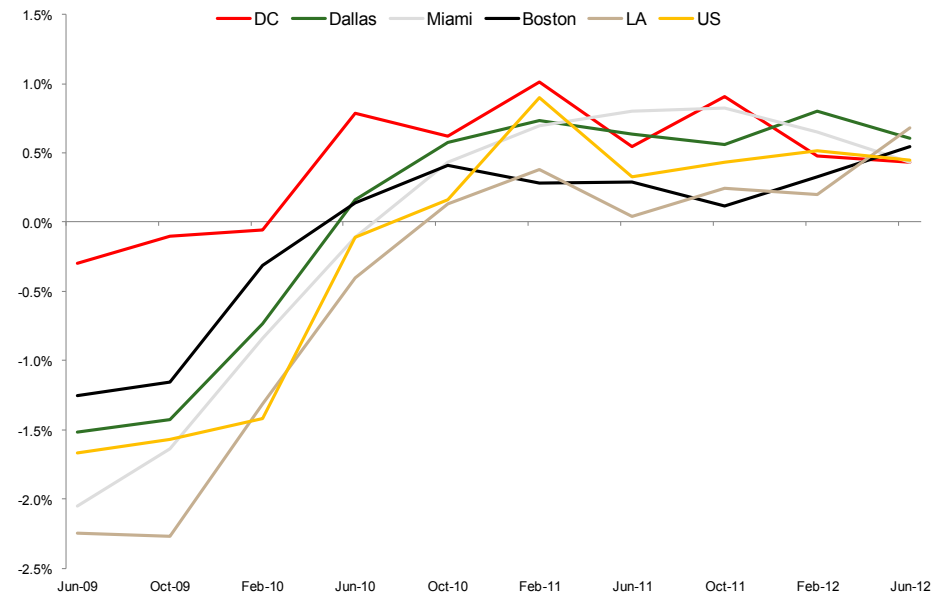
DC Per Capita Income is Higher than U.S. Average



Source: US Census Bureau

- The scale on the left side of the chart shows personal income per capita which applies to the columns in each year for DC and the U.S. The scale on the right side of the chart shows the ratio of DC income to U.S. income which is reflected by the line in the chart

DC Employment Rate Trends Higher than Nation



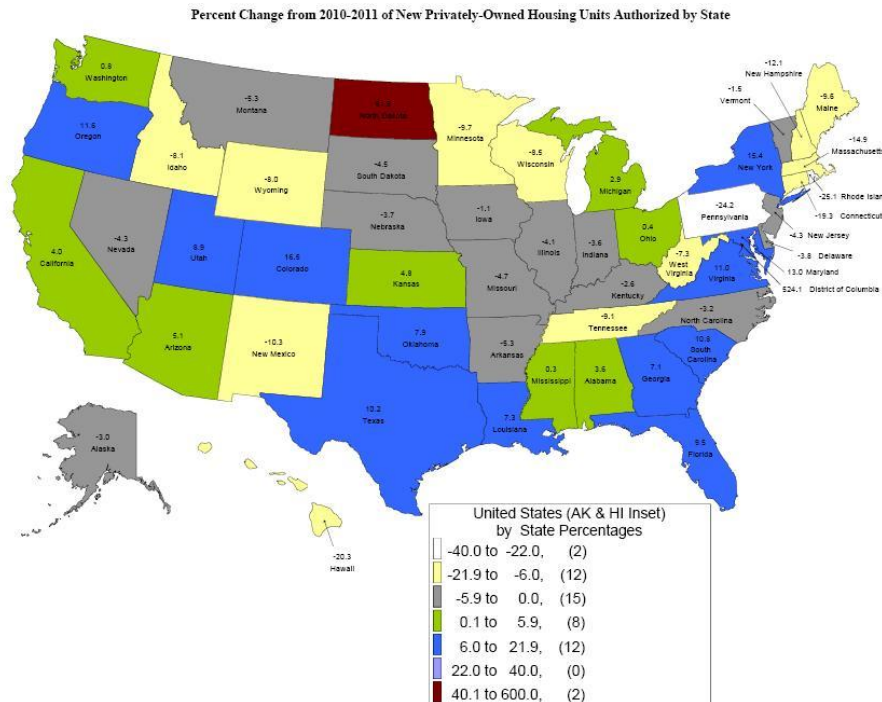
Source: Bureau of Labor Statistics

- Percentages represent the change from the previous quarter

REGIONAL DEMOGRAPHICS AND CUSTOMER DEMAND, Cont.

Low commercial office vacancy rates and uneven growth in housing permits throughout the region provide mixed signs for the regional economy

2009 – 2010
DC Growth in Housing-Permit Issuance
Higher than U.S.

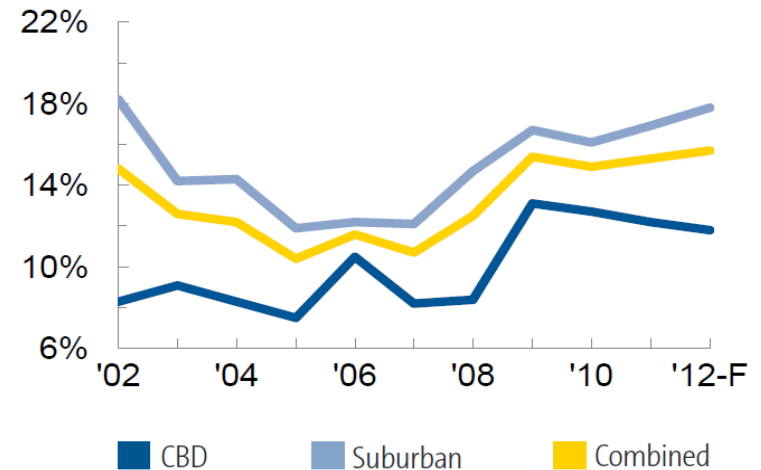


Source: US Census Bureau

- DC performance is driven by federal government growth and associated industries, supporting regional growth and diversification

DC Office Vacancy Rates
Lower than region Average of 17%

Vacancy Rate



- Central Business District: Washington Suburban: MD and VA.

Source: Grubb & Ellis

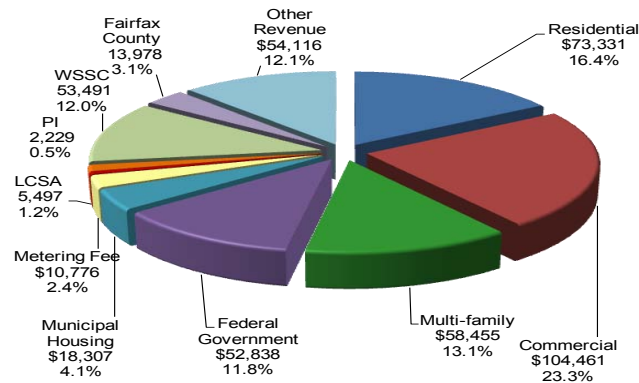
- The region's residential housing and office markets have weathered the economic climate relatively well compared to neighboring states

REGIONAL DEMOGRAPHICS AND CUSTOMER DEMAND, Cont.

The regional economic indicators are positive according to the George Mason Center for Regional Analysis, with general job growth throughout the region, strong incomes, and unemployment below the national level. These factors coupled with stable consumption and the financial strength of some of the major AAA rated customers helps to ensure the financial success of DC Water.

The DC Water service area includes highly-rated customers

- ❑ Almost 29% of the projected FY 2013 revenues came from “AAA” rated entities and are received in advance of service:
 - Federal Government
 - Fairfax County
 - Washington Suburban Sanitary Commission
 - Loudoun County Sanitation Authority
- ❑ An additional 4% of revenues came from the District of Columbia which is rated “AA-

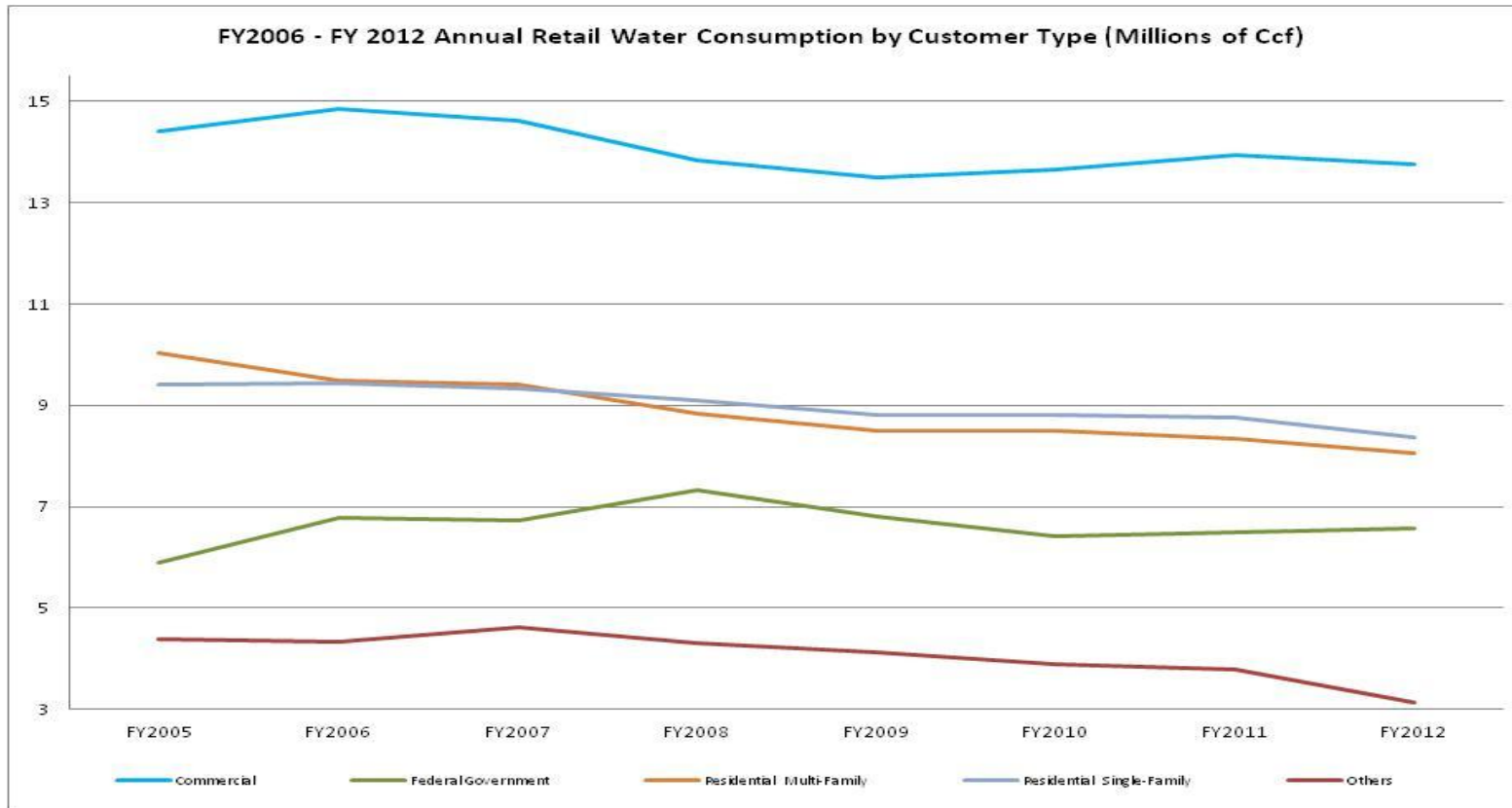


Media reports reference the service area's economic strength

- ❑ "The Washington area economy is predicted to grow 2.7 percent this year, outpacing the nation's anticipated 2 percent growth rate..." The Washington Post, January 15, 2012
- ❑ "For the second year in a row, the Washington DC metropolitan area ranked as the strongest local economy in the United States in POLICOM's annual "economic strength" rankings. With an expanding federal government as its economic anchor, the metropolitan area has been virtually immune to the national recession." PR News Wire, May 31, 2012
- ❑ "Washington's housing market continues to improve, with houses selling faster, prices rising and significantly fewer listings for buyers to choose from." The Business Journals, July 10, 2012
- ❑ "Washington real estate has fared better in recent years than the national housing market..." The Washington Post, July 26, 2012

REGIONAL DEMOGRAPHICS AND CUSTOMER DEMAND, Cont.

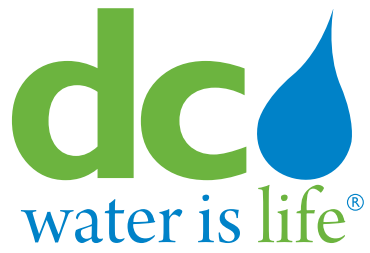
Customer Demand: A reasonable degree of accuracy in forecasting water demand is important for sound financial planning and rate-setting. DC Water has typically assumed an annual reduction in Water demand of one percent in line with a ten year historic average. The FY 2005 - 2012 actual is close to the longer term experience, averaging annual aggregate demand decline of 1.5 percent. The FY 2012 – FY 2021 Financial Plan assumed Retail Water consumption decline of 2.24 percent of FY 2013 and conservation of one percent on FY 2014 and onwards. We believe that this conservative estimate is in line with the financial policies and assures revenue sufficient for the Authority.



- FY 2005 – FY 2012 usage shows an average annual rate of change in aggregate demand of -1.5%
- Consumption fell in FY 2012 by 3.6%
- FY 2005 – FY 2012 average annual rate of change in demand for the 4 largest customer classes: Commercial: -0.7%; Federal Government: 1.7%; Multi-Family: -3.3%; and Single Family: -1.8%

FY 2014 Budget Calendar

| Month | Event |
|---------------------|--|
| May 16 | General Manager's Budget Kickoff Meeting |
| May 16 | Distribute budget manual and other preparation materials |
| May 18 | CIP draft submitted for initial review |
| May 21 | FY 2013 Final Capital and Operating numbers submitted to update Financial Plan |
| May 28 – June 4 | CIP Program area meetings with CFO/Finance and Budget |
| June 13 | Revised FY 2013 & Proposed FY 2014 Operating Budget Submission due to Budget Office |
| June 18 – June 29 | Budget Staff Review of Departmental submissions |
| June 21 – 29 | CIP Program area meetings with CFO/Finance and Budget |
| July 5 | Revised Budget Proposal Delivered to Full Board for Action |
| July – August | Begin Preliminary 10-year Financial Plan update IMA and Treasury (Submit IMA, CSO and EPA grants) CFO Budget review |
| August | Operating and Capital Budget Review with General Manager/Chief of Staff |
| August 31 | FY 2014 Final Budget Decision Process Completed |
| September – October | Budget Preparation and Production |
| October 4 | GM's Proposal to the Board for Proposed FY 2014 Budget |
| October 25 | Submit Proposed FY 2013 Budget to Joint Committees |
| October – December | Board Committees Conduct In-depth Review of Budget Proposal |
| December 2012 | Committees forward Recommendations to full Board for Deliberation/Action |
| January 2013 | <ul style="list-style-type: none"> ▪ Board Adoption ▪ Submission to the District of Columbia |
| April 2013 | ▪ District submits budget for Congressional Review |



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION III

FINANCIAL PLAN

REVISED FY 2013 APPROVED FY 2014



THE DC WATER TEN-YEAR FINANCIAL PLAN PROVIDES A STRONG FINANCIAL FRAMEWORK TO SUPPORT IMPLEMENTATION OF THE BOARD STRATEGIC PLAN

Vision

To be a world-class water utility

Mission

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

Values

- Respectful, serve with a positive attitude, courtesy, and respect that engender collaboration and trust
- Ethical, maintain high ethical standards, accountability, and honesty as we advance the greater good
- Vigilant, attend to public health, the environment, quality, efficiency, and sustainability of our enterprise
- Accountable, address challenges promptly, implement effective solutions, and provide excellent service as a committed team

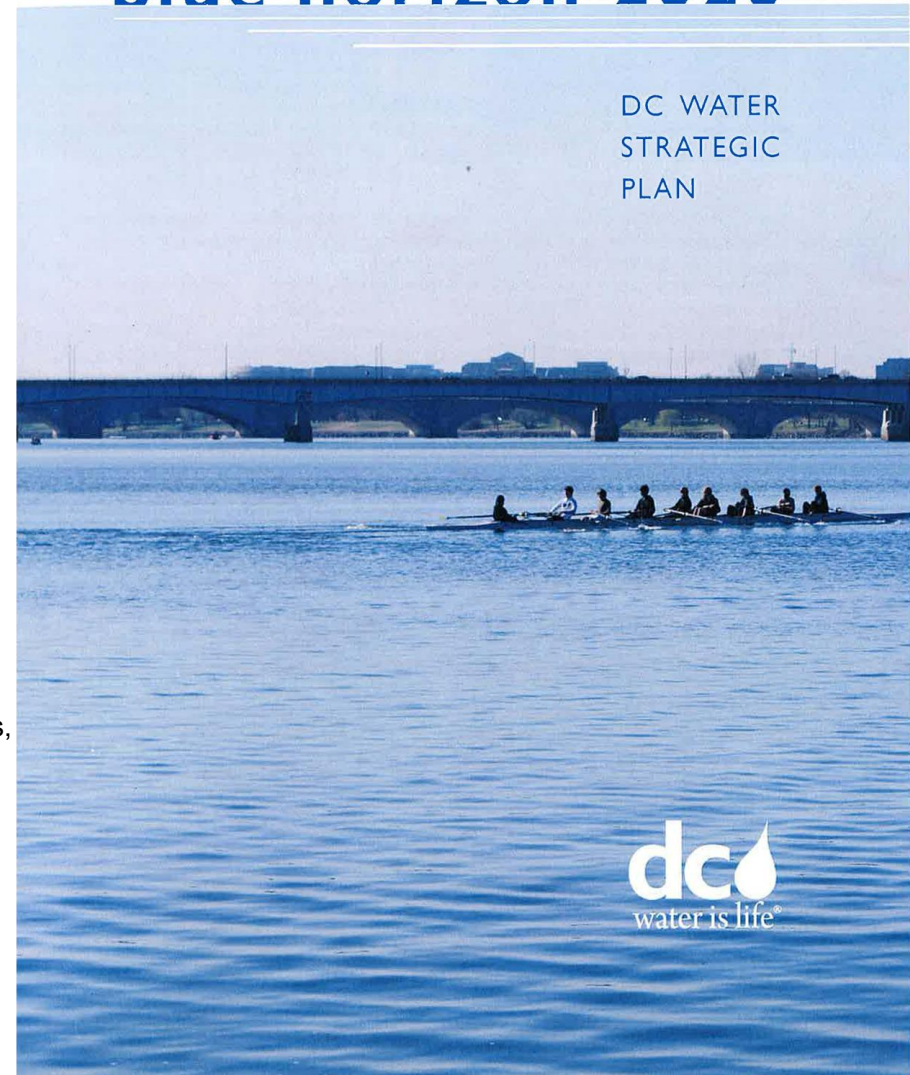
Goals

The goals represent the core strategies that DC Water will pursue. The Board and Executive Management believe that they are essential to the achievement of the mission to become a world-class water utility

- Develop, maintain and recruit a high performing workforce
- Collaborate locally, regionally, and nationally
- Increase Board focus on strategic direction
- Enhance customer/stakeholder confidence, communications, and perception
- Assure financial sustainability and integrity
- Assure safety and security
- Consider DC Water role in drinking Water Treatment
- Optimally manage infrastructure
- Enhance operating excellence through innovation and adoption of best practices

Note: DC Water Strategic Plan adopted by the DC Water Board of Directors on March 7, 2013.

blue horizon 2020



STRATEGIC DIRECTION

BLUE HORIZON 2020

Blue Horizon **2020** serves as a blueprint for future decision-making and provides a structure through which annual reviews can be accomplished to assure that the goals and objectives retain their relevance over time. By laying out a course of action, this plan represents a disciplined process for making fundamental decisions and shaping DC Water's future.

The plan represents the collaboration of the Board of Directors, Executive Management, and the management team, as well as input from key external stakeholders. The plan is designed to be a lasting framework, although updates should be made to goals, objectives, and initiatives as the organization moves forward and circumstances change.

This plan contains the DC Water vision, mission statement, values, goals, objectives, and initiatives. It addresses DC

Water's current challenges and helps ensure continued success in operations and management of resources and assets.

DC Water's vision describes the desired future state and guides the organization toward the future, while the mission of the utility describes the purpose of the organization and its role within the service area. Values articulate the deeply-held beliefs, norms, and qualities of the utility, and are the basis from which each DC Water staff member should operate.

FOCUS AREAS

The strategic plan, and the accompanying strategic framework, is the direct result of evaluation and analysis of the elements of the environmental scan and the needs of key stakeholders represented by the DC Water Board. Early in the process, three key themes emerged, which are embodied in Blue Horizon **2020**. These have been called focus areas and are:



LEADERSHIP

DC Water will advocate and lead local, regional, and national collaborations, while internally developing the workforce of the future.



VALUE

DC Water will be recognized for the value it delivers by protecting public health and the environment, supporting community sustainability, and providing for economic vitality.



INNOVATION

DC Water will achieve international prominence in development and adoption of science, technology and processes in support of a culture of innovation.

FY 2012 – FY 2021 FINANCIAL PLAN

Overview

DC Water's strong financial performance and its success in achieving and maintaining strong bond ratings has been primarily due to the annual development of and adherence to a ten-year strategic financial plan. In March 2012, Standard and Poor's upgraded DC Water senior lien bonds from AA to AA+. In addition, both Moody's and Fitch affirmed their current rating Aa2 and AA respectively. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. During FY 2012, DC Water met or exceeded the goals set by Board policy and the FY 2011 - 2020 ten-year plan. This budget includes DC Water's thirteenth comprehensive ten-year financial plan, covering FY 2012 –2021.

The necessity of a ten-year financial plan is clear:

1. DC Water operates under a regulatory and capital project-driven environment that requires a longer term ten-year planning horizon. In order to provide our customers with the best service possible and with gradual and predictable rate increases, DC Water must plan for all projects on a long-term and integrated basis, including both capital and operating requirements. A five- year, capital-only financial plan would insufficiently prepare DC Water to address the major regulatory, operational and capital project issues that will impact service, operations, and rates over the next five to ten years.
2. In accordance with Board policy, DC Water sets rates so that each customer is charged for the actual cost to provide each service, rate increases are implemented transparently and predictably, utilizing all available options to mitigate future customer impacts. Since proposed future rate increases are primary driven by financing of DC Water's capital program and full utilization of the rate stabilization fund, the development of a ten-year financial plan allows DC Water to meet these key goals.
3. The Board has directed DC Water management to undertake internal improvements and investments that will significantly lower operating costs over a ten-year period. A ten-year plan is required to bridge current operations and related capital and operating budgets with these longer term cost reduction goals.

Board policies, strategic plan, priorities and guidance in several key financial areas drive the development of the FY 2012 – 2021 financial plan. Given DC Water's substantial borrowing needs over the next ten years, adherence to these Board policies is crucial in order to cost-effectively access the capital markets and retain our credibility with customers and regulators.

DC WATER KEY FINANCIAL POLICIES

- **DEBT SERVICE COVERAGE** – DC Water will set rates and develop operating and capital budgets that ensure **senior debt service coverage of 140 percent**
 - This coverage level exceeds DC Water’s bond indenture requirement of 120 percent senior debt service coverage
- **CASH RESERVES** – DC Water will maintain **cash reserves equivalent to 120 days of budgeted operations and maintenance expenses with the objective of maintaining at least \$125.5 million** in operating reserves.
- **PAY-GO FINANCING OF CAPITAL** – DC Water will finance a portion of its capital program on a **pay-go basis from cash balances that exceed operations requirements or restricted use.**
- **RATE-SETTING POLICIES**
 - Rates that, together with other revenue sources, **cover current costs and meet or exceed all bond and other financial requirements** as well as goals set by the Board.
 - Rates that yield a **reliable and predictable** stream of revenues, taking into account trends in costs and in units of service.
 - Rates based on **annually updated forecasts of operating and capital budgets.**
 - Rate structures that are **legally defensible**, based on objective criteria, **and transparently designed.**
 - Rate structures **that customers can understand** and DC Water can **implement efficiently and efficaciously.**
 - Rates increases, if required, are implemented **transparently and predictably.**

To the extent annual revenues exceed costs, the Board’s policy will continue to utilize all available options to mitigate future customer impacts and annual rate increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

- **RATE STABILIZATION FUND** - Once DC Water achieves its **required level of cash reserves**, a **rate stabilization fund** will be established **to avoid “rate shock.”** Based on favorable financial performance in FY 2012, DC Water increased the balance in the RSF by adding \$17.75 million to bring the total to \$27.95 million.

DC WATER KEY FINANCIAL POLICIES, CONT.

Financing and Reserve Policies

In FY 2004 and again in FY 2008, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy: 1) Changing the timing of when DC Water is required to meet its overall operations and maintenance reserve requirement from September 1 to an average daily balance basis, resulting in a more conservative calculation; and 2) revising the indenture-required renewal and replacement reserve requirement from two percent of original plant in service to \$35 million, with a requirement to revisit this reserve level every five years in conjunction with the indenture-required system assessment prepared by DC Water's independent rate consultants. The assessment was last performed in 2008.

In FY 2009, the Board adopted further revisions which modified the operating reserve policy and under Resolution #09-86 revised the DC Water's Statement of Financial Policies as follows:

1. DC Water will maintain financial practices and policies that result in high quality investment grade bond ratings so as to ensure the lowest practical cost of debt necessary to finance DC Water's long-term capital program.
2. DC Water will maintain strong levels of operating cash reserves, equivalent to 120 days of budgeted operations and maintenance costs, calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets and ten-year plan. The operating reserve requirement will be evaluated every five years by DC Water's independent rate consultant in conjunction with the Indenture-required system assessment.
3. The operating reserve will, at a minimum, include any reserve requirements contained in DC Water's Master Indenture of Trust, excluding any debt service reserve funds and the rate stabilization fund, as follows:
 - *Operating Reserve* – equivalent to sixty days' operating costs
 - *Renewal & Replacement Reserve* - \$35 million.
4. DC Water will maintain senior debt service coverage of 140 percent, in excess of DC Water's indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with DC Water's indenture.
5. In general, DC Water will utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.
6. DC Water will whenever possible use the least costly type of financing for capital projects, based on a careful evaluation of DC Water's capital and operating requirements and financial position for each year.
7. DC Water will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

DC WATER KEY FINANCIAL POLICIES, CONT.

Rate Setting and Budgetary Policies

DC Water's rate-setting policies are based on the following principles:

1. Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements as well as goals set by the Board.
2. Rates that yield a reliable and predictable stream of revenues, taking into account trends in costs and in units of service.
3. Rates based on annually updated forecasts of operating and capital budgets.
4. Rate structures that are legally defensible, based on objective criteria, and transparently designed.
5. Rate structures that customers can understand and DC Water can implement efficiently and efficaciously.
6. Rate increases, if required, that are implemented transparently and predictably.

Pay-As-You-Go Capital Financing Policy

1. The General Manager will include in the annual ten-year financial plan, developed as part of the annual operating budget process, a separate schedule showing projected annual cash balances and planned annual pay-go financing of capital projects.
2. The planned annual pay-go financing will be formally approved by the Board of Directors as part of its annual approval of the ten-year financial plan, operating and capital budgets.
3. At any time during the fiscal year, the General Manager may use pay-go financing for capital projects, as approved by the Board of Directors.
4. During the fourth quarter of each fiscal year, the General Manager (or designee) will conduct an analysis of DC Water's financial performance.
5. The General Manager will report the results of this analysis and his recommendations, including updated projected annual cash balances and annual pay-go financing, to the Finance and Budget Committee no later than its regularly scheduled meeting in July, for recommendation to the Board for action at its September meeting.

Cash Management and Investment Policies

In September 2007, the Board adopted a new "Statement of Investment Policy". This policy is designed to ensure the prudent management of Authority funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The investment portfolio shall be managed to accomplish the following hierarchy of objectives:

1. Safety
2. Liquidity
3. Return on investment
4. Diversity

Since 2007 the Investment Policy has been amended several times to include the segregation of funds into short-term and core funds, types of investments and collateral allowed. The current Investment Policy is available on-line at dcwater.com

Major Financial Accomplishments

During FY 2012, DC Water met or exceeded the financial goals set out by the Board and the FY 2011 – FY 2020 financial plan. Senior debt service coverage, reserve levels, and budget performance met or surpassed Board policies, as discussed in more detail below.

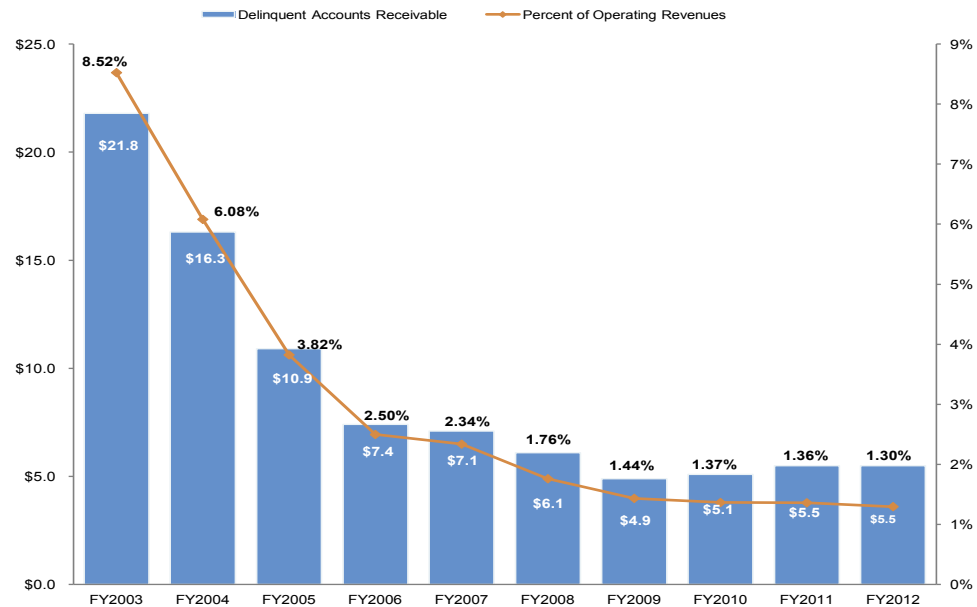
- DC Water Board policy requires senior debt service coverage of at least 140 percent; greater than the indenture requirement of 120 percent. ***DC Water's senior debt service coverage in FY 2012 was at 360 percent***, while maintaining the Board's rate setting and financial policies. Although the senior debt service coverage is expected to decline to 1.79 percent by FY 2021 as capital spending and related debt issuance increase; the coverage is still well above the Board requirement of 140 percent. Subordinate debt service coverage (subordinate debt service includes DC Water's subordinated lien revenue bonds, DC Water's share of the District of Columbia general obligation debt, Little Seneca Reservoir debt, and Jennings Randolph Reservoir debt) in FY 2012 was at 190 percent. DC Water is required to have 100 percent coverage of subordinate debt service. Combined debt service coverage was at 152 percent in FY 2012.
- In March 2012, DC Water achieved the lowest long-term financing cost of any bond issuance in DC Water history, Series 2012 Public Utility Subordinate Lien Revenue Bonds. The Series 2012 Bonds are comprised of 2012A fixed-rate new money bonds, 2012B indexed variable-rate new money bonds, and 2012C fixed-rate refunding bonds. The refunded bonds produced \$17.8 million in net present value savings over the life of the bonds and approximately \$1.2 million annual savings.
- In March 2012, DC Water received a ratings upgrade from Standard and Poor's, elevating DC Water's senior lien debt to AA+ and subordinate lien debt to AA. It is estimated that DC Water realized approximately \$2.5 million in gross debt service savings through this positive rating action.
- ***DC Water utilized \$6.5 million of the rate stabilization fund in FY 2012***, but due to better than expected financial performance which resulted in an operating cash surplus, a transfer of \$17.75 million was made into the fund. The Rate Stabilization Fund, ending balance for FY 2012 was \$27.95 million.
- ***DC Water continued its strong operating budget performance in FY 2012***. For FY 2012, actual cash receipts were lower than the revised budget by \$2.3 million, or 0.5 percent; operating expenditures were \$29.0 million, or 7.3 percent, less than the Board-revised budget. During FY 2012 DC Water experienced lower than anticipated costs for electricity and chemicals driven by the decline in market prices and implementation of successful procurement strategies. DC Water also had significant savings in debt service costs related to lower than expected financing costs on the debt successfully issued in March 2012.
- The Clean Rivers Impervious Surface Area Charge (IAC) was implemented in May 2009 to recover the cost of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP), also known as the DC Clean Rivers Project. In FY 2011, a six-tiered rate

Major Financial Accomplishments, Cont.

- structure was successfully implemented for all residential retail customers to better reflect the impacts of various size residential properties. The twenty-year CSO LTCP, whose terms are outlined in a consent decree executed in March 2005, combined with the nine-minimum controls programs are collectively projected to cost \$2.6 billion. See “Combined Sewer Overflow Long-Term Control Plan” in Section V, Rates and Revenues for additional details on the projected rate impact of the plan.
- DC Water implemented a retail water and sewer rate increase of 4.5 percent in FY 2012 to recover increased revenue requirements of \$8.3 million. Even with this change, an additional \$6.5 million in revenues was required and available due to the existence of the rate stabilization fund. As noted earlier, this fund helps to mitigate rate shock and reduces needed retail rate increases. In addition, the Board approved a retail water and sewer rate increase of 5.5 percent effective October 1, 2012, as well as an increase in the PILOT and Right of Way fee (PILOT fees remain same as in FY 2012) to recover the full costs of these fees charged to DC Water by the District of Columbia government. The rate changes are mainly due to the increase in debt service cost to finance the capital improvement plan. An additional use of \$6.5 million from the rate stabilization is anticipated in FY 2013 avoiding an additional retail rate increase of approximately 2.3 percent.
- For the twelfth consecutive year, DC Water received the Government Finance Officers’ Award for Distinguished Budget Presentation for its FY 2012 budget submission. DC Water also received its fifteenth unqualified audit opinion for the fiscal year ended September 30, 2011 and received the fifteenth GFOA Certificate of Achievement for Excellence in Financial Reporting.
- In FY 2012, we successfully renewed all of our insurance policies at essentially the same coverage and terms at 8 percent higher costs than previous year. There were improvements in coverage amid increases in property values, payroll and revenue.
- DC Water completed its eighth year of the rolling owner-controlled insurance program (ROCIP) and third year of ROCIP II under which DC Water procures general liability and workers’ compensation insurance coverage for the majority of our construction contractors. The result is substantially higher insurance coverage levels for all contracts and significant cost savings. At the end of FY 2012, 65 projects, and 393 contractors were enrolled in the ROCIP I program, and 50 projects and 404 contractors were enrolled in the ROCIP II program. Preliminary savings are estimated in the range of \$4 to \$5 million for ROCIP I and in the \$6 million range for ROCIP II. A major reason for the cost savings is the implementation of a uniformly strong safety program for all contractors. The ROCIP II is a three year insurance program that will support an estimated \$688 million of planned construction. Given the success of ROCIP I and II, DC Water plans to move forward with the third ROCIP in fiscal year 2013. ROCIP III is a three year insurance program that will support an estimated \$1.4 billion of planned construction.
- DC Water revenue collection rates rival high levels of performance achieved by investor-owned water utilities. Delinquent accounts receivable represents less than 2 percent of Total Operating Cash Receipts by:
 - Automated meter reading and monthly billing, continue to contribute significantly to the reduction of unpaid bills. These processes further allow meter reading staff to focus on other business needs i.e. maintenance of the meters.
 - Continuous updating of the customer information systems to allow the integrity of the data to be maintained, resulting in better credit decision making.

Major Financial Accomplishments, Cont.

- Maintain the predictive dialer outbound calls to remind customers to pay before balances become unmanageable.
- Adhering to payment plan policies that balance managing arrears and keep a vital service on for customers.
- Continuous placement of property liens when an account balance exceeds \$200 and is more than 60 days past due.
- Getting Executive and Board support for credit policies and developing assistance programs such as the customer assistance program and SPLASH program for low income customers. CAP and S.P.L.A.S.H together provide approximately \$1.5 million per year in assistance to more than 6,000 low income households to help make their bills more affordable.
- Continuous focus is placed on the top 75 accounts with the largest balances by making outbound calls to monitor payment and assess risk.



- Graph represents Delinquent Accounts Receivable as percent of Total Operating Cash Receipts (includes Retail, Wholesale and Other)

Major Financial Accomplishments, Cont.

- DC Water reviews the equity and sufficiency of its rates and rate structures periodically through various cost of service studies. In FY 2012, a cost of service study was conducted by Raftelis Financial Consultants, Inc. (RFC), which provides several recommendations:
 - Validation of the existing allocation of costs between the water and sewer rates
 - Adjustment of meter fees/base charges
 - Creation of a new customer category: multi-family (*See Section IV for more information*)
 - Consider rate differentiation between customer classes to reflect different demands upon the system

A final report to the DC Water Board of Directors is pending

- The FY 2013 Potomac Interceptor (PI) Cost of Service Study will be implemented in October 1, 2014.
- In FY 2011, a Fire Protection Cost of Service Study was conducted by Amawalk Consulting Group, LLC, to determine the appropriate level of cost recovery required from the District of Columbia for services. Final recommendations will be the subject of negotiations between DC Water and the District Government in FY 2013.

ALL LEGAL COVENANTS, FINANCIAL BOARD POLICIES, ACCOMPLISHMENTS AND TARGETS ARE INCORPORATED INTO THIS TEN YEAR FINANCIAL PLAN

| Complaint? | Description | Legal covenant | Performance Target | FY 2012 Actual | FY 2013 Revised | FY 2014 Approved |
|-------------------------------------|--------------------------------------|---|--|---|--|--|
| <input checked="" type="checkbox"/> | Senior Debt Service Coverage | 120% | 140% | 360% | 325% | 253% |
| <input checked="" type="checkbox"/> | Operating Cash Reserves | N/A | Greater of 120 days of O & M costs or \$125.5 million | \$140.25 million | \$125.5 million | \$125.5 million |
| <input checked="" type="checkbox"/> | Merrill Lynch 3-Month Treasury Index | N/A | 25 basis points | 30 basis points | 25 basis points | 25 basis points |
| <input checked="" type="checkbox"/> | Merrill Lynch 13-Year Treasury Index | N/A | 50 basis points | 83 basis points | 50 basis points | 65 basis points |
| <input checked="" type="checkbox"/> | Water and Sewer Rates | Revenues must be sufficient to cover: operating expenses, senior and sub debt service, amounts necessary to maintain DSRF and ORF levels, and any annual PILOT payments | Each customer will be charged for the actual cost to provide each service, and rate increases will be reliable and predictable | Future rate increases are driven by financial impact of the capital program and full utilization of the RSF; the development of a 10-year financial plan allows DC Water to meet these key goals of full cost recovery and predictability | Same as Performance Target | |
| <input checked="" type="checkbox"/> | Rate Stabilization Fund (RSF) | N/A | Help to avoid spikes in rate increases for retail customers | Utilized \$6.5 million of the RSF, leaving a balance of \$27.95 million. The RSF will have a balance of \$18.55 million by the end of FY 2021 | Projected at \$25.55 million at the end of FY 2013 | Projected at \$18.55 million at the end of FY 2014 |

Future Goals and Financial Assumptions

The proposed FY 2012 – FY 2021 financial plan includes the resources necessary to accomplish critical financial and operational goals over the coming years, as summarized below.

- Continue adherence to the Board's financial, investment, rate-setting and long-term planning policies.
- Continue implementation of the ten-year \$3.8 billion capital improvement program.
- Includes disbursements of \$1.1 billion over the ten-year planning period for Clean Rivers Project (CSO Long-Term Control Plan) exclusive of the nine-minimum controls program.
- Continued exceptional financial performance, reduction in overtime, adherence to Board's customer outreach and transparency to include customer input and flexibility to meet emerging needs
- Improving Public Image: re-focus of the government relations activities to bring greater visibility to DC Water and the national need for infrastructure investment and funding; and various pilot projects to look for additional improvements to DC Water services.
- Efficiency
 - Capital efficiencies through in-sourcing of engineering design, valve operations and fire hydrant maintenance
 - Energy management pilot activities from quick wins list
 - Organizational development and Process improvement to enhance the Team Blue activities initiated in FY 2011 and continued in FY 2012
- Enhancing security
 - New Plant logistics at Blue Plains to support large environmental capital investments
 - Establish security command center and restructuring of guard services
 - Strengthened Cyber security to protect data integrity and technology investments
 - Enhance safety and security culture through improved communication
- Workforce
 - Renewed culture of safety throughout the agency
 - Communication and employee empowerment (intranet, increased employee access to email)
 - Enhance management skills through training
 - Creation of cross-functional teams for safety and asset management
 - Establish baseline data for employee and internal customer satisfaction and conduct periodic progress surveys

Future Goals and Financial Assumptions, Cont.

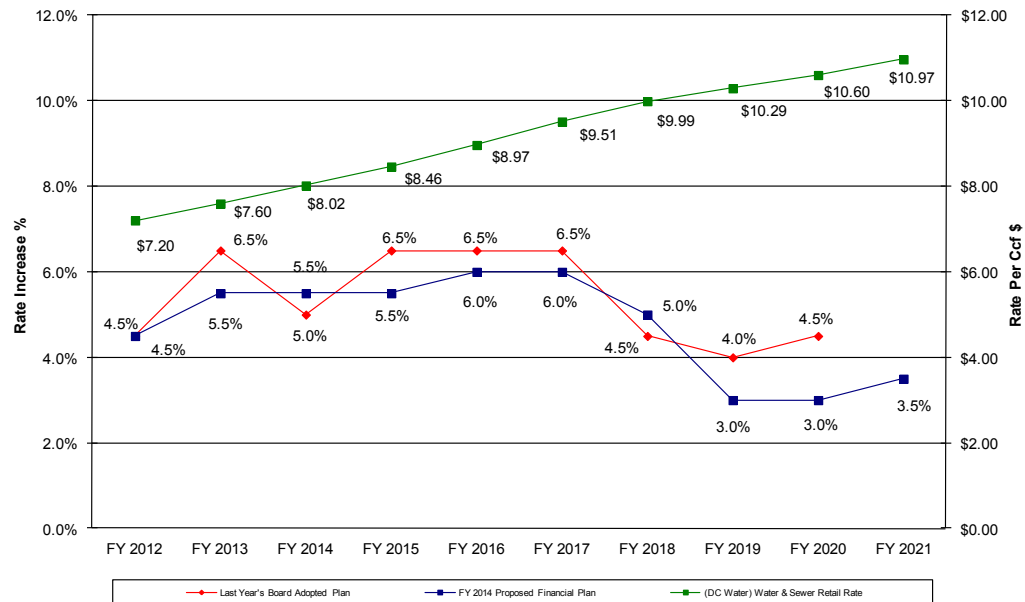
The ten-year financial plan reflects the following major assumptions:

- Operating and maintenance expenses are projected to grow at an average annual rate of 3.1 percent, due to primary projected inflation
- Personnel services is projected to increase to accommodate additional headcount for in-sourcing initiatives to support the capital program
- Payment in lieu of taxes (PILOT) to the District of Columbia increases at the same rate as DC Water retail rate increases, in accordance with the existing memorandum of understanding with the District
- The right-of-way payment to the District of Columbia stays level at \$5.1 million although the existing MOU expires in FY 2013. However, we have assumed it will be renewed at the same level
- Debt Service:
 - Interest on Variable debt assumed to be 1.55 percent in FY 2013 and 2.50 percent in FY 2014
 - Interest on Fixed debt assumed to be 4.75 percent in FY 2013 and 5.50 percent in FY 2014
 - Utilization of the commercial paper program for interim financing between bond issuance, capital equipment and Washington Aqueduct is assumed
- Biosolids Management Project – Digester
 - Financing assumed to be rate neutral during most of the construction period
 - Estimated average annual operating savings of \$17 million from digester implementation beginning in FY 2015
- Miscellaneous Fees and Changes:
 - Board approved new Pretreatment Fees to cover the cost of implementing new regulations which will be effective October 1, 2012. A list of the fees can be found in Section IV

Future Goals and Financial Assumptions, Cont.

Due to these ongoing and new initiatives, from FY 2012– FY 2021 DC Water’s water and sewer volumetric retail rates are projected to increase by \$0.30 to \$0.54 per 100 cubic feet as shown in the chart below. Cumulative rate increases would total 47.5 percent over the ten-year period compared to 61.0 percent projected in last year’s ten-year plan.

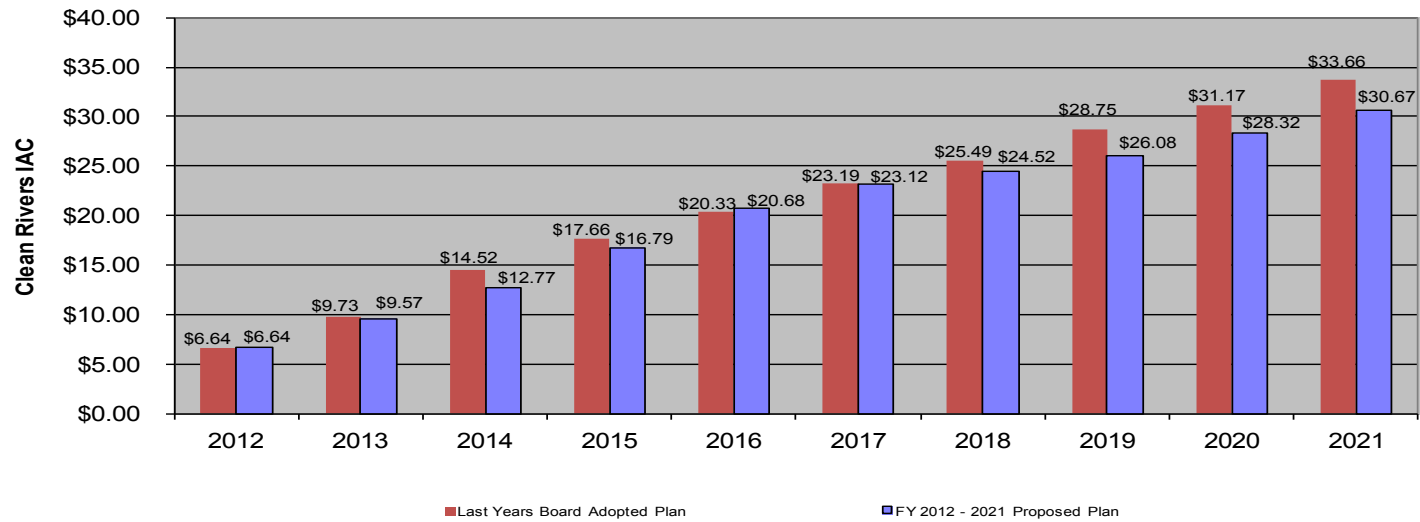
**Projected Retail Rate Increases
FY 2012 – FY 2021**



The proposed retail water and sewer combined rate for FY 2014 is \$8.02 per Ccf (\$3.61 per Ccf water and \$4.41 per Ccf sewer); an increase of \$0. 42 per Ccf, {\$0.56 per 1,000 gallons}. In addition, the proposed increase in the combined Right-of-Way and Pilot fees is \$0.04 per Ccf or 5.5 percent, {\$0.05 per 1,000 gallons}, to recover the full amount charged to DC Water by the District. The proposed monthly Clean Rivers Project IAC charge for FY 2014 is \$12.77 per ERU (Equivalent Residential Unit); an increase of \$3.20 over the proposed FY 2013 charge.

Future Goals and Financial Assumptions, Cont.

**Projected Monthly Clean Rivers Impervious Surface Area Charge Increases
FY 2012 – FY 2021**



- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the twenty year Clean Rivers Project totaling \$2.6 billion federally mandated Clean Rivers Project (CSO LTCP) and the nine-minimum control program.
- The annual Clean Rivers Project IAC costs for the average Tier 2 residential customer (700 – 2,000 sq ft of Impervious Area) is projected to increase from \$12.77 per month in FY 2014 to \$30.67 per month in FY 2021.

Future Goals and Financial Assumptions, Cont.

The proposed rate and fee adjustments included in the FY 2012 – 2021 financial plan are driven by the following trends and initiatives:

- Assumed Retail Water consumption decline of 2.24 percent in FY 2013 over FY 2012 projection and conservation of 1 percent on FY 2014 and onwards. Increasing debt service expenditures, driven by DC Water’s \$3.8 billion capital improvement program (cash disbursements basis), which increases on average by 11.2 percent over the Financial Plan period
- Internal improvement programs – Operating budget savings at Blue Plains beginning in FY 2015 due to the operation of the digester project. The anticipated reduction in operating costs is approximately \$13.4 million in FY 2015.
- Operation and maintenance increase on average of 3.1 percent annually over ten year period
 - Increasing operating expenditures, driven primarily by increases in chemical cost, electricity and personnel
 - Continuation of In-Sourcing Proposals for in-house planning & design and valve operations
 - Enhanced service to the development community through improved permitting operations

Customer Assistance Programs: We continue our commitment to help improve the quality of life for those of our customers who are least able to pay, by providing relief through our customer assistance programs (CAP). Through CAP, we provide eligible customers a discount of 4 Ccfs per month on their water and sewer bills. Since it began, participation in CAP has continued to increase. As of October 1, 2010, the Board expanded the CAP discount to include the first 4 Ccf’s of Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) to qualifying low-income residential customers. The District Department of the Environment, Office of Energy, administers this program for the Authority and several other utilities in the area. For FY 2012, \$1,330,511 in discount benefits was provided approximately 6,000 customers. Our program, SPLASH, customers donated an additional \$96,665 through their water bills for the benefit of those customers who needed additional help.

Revenues

The Revised FY 2013 operating receipts projection totals \$447.5 million, a decrease of \$12.7 million below the approved FY 2013 receipts and the FY 2014 approved operating receipts total \$477.6 million, an increase of \$30.1 million over the Revised FY 2013 receipts.

| |
|---|
| COMPARISON OF FY 2013 AND APPROVED FY 2014 OPERATING RECEIPTS (\$000's) |
|---|

| | FY 2013 Approved | FY 2013 Revised | Percent Change | FY 2014 Approved | Increase/ (Decrease) | Percentage Change |
|--|---------------------|--------------------|-------------------|---------------------|-------------------------|----------------------|
| Residential | 76,270 | 73,331 | -3.9% | 80,263 | 6,932 | 9.5% |
| Commercial | 108,866 | 104,461 | -4.0% | 113,557 | 9,096 | 8.7% |
| Multi-family | 62,258 | 58,455 | -6.1% | 62,441 | 3,985 | 6.8% |
| Sub-Total Residential, Commercial and Multi-family | 247,394 | 236,247 | -4.5% | 256,261 | 20,014 | 8.5% |
| Federal Government(1) | 52,551 | 52,838 | 0.5% | 53,452 | 615 | 1.2% |
| District Government | 12,677 | 12,037 | -5.0% | 13,560 | 1,522 | 12.6% |
| D.C. Housing Authority | 6,960 | 6,270 | -9.9% | 6,738 | 468 | 7.5% |
| Transfer from Rate Stabilization Fund | 6,500 | 6,500 | | 7,000 | 500 | 7.7% |
| Metering Fee | 10,776 | 10,776 | 0.0% | 10,776 | - | 0.0% |
| Total Retail | 336,858 | 324,668 | -3.6% | 347,787 | 23,120 | 7.1% |
| | | | | | - | |
| IMA Wastewater Charges | 69,818 | 67,469 | -3.4% | 72,868 | 5,399 | 8.0% |
| Potomac Interceptor Wastewater Charges | 7,629 | 7,726 | 1.3% | 8,032 | 306 | 4.0% |
| Total Wholesale | 77,446 | 75,195 | -2.9% | 80,900 | 5,705 | 7.6% |
| | | | | | - | |
| District Stormwater Revenue (2) | 1,100 | 1,000 | -9.1% | 1,000 | - | 0.0% |
| Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.) | 18,898 | 23,609 | 24.9% | 21,609 | (2,000) | -8.5% |
| Washington Aqueduct Debt Service Revenue for Falls Church & Arlington | 206 | 206 | 0.0% | 201 | (5) | -2.6% |
| Interest Income (including interest on Bond Debt Service Reserve Fund) | 1,328 | 659 | -50.4% | 892 | 234 | 35.5% |
| Other Misc Revenue | 21,531 | 25,474 | 18.3% | 23,703 | (1,772) | -7.0% |
| Right of Way | 5,100 | 5,100 | 0.0% | 5,100 | - | 0.0% |
| PILOT Fee | 19,214 | 17,042 | -11.3% | 20,081 | 3,039 | 17.8% |
| Total Other | 45,846 | 47,616 | 3.9% | 48,883 | 1,267 | 2.7% |
| | | | | | - | |
| Total Operating Cash Receipts | 460,150 | 447,479 | -2.8% | 477,570 | 30,091 | 6.7% |

(1) Historical actuals are presented on revenue basis. Projected amounts shown are billed revenues. Actual Federal receipts are a combination of current year projected revenues and prior year adjustments, which are presented as reserve items. See Section 3 for further explanation.

(2) Reflects District stormwater fee revenue that will fund DC Water share of District stormwater permit compliance activities, and will not be funded through DC Water retail rates or other DC Water revenue sources. See Section 3 for further explanation.

FY 2013 Revised Operating Receipt compared to FY 2013 Approved:

- ***Residential, commercial and multi-family receipts*** are projected to decrease by approximately \$11.1 million, or 4.5 percent over the Board approved FY 2013 level, due to revised assumptions regarding FY 2013 consumption for these categories, coupled with an additional number of equivalent residential units below the level anticipated in the approved FY 2013 assumptions.
- ***Federal revenues*** are projected to increase by \$0.3 million or 0.5 percent reflecting the Congressional approval level for the FY 2013 federal bill.
- ***Municipal & D.C. Housing Authority Receipts*** are projected to decrease by \$1.3 million (or 6.8 percent) primarily due to revised conservation assumptions for this category.
- ***Rate Stabilization Fund Utilization*** – The ten-year plan and near-term revenue projections assume utilization of \$6.5 million in FY 2013. Prior years' plans also assumed the use of these funds which is necessary as DC Water reaches its peak years of spending in the CIP. Utilization of RSF monies allows DC Water to implement future rate increases in a reliable and predictable manner while still meeting Board and indenture policies on cash reserves and debt service coverage.
- ***Customer Metering Fee*** – This fee recovers the costs associated with installing, operating, maintaining and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$3.86 for a 5/8 inch meter (typical size of a residential customer meter) to \$349.06 for 16" meters (typically used for large commercial customers). No revenue change is anticipated in this category.
- ***Wholesale receipts*** are projected to decrease by \$2.3 million, or 2.9 percent, reflecting lower budgeted costs at Blue Plains due primarily to personnel, electricity and chemicals price decreases.
- ***Other revenues*** in FY 2013 are projected to increase by \$3.9 million, mainly due to an increase in IMA indirect cost reimbursement for Capital projects and increase in Fire Protection Fee beginning October 1, 2012.
- ***Right-of-Way and Payment In Lieu of Taxes (PILOT) Pass-Through Fees*** – Similar to other Washington area utilities, DC Water has implemented fees that pass through the costs of the District's Right-of-Way fee (ROW) and Payment in Lieu of Taxes (PILOT) as separate line items on its bill. In FY 2013, these fees will decrease by approximately \$2.2 million to remain at the FY 2012 approved level.

The Approved FY 2014 receipts projection totals \$477.6 million, approximately \$30.1 million, or 6.7 percent, higher than the revised FY 2013 projections. This increase is due primarily to:

- **Residential, Commercial & Multi-Family** - FY 2014 projections reflect an increase of \$20.0 million, or 8.5 percent from FY 2013 Revised due primarily to proposed retail rate increases of 5.5 percent (water and sewer volumetric rates) and \$3.20 monthly ERU fee for the Clean Rivers IAC (see Section IV- Rate and Revenues for detail on all rate and fee proposals)
 - One percent decrease in consumption has been assumed due to conservation in FY 2014.
- **Federal revenues** – Approved FY 2014 federal revenues are projected to increase of \$0.6 million or 1.2 percent over Revised FY 2013. Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2014 billing was prepared in April 2012), and are based on the current consumption estimates and projected rate increases as included in the current ten-year plan. These estimates are then reconciled with actual consumption and rate increases, and an adjustment is made in the subsequent year’s billing (e.g., the reconciliation of FY 2012 estimated vs. actual consumption and rate increases will be included in the FY 2015 billing, prepared in April 2013). Federal revenues in the ten year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, the proposed FY 2014 federal revenues reflect the final billing sent to the federal government in April 2012 net of the adjustment for the prior-year (FY 2011) reconciliation.
- **Municipal & D.C. Housing Authority Receipts** are projected to increase \$2.0 million (or 10.9 percent) due to a combination of the proposed retail rate increase and continued conservation.
- Projected use of \$7.0 million in **rate stabilization fund** in FY 2014. There will be a balance of \$18.55 million by the end of FY 2021.
- **Customer Metering Fee** – This fee recovers the costs associated with installing, operating, maintaining and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$3.86 for a 5/8 inch meter (typical size of a residential customer meter) to \$349.06 for 16” meters (typically used for large commercial customers). No revenue change is anticipated in this category.
- **Wholesale receipts** - DC Water’s wholesale customers are responsible for a proportionate share of operating and maintenance expenses (associated only with shared facilities primarily at Blue Plains) based on their respective share of wastewater volume discharged. In addition, each user is responsible for a proportionate share of related indirect costs. In FY 2014 wholesale revenues are projected to increase by \$5.7 million to \$80.9 million most of which is offset by increased budget for biosolids hauling costs. This reflects a one-time change in budget format for services provided by a large wholesale customer.
- **Other revenues** - FY 2014 are projected to decrease by \$1.8 million, (or 7.0 percent) reflecting lower projected Development Contractor Water and Sewer services fee.

FY 2013 Revised Operating Receipt compared to FY 2013 Approved, Cont.

- ***Right-of-Way and Payment In Lieu of Taxes (PILOT) Pass-Through Fees*** – Although the current PILOT/ROW requirement is scheduled to expire in FY 2013, it is anticipated that the existing pass-through fees will be reinstated. Therefore, the Board will be considering an increase in the proposed PILOT receipts of \$3.0 million (or 17.8 percent). The ROW receipts are anticipated to remain stable.

Other major assumptions underlying the revenue projections contained in the FY 2012- 2021 financial plan include:

- For FY 2013, 2.24 percent reduction in water sales is assumed over FY 2012 projection for all customer categories, based on historical trends in consumption levels and a review of the regional economic forecast and employment trends. For FY 2014 and onwards, one percent conservation is assumed for all customer categories.
- 1.6 to 3.0 percent average revenue increase between FY 2013 and FY 2021 from wholesale customers, in line with operating and maintenance expense increases for joint use facilities.
- Based on the current interest rate environment, interest projections are conservatively assumed at 0.375 percent and 0.450 percent earnings rate in FY 2013 and FY 2014 respectively on operating funds. Interest rates for FY 2015 and FY 2016 are assumed to be 2.0 and 3.0 percent respectively. FY 2017 interest rate is 4.0 percent. For FY 2018 and onwards, interest rates are assumed at 5.0 percent.
- The majority of other non-operating revenues, totaling \$24.8 million in FY 2013 are projected to increase within the ten-year plan, and include such items as:
 - Reimbursement from Arlington County and Falls Church for debt service issued for pre-1997 Washington Aqueduct capital improvements - \$0.2 million.
 - Reimbursement from the Stormwater Enterprise Fund for services provided to DDOE million under their MS4 permit - \$1.0 million.
 - Recovery of indirect costs from DC Water's IMA partners – \$6.0 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance and Budget, General Counsel, and Human Resources functions).
 - Reimbursement from the District for the Fire Protection Services fee of \$6.9 million.
 - Other miscellaneous fees and charges, including service line replacements, developer-related fees, and the Engineering Review and wastehauler fees - \$10.7 million.

Long-Term Planning: 10-Year Financial Plan

DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY
FY 2012 - 2021 FINANCIAL PLAN
(In 000's)

| OPERATING | FY 2012 (1) | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Retail* | 317,924 | 340,310 | 365,968 | 397,732 | 430,974 | 458,277 | 478,207 | 492,574 | 510,169 | 524,915 |
| Wholesale* | 75,240 | 75,195 | 80,900 | 75,124 | 75,485 | 77,756 | 80,156 | 82,555 | 85,063 | 97,191 |
| Other | 24,460 | 25,474 | 23,703 | 25,650 | 26,419 | 29,259 | 32,128 | 33,258 | 33,423 | 27,008 |
| RSF | 6,500 | 6,500 | 7,000 | - | - | - | - | - | - | - |
| Operating Receipts (2) | \$ 424,123 | \$ 447,479 | \$ 477,570 | \$ 498,506 | \$ 532,878 | \$ 565,292 | \$ 590,490 | \$ 608,387 | \$ 628,655 | \$ 649,114 |
| Operating Expenses | (266,136) | (302,302) | (311,295) | (304,976) | (310,711) | (320,565) | (330,632) | (343,388) | (353,596) | (365,853) |
| Debt Service | \$ (99,272) | \$ (116,179) | \$ (147,792) | \$ (168,985) | \$ (185,775) | \$ (206,160) | \$ (219,425) | \$ (227,102) | \$ (239,755) | \$ (253,255) |
| Net Revenues After Debt Service | \$ 58,715 | \$ 28,998 | \$ 18,484 | \$ 24,545 | \$ 36,392 | \$ 38,567 | \$ 40,433 | \$ 37,898 | \$ 35,305 | \$ 30,006 |
| Operating Reserve-Beg Balance | 150,035 | 140,250 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 |
| Other Misc (Disbursements)/Receipts | | | | | | | | | | |
| Wholesale/Federal True Up | (6,660) | (10,905) | (7,500) | - | - | - | - | - | - | - |
| Customer Rebate | - | (4,200) | | | | | | | | |
| Transfers To RSF | (17,750) | (4,100) | | | | | | | | |
| Transfers To DC PILOT Fund | (4,468) | | | | | | | | | |
| Pay-Go Financing | (39,621) | (24,543) | (10,984) | (24,545) | (36,392) | (38,567) | (40,433) | (37,898) | (35,305) | (30,006) |
| Operating Reserve - Ending Balance | \$ 140,250 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 |
| Rate Stabilization Fund Balance RSF (3) | \$ (27,950) | \$ (25,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) |
| Senior Debt Service Coverage | 360% | 325% | 253% | 250% | 241% | 221% | 209% | 197% | 189% | 179% |
| Combined Debt Service Coverage | 152% | 131% | 124% | 130% | 134% | 133% | 132% | 130% | 128% | 125% |
| Actual/Projected Water/Sewer Rate Increases | 4.5% | 5.5% | 5.5% | 5.5% | 6.0% | 6.0% | 5.0% | 3.0% | 3.0% | 3.5% |
| *Operating Receipts \$ Increase/Decrease | | | | | | | | | | |
| Retail | 17,324 | 22,386 | 25,658 | 31,765 | 33,242 | 27,303 | 19,930 | 14,367 | 17,595 | 14,745 |
| Wholesale | 5,979 | (45) | 5,705 | (5,776) | 361 | 2,271 | 2,400 | 2,399 | 2,508 | 12,129 |
| *Operating Receipts % Increase/Decrease | | | | | | | | | | |
| Retail | 5.8% | 7.0% | 7.5% | 8.7% (4) | 8.4% (4) | 6.3% | 4.3% | 3.0% | 3.6% | 2.9% |
| Wholesale | 8.6% | -0.1% | 7.6% | -7.1% | 0.5% | 3.0% | 3.1% | 3.0% | 3.0% | 14.3% |

(1) Reflects final FY 2012 actual figures

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

(3) FY 2012 Rate Stabilization Fund utilization brought the total fund balance to \$27.95 million

(4) Savings anticipated from implementation of new biosolids management beginning in FY 2015

Operating Expenditures

As in previous years, debt service continues to be the fastest growing expenditure in the ten-year financial plan as a result of DC Water's \$3.8 billion capital improvement program, growing at an average annual rate of 11.2 percent. All other operating expenses are projected to grow at an average annual rate of 3.1 percent. The following chart provides detail comparison of the FY 2013 and FY 2014 operating budgets.

| COMPARISON OF FY 2013 & FY 2014 OPERATING BUDGETS | | | | | |
|--|-----------------------------|----------------------------|---------------------------|-----------------------------|---------------------------|
| (In \$000's) | | | | | |
| | FY 2013 APPROVED | FY 2013 REVISED | Percent Change | FY 2014 APPROVED | Percent Change |
| Personnel Services | 117,796 | 116,609 | -1.0% | 120,454 | 3.3% |
| Contractual Services | 62,937 | 62,937 | 0.0% | 64,741 | 2.9% |
| Biosolids | 19,414 | 19,414 | 0.0% | 19,352 | -0.3% |
| Water Purchases | 32,523 | 31,513 | -3.1% | 31,513 | 0.0% |
| Supplies | 6,314 | 6,314 | 0.0% | 6,753 | 7.0% |
| Chemicals | 25,045 | 25,045 | 0.0% | 26,156 | 4.4% |
| Utilities | 38,047 | 34,185 | -10.2% | 34,011 | -0.5% |
| Small Equipment | 993 | 993 | 0.0% | 993 | 0.0% |
| Subtotal Operations & Maintenance | 303,069 | 297,009 | -2.0% | 303,973 | 2.3% |
| Debt Service | 129,392 | 121,330 | -6.2% | 150,389 | 24.0% |
| PILOT | 19,215 | 16,882 | -12.1% | 20,081 | 18.9% |
| Right-of-Way Fee | 5,100 | 5,100 | 0.0% | 5,100 | 0.0% |
| Subtotal Debt Service & PILOT / ROW | 153,707 | 143,312 | -6.8% | 175,570 | 22.5% |
| TOTAL OPERATING | 456,775 | 440,321 | -3.6% | 479,543 | 8.9% |
| Less Personnel Services Charged to Capital Projects | (16,690) | (16,690) | 0.0% | (17,860) | 7.0% |
| Total Net Operating | 440,085 | 423,631 | -3.7% | 461,682 | 9.0% |

Operating Expenditures, Cont.

The revised FY 2013 budget totals \$440.3 million, which is lower than the Board-approved FY 2013 budget by approximately \$16.5 million or 3.6 percent. While the operations and maintenance expenditures reduced by approximately \$6.1 million or 2 percent, debt services and PILOT costs were reduced by \$8.1 million or 6.2 percent and \$2.3 million or 12.1 percent, respectively. A description of the assumptions and major issues/changes in each major expenditure category follows.

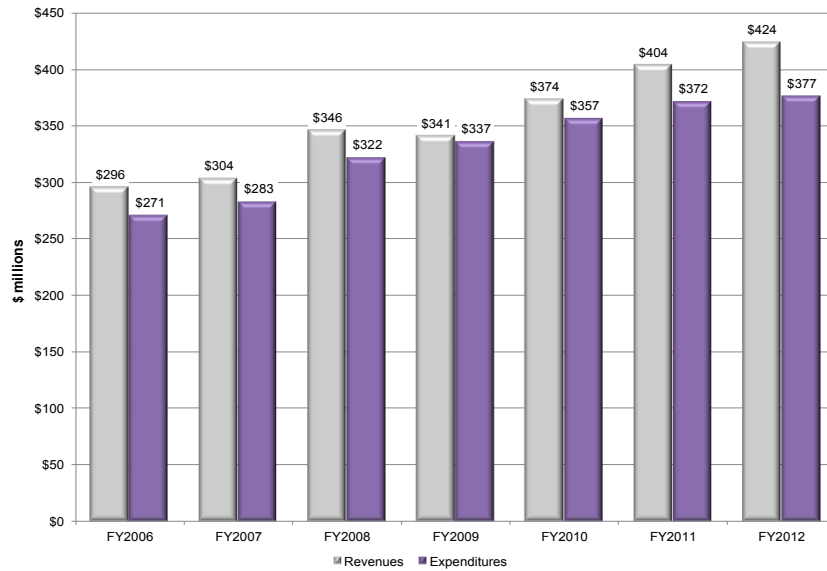
- ***Personnel service expenditures*** are \$1.2 million or 1.0 percent lower than the approved FY 2012 budget. The decrease is attributable to higher than previously anticipated vacancy rates. Additionally, fringe benefits were also adjusted based on current market rates.
- ***Contractual service expenditures*** have no change between the approved FY 2013 and revised FY 2013 budgets.
- ***Biosolids management expenditures*** also have no change between the approved FY 2013 and revised FY 2013 budgets.
- ***Water purchase expenditures*** decrease by approximately \$1.0 million or 3.1 percent under the approved FY 2013 budget. This directly relates to operating cost decreases for the Washington Aqueduct's (WAD) budget, which includes lower projected headcount, improvements in chemical costs, and savings in debt service.
- ***Supplies expenditures*** have no change between the approved FY 2013 and revised FY 2013 budgets.
- ***Chemicals expenditures*** also have no change between the approved FY 2013 and revised FY 2013 budgets.
- ***Utilities expenditures*** decrease by approximately \$3.9 million or 10.2 percent under the approved FY 2013 budget. The electricity budget, at \$25.2 million or 8.5 percent of the revised FY 2013 operations and maintenance budget continues to be the largest portion of the Authority's utilities (occupancy) budget. During FY 2012, electricity spot market prices were relatively stable compared to the volatility in prior years; this stability can be attributed to the general economic and market conditions. We continue to utilize the electricity contract entered in FY 2005 and were successful in purchasing electricity for an estimated average cost of \$77.48 per megawatt hour compared to an estimated average cost of \$127.96 per megawatt hour had we purchased electricity through PEPCO Standard Offer Service (SOS). This represented an estimated savings of \$13.5 million.

The approved FY 2014 budget totals \$479.5 million, which is approximately 8.9 percent increase over the revised FY 2013 budget. This increase is primarily due to increasing debt service costs associated with DC Water's capital improvement program. The FY 2014 operations and maintenance budget (net of debt service, PILOT/ROW fee) increases by 2.3 percent, due primarily to projected increases in personnel services, chemicals, supplies, and contractual services. Specific information regarding each department is included in Section VII.

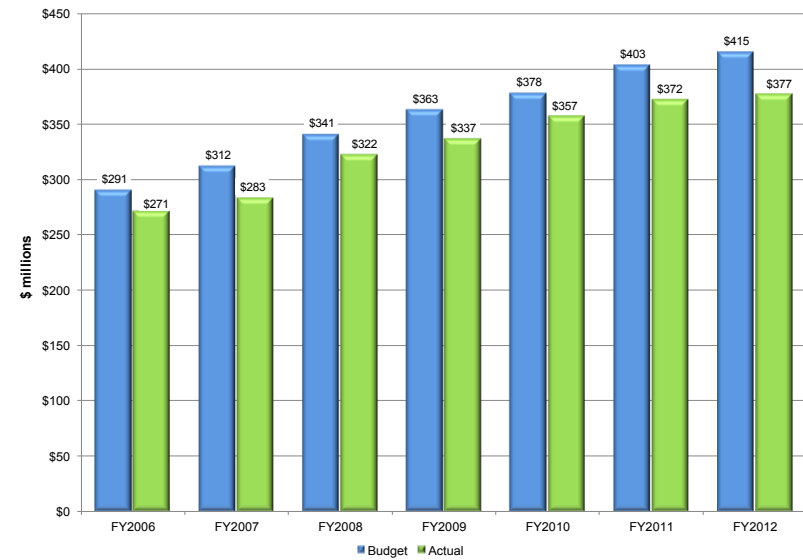
Solid Financial Performance with Revenues Consistently Exceeding Expenses

- FY 2012 Actual Operating cash receipts increased by \$20.1 million to \$424.1 million or 5.0 percent
- FY 2012 operating expenses increased by \$4.8 million to \$377 million, or 1.3 percent
- FY 2012 Budget to actual results showed both revenues exceeding and expenses below budget

Revenue vs. Expenditures



Expenditure Budget to Actual Results



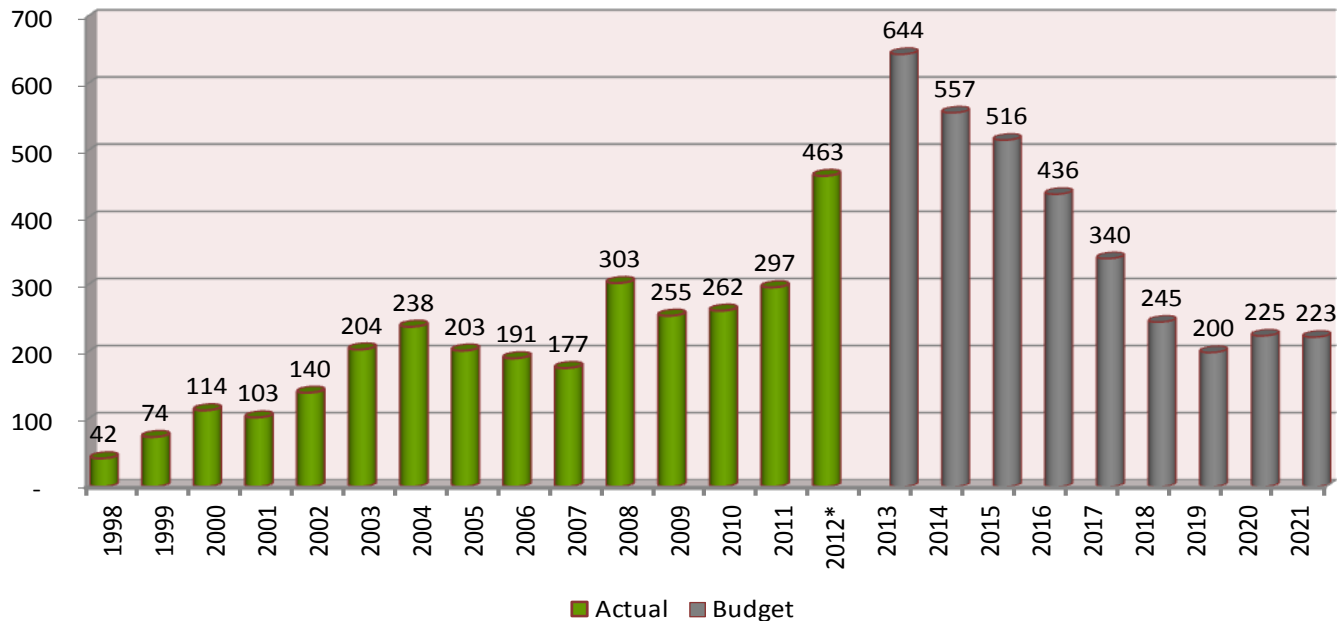
The \$3.8 Billion 10-Year CIP Protects Our Assets While Leveraging Long-Term Debt

Capital Financing Program, Cash Position, & Long-Term Debt

The FY 2012 – FY 2021 financial plan anticipates capital disbursements of \$3.8 billion. Over the last 14 years, \$2.6 billion have been invested on DC Water system averaging approximately \$186 million per year. Annual spending ranges from \$200 million to nearly \$644 million as shown in the chart below (or approximately \$385 million per year from FY 2012 – FY 2021). The financing of DC Water’s capital program comes from four primary sources, as more fully described in this section. The amount of EPA grant funding is defined by annual federal appropriations, while jurisdictional capital contributions are based on a fixed percentage of Blue Plains and other shared facilities. The remainder of the program is funded with DC Water debt and PAY-GO financing from operations.

As noted earlier in this section, DC Water developed a comprehensive financing plan in FY 1999 with the dual goals of 1) securing the lowest cost of capital possible, and 2) maximizing administrative and operating flexibility. The plan includes the following components: Grants; wholesale capital payments; permanent financing; Interim financing and PAY-GO.

HISTORICAL AND PROJECTED CAPITAL SPENDING FY 1998 – FY 2021
(\$ IN MILLIONS)



Capital Financing Program, Cash Position, & Long-Term Debt, Cont.

Additional details on each financing source are described below.

| | FY 2012 - 2021 PLAN TOTAL | PERCENT OF TOTAL |
|----------------------------------|------------------------------|---------------------|
| Revenue Bonds/Commercial Paper | 2,299,748,413 | 59.7% |
| Wholesale Capital Payments | 936,331,233 | 24.3% |
| EPA Grants & CSO Appropriations | 283,184,325 | 7.4% |
| Interest Income on Bond Proceeds | 13,477,716 | 0.3% |
| Pay-Go Financing | 318,294,454 | 8.3% |
| Total Sources | 3,851,036,141 | 100.0% |

- **EPA Grants** - DC Water currently plans to finance 7.4 percent of its Ten-Year CIP through EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts. In general, the District of Columbia projects carried out by DC Water are supported by approximately one percent of the available annual funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. In addition, DC Water has received \$168.6 million in Congressional appropriations for the Clean Rivers Project (aka CSO LTCP) as of September 30, 2012.
- **Wholesale Capital Payments** - Approximately 60 percent of the capacity of DC Water’s wastewater treatment facilities are contractually committed to provide wholesale service to suburban jurisdictions under various contracts. Montgomery and Prince George's Counties (through the Washington Suburban Sanitary Commission (WSSC), Fairfax County, and the Loudoun County Sanitation Authority pay a proportionate share of capital-related costs equal to their share of contracted capacity at Blue Plains. DC Water anticipates 24.3 percent of its capital funding will come from wholesale customers.
- **Revenue Bonds/ Commercial Paper** – Currently debt financing represent only 59.7 percent of the funding in the ten-year capital program.

Capital Financing Program, Cash Position, & Long-Term Debt, Cont.

- ***PAY-GO (Internal) Financing*** – ‘Pay-go’ financing shall mean any cash financing of capital projects. The amount transferred from operations to the capital program each year shall be cash in excess of all operating requirements or restricted use. Approximately 8.3 percent of total funding for the FY 2012 – FY 2021 plan is projected to come from PAY-GO financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. PAY-GO funds will be used in a manner consistent with our financial policies: 1) to fund capital financing or for repayment of higher cost debt and that whenever possible, the least costly capital financing be used for capital projects. 2) to produce the lowest practical cost of debt for financing its capital projects.

FY 2013 & FY 2014 Debt Issuance Plans & Debt Service Assumptions

Based on current capital project spending, we plan to: 1) issue approximately \$300 million in new bonds in third quarter of FY 2013. For the purpose of financial planning we have assumed fixed rate, tax-exempt bonds at 4.75 percent. Similarly for the remainder of the ten-year plan we have assumed issuing long term bonds ranging from 5.50 to 6.5 percent, 2) issue commercial paper for interim financing beginning the third quarter of FY 2013 and, 3) issue commercial paper for capital equipment in the fourth quarter of 2013. The ten-year plan assumes a variable interest rate of 1.55 percent in FY 2013 based on 4 year average for short term debt. The remaining years in the ten-year plan assume a range from 2.50 to 3.25 percent based on the 10 year maximum for short term debt. The variable rate debt also includes ongoing fiscal charges for the Letter of Credit (LOC), broker-dealers, ratings, etc.

For appropriations purposes, higher interest rates on the variable rate debt are assumed to provide sufficient flexibility to address short-term peaks in interest rates. In order to yield the best possible interest rate savings, our debt portfolio is evaluated on a regular basis.

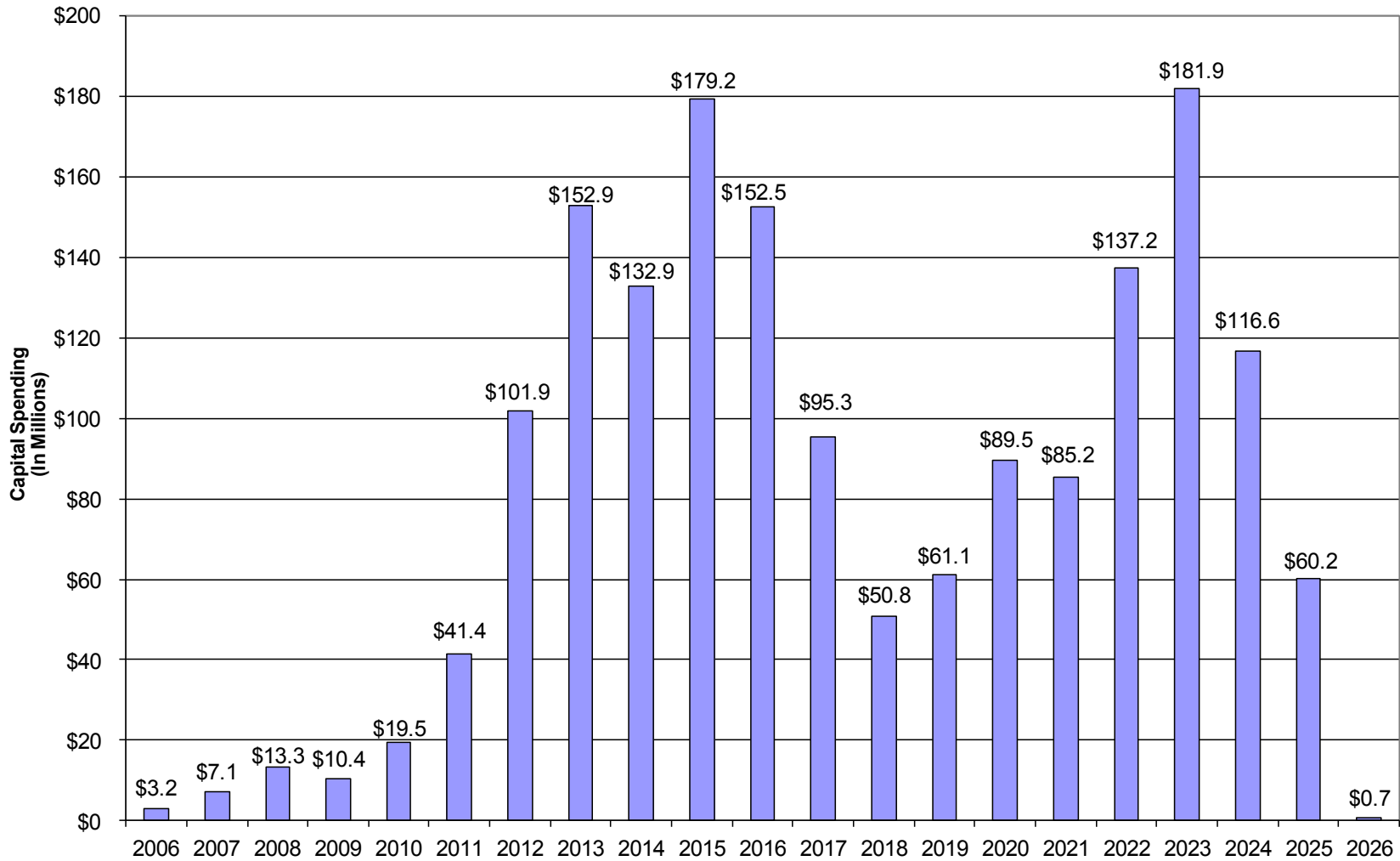
DC Clean Rivers Project

In December 2004, the Board reached agreement with the federal government on the proposed DC Clean Rivers Project LTCP and entered into a related consent decree. Lifetime capital costs for this project currently stands at approximately \$2.6 billion and this year’s proposed ten-year plan includes \$1.1 billion of projected disbursements. Projected spending by fiscal year for the Clean Rivers Project is shown in the next chart.

In FY 2012, DC Water received federal funding of \$15.0 million for the Combined Sewer Overflow Long term Control Plan Service Area. However, as the project spending increases over the years, so does the projected Clean Rivers Impervious Service Area Charge (IAC) rate. If additional federal assistance is provided, the Clean Rivers IAC would increase at a slower pace than this ten-year plan proposal assumes. As noted earlier, this plan assumes jurisdictional contributions, for joint use Projects, to the Clean Rivers Project under the IMA of 7.1 percent beginning in FY 2011. Please see section IV for more details on the Clean Rivers IAC.

Capital Financing Program, Cash Position, & Long-Term Debt, Cont.

Clean Rivers CSO LTCP Spending by Fiscal Year



Capital spending for this twenty-year plan does not include contingencies

Cash Position & Reserves

Cash balances totaled \$230.9 million at the end of FY 2012. As detailed below, this includes \$27.9 million for rate stabilization and \$48.2 million for the unspent balance of the special Congressional appropriations DC Water received through FY 2012 for the CSO LTCP, net of reimbursements to date. Over the next ten years, cash balances are projected to meet the Board-required reserve level, of 120 days of operating and maintenance budget or no less than \$125.5 million.

DC Water's operating reserve includes the following components:

FY 2012 YEAR-END CASH

(In \$000's)

| | |
|---|-------------------|
| BOARD-ADOPTED OPERATING RESERVES (120 Days of O&M) | |
| 60 Day Operating Reserve (Indenture Required) | \$ 41,514 |
| Renewal & Replacement Reserve (Indenture Required) | 35,000 |
| Undesignated Reserve | <u>48,986</u> |
| TOTAL OPERATING RESERVE | \$ 125,500 |
| OTHER RESERVES | |
| Rate Stabilization Fund Reserve | \$ 27,950 |
| DC Insurance Reserve | 1,000 |
| DC PILOT | <u>14,473</u> |
| TOTAL OTHER RESERVES | \$ 43,423 |
| TOTAL RESERVES | \$ 168,923 |
| Cash in Excess of Reserves | <u>13,752</u> |
| SUBTOTAL | \$ 182,675 |
| CSO Appropriations | <u>48,175</u> |
| TOTAL CASH POSITION ⁽¹⁾ | \$ 230,850 |

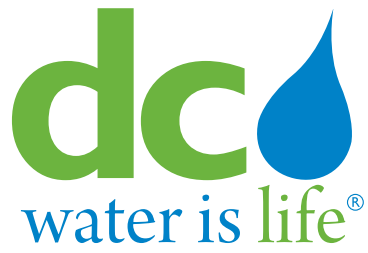
(1) Excludes Debt Service Reserve Funds

Cash Position & Reserves, Cont.

- **Indenture-Required Operating Reserve** - This reserve is required by DC Water's bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately \$41.5 million in FY 2012.
- **Renewal & Replacement Reserve** - This reserve is funded at \$35.0 million based on the revisions approved by the Board to the financing policies in 2004 and 2008. As noted above, the level of this reserve will be reviewed every five years by DC Water's independent rate consultants in conjunction with the indenture-required assessment of the physical condition of the system.
- **Undesignated Reserve** - After allocating portions of the operating and maintenance reserve to the reserves listed above, the amount that remains (approximately \$49.0 million projected for FY 2012) is DC Water's undesignated reserve, and is available for other contingencies.

DC Water has other reserves that are available for very specific circumstances:

- **Rate Stabilization Fund** - Consistent with the Board's financial policies and as envisioned in the bond indenture, this fund is to be established to mitigate large annual rate increases. This year's plan reflects continued use of the rate stabilization fund, which totaled \$27.9 million as of September 2012. Future deposits to the rate stabilization fund will be determined annually based on financial performance in that fiscal year and updated ten-year capital and operating forecasts. The current plan anticipates \$25.55 million available at the end of FY 2013 and a balance of \$18.55 million by the end of FY 2021.
- **Debt Service Reserve Funds** - The supplemental bond indenture associated with each bond issue require DC Water to maintain a debt service reserve fund for its Series 1998 senior lien bonds. The Series 1998 was funded with bond proceeds. This reserve which is in addition to the 120 day operating and maintenance reserve, is held by DC Water's trustee and can only be used in the event that net revenues are insufficient to meet the next debt service payment. DC Water earns interest on this reserve that is included in other operating revenue and is used to offset annual debt service payments. The amount of interest earnings that DC Water can retain on the debt service reserve fund is limited by federal arbitrage restrictions.



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION IV

RATES AND REVENUES

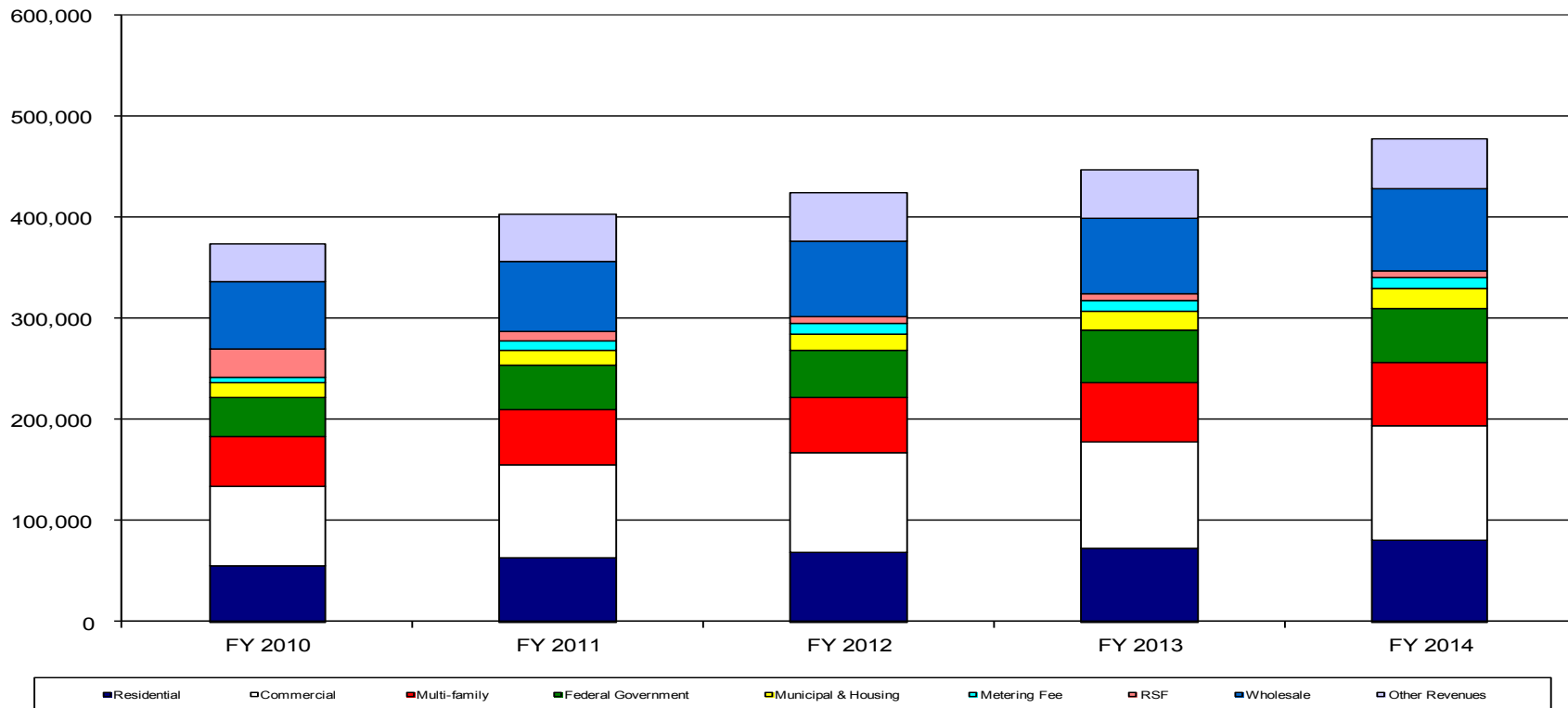
REVISED FY 2013 APPROVED FY 2014



DC WATER REVENUE RECEIPTS

In order to provide continuous delivery of water and wastewater services, DC Water must ensure a reliable and predictable revenue stream that cover operating and maintenance (O&M) costs and meet or exceed all Board and other financial requirements. DC Water has a diverse customer base and thus receives cash receipts from a variety of sources. This diversity mitigates reliance on any single customer and provides a level of revenue stability.

**Historical & Projected Cash Receipts
(\$'000's)**



DC WATER REVENUE RECEIPTS, Cont.

Historical and Projected Operating Cash Receipts (\$ 000's)

| | FY 2010 Actual | FY 2011 Actual | FY 2012 Actual | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|-------------------|-------------------|--------------------|---------------------|
| Residential | 55,579 | 63,049 | 68,269 | 73,331 | 80,263 |
| Commercial | 78,865 | 92,472 | 98,612 | 104,461 | 113,557 |
| Multi-family | 49,447 | 54,167 | 55,369 | 58,455 | 62,441 |
| Sub-Total Residential, Commercial and Multi-family | 183,891 | 209,688 | 222,250 | 236,247 | 256,261 |
| Federal Government (1) | 38,607 | 44,854 | 46,508 | 52,838 | 53,452 |
| District Government | 8,157 | 8,903 | 8,419 | 12,037 | 13,560 |
| D.C. Housing Authority | 5,860 | 5,118 | 7,041 | 6,270 | 6,738 |
| Transfer from Rate Stabilization Fund | 28,000 | 9,500 | 6,500 | 6,500 | 7,000 |
| Metering Fee | 5,327 | 9,764 | 11,029 | 10,776 | 10,776 |
| Total Retail | 269,842 | 287,827 | 301,747 | 324,668 | 347,787 |
| IMA Wastewater Charges | 60,990 | 61,712 | 66,790 | 67,469 | 72,868 |
| Potomac Interceptor Wastewater Charges | 6,481 | 7,549 | 8,450 | 7,726 | 8,032 |
| Total Wholesale | 67,471 | 69,261 | 75,240 | 75,195 | 80,900 |
| District Stormwater Revenue (2) | 1,279 | 648 | 763 | 1,000 | 1,000 |
| Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.) | 12,974 | 22,320 | 22,769 | 23,609 | 21,609 |
| Washington Aqueduct Debt Service Revenue for Falls Church & Arlington | 422 | 313 | 217 | 206 | 201 |
| Interest Income (including interest on Bond Debt Service Reserve Fund) | 1,159 | 1,332 | 711 | 659 | 892 |
| Right-of-Way Fee | 5,085 | 5,167 | 5,100 | 5,100 | 5,100 |
| PILOT Fee | 15,305 | 17,106 | 17,576 | 17,042 | 20,081 |
| Total Other | 36,225 | 46,886 | 47,136 | 47,616 | 48,883 |
| Total Operating Cash Receipts | 373,538 | 403,974 | 424,123 | 447,479 | 477,570 |

- (1) Historical actuals are presented on revenue basis. Projected amounts shown are billed revenues. Actual Federal receipts are a combination of current year projected revenues and prior year adjustments, which are presented as reserve items. See Section 3 for further explanation.
- (2) Reflects District stormwater fee revenue that will fund DC Water's share of District stormwater permit compliance activities, and will not be funded through DC Water's retail rates or other DC Water revenue sources. See Section 3 for further explanation.

DC WATER REVENUE RECEIPTS, Cont.

CUSTOMER CATEGORIES AND ACCOUNTS

As of September 30, 2012, DC Water had 125,751 active, metered water and wastewater accounts. In addition, there are 9,232 separate accounts that are billed only for impervious surface. DC Water's customers are classified as retail (residential and non-residential) and wholesale customers only. However, within the retail customer class, DC Water tracks receipts and associated consumption at a more detailed level in order to analyze trends and service characteristics. Retail customers' characteristics can be viewed in six groups: residential, multi-family, commercial, federal, DC Municipal and Housing Authority. FY 2012 revenue receipts are actual as of September 30, 2012.

In FY 2011, a study of the demand characteristics of DC Water customers was undertaken to determine if additional customer classes should be defined for the purpose of cost allocation. Review of 12 months of data (May 2010 to April 2011) revealed, (among other things) that there is a difference in peaking characteristics between many of the customer groups. Generally, the federal customers have the highest peaking factor, with commercial customers having the next highest peaking factor and municipal, residential, multi-family and Housing Authority customers having the lowest peaking factor. Segmentation of water customers is typically done by class-based peak use characteristics with the higher peaking customers allocated more of the system costs (primarily driven by electricity and system capacity costs).

This information helped to inform an analysis of alternative rate structures within the FY 2012 Cost of Service Study. Among the alternatives reviewed, the study reviewed different volumetric rates by customer class/category based on the different demands they place on the system. Differentiation could be based on water peaking characteristics or discharge strength contributions (wastewater). While it was recommended that additional analysis be undertaken in for any further consideration of discharge strength differentiation, management has recommended that a new customer category, Multi-Family, be created to acknowledge the similarity of peaking characteristics with other residential customers, yet provide transparency between single family and multi-family residential units. (Multi-Family residential facilities will continue to be defined as those facilities with 4 or more residential units).

Residential, commercial and multi-family receipts are projected to increase in FY 2013 by approximately \$14.0 Million, or 6.3 percent, over the FY 2012 level due to:

- Board-approved volumetric retail rate increase of 5.5 percent effective October 1, 2012
- Board-approved Clean Rivers Project IAC rate change from \$6.64 to \$9.57 per ERU per month
- 2.24 percent decrease in consumption due to conservation

- In FY 2012 DC Water's collections on its retail receivables was strong, with accounts receivable over 90 days at \$5.5 million as of September 30, 2012. DC Water will continue its aggressive collection efforts
- The customer assistance program reduces projected revenues by approximately \$2.2 million

Residential and multi-family customers:

- In FY 2013 residential customers include 103,887 accounts that comprise 16 percent of the total operating revenues. Given the large number of individual account holders who are in residential, it is unlikely that any one customer will have a major impact on the DC Water cash receipts.
- Multi-family customers house 4 or more units within one building with a master meter. In FY 2013 there are 7,373 accounts that comprise 13 percent of the total operating revenues.

The commercial group of customers includes a number of nationally-recognized universities and regional hospitals, national associations, lobbying firms, major law firms and hotels. This group has 11,863 accounts and will comprise 23 percent of the projected FY 2013 operating revenues. In FY 2014, they will comprise 24 percent of the fiscal year operating revenue.

FY 2014 projections for Residential, Multi-Family and Commercial customers reflect an increase of \$20.0 million, or 8.5 percent from FY 2013 revised due primarily to proposed retail rate increases of 5.5 percent (water and sewer volumetric rates) and \$3.20 monthly ERU fee for the Clean Rivers IAC. In FY 2013, 2.4 percent decrease in consumption has been assumed due to conservation. For FY 2014 and onwards, one percent conservation has been assumed.

The Federal customers' revised FY 2013 receipts are projected to total \$52.8 million; an increase of \$6.3 million, or 13.6 percent over FY 2012. In FY 2014 federal revenues are projected to be \$53.5 million or 1.2 percent increase over FY 2013. The projected federal revenues will rise by \$0.6 million in FY 2014 due to estimated rate and consumption assumptions provided under the federal billing policies. Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2013 billing was prepared in April 2011), and are based on the current consumption estimates and projected rate increases as included in the current ten-year plan. These estimates are then reconciled with actual consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2013 estimated vs. actual consumption and rate increases will be included in the FY 2016 billing, prepared in April 2014). Federal revenues in the ten-year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, revised FY 2013 federal revenues reflect the final billing sent to the federal government in April 2011 net of the adjustment for the prior year (FY 2010) reconciliation. The Authority serves many facilities of the federal government as well as the District of Columbia. The largest federal accounts include General Services Administration, U.S. Congress, the Smithsonian Institution, Department of the Navy, National Park Service and the Department of Defense in both DC and VA.

Municipal & D.C. Housing Authority – FY 2013 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at \$18.3 million, an increase of \$2.8 million or 18.4 percent over FY 2012. In FY 2014, receipts from these organizations are projected to total \$20.3 million, an increase of \$2.0 million, or 10.9 percent, due to the proposed combined retail rate increase and continued conservation.

- The municipal customer group includes 605 accounts under the authority of the District of Columbia government. This includes offices and facilities for various government agencies and activities such as education, regulatory affairs and general government operations. This group will comprise 2.7 percent of the FY 2013 operating budget and 2.8 percent of the FY 2014 proposed budget.
- The D.C. Housing Authority has multiple accounts that include public housing at various facilities throughout the District of Columbia. They have 1,435 accounts. Their annual billings make up only 1.4 percent of the FY 2013 cash receipts and 1.4 percent of the FY 2014 proposed cash receipts.

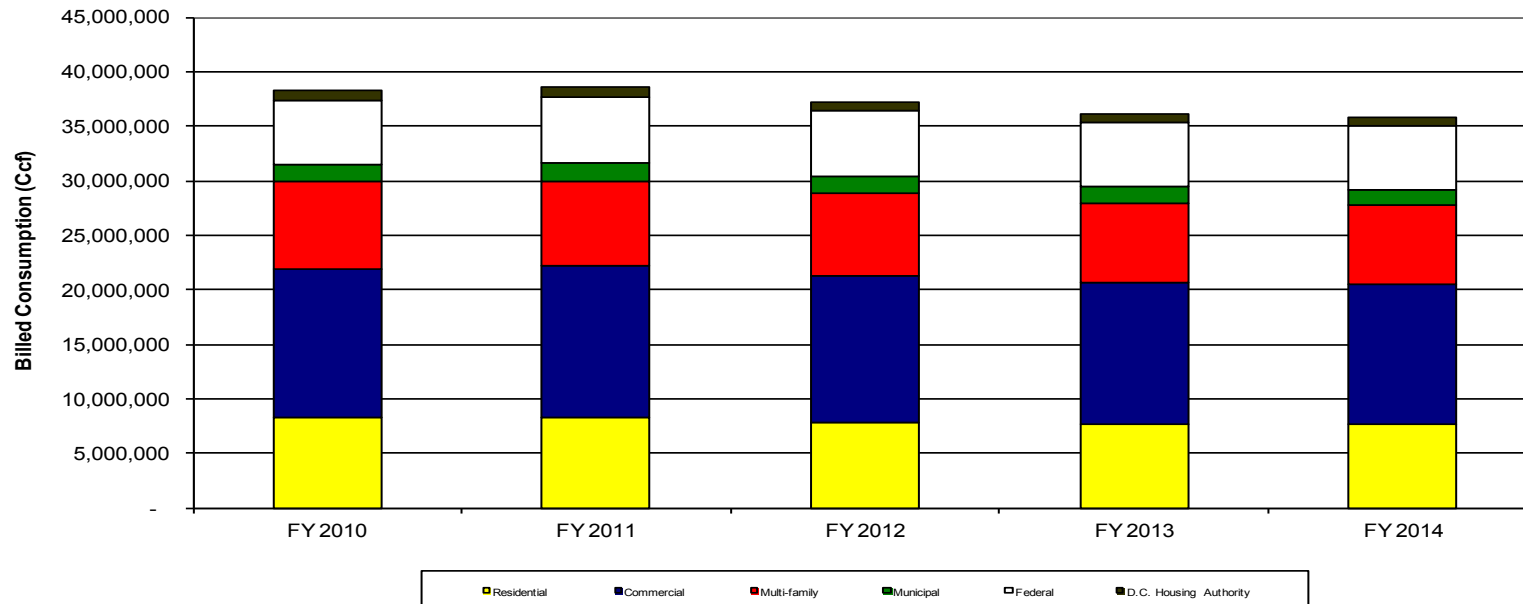
Wholesale customer revenue - FY 2013 revenues are projected at \$75.2 million, a decrease of \$0.05 million over FY 2012. In FY 2014, wholesale revenues are projected to increase by \$5.7 million to \$80.9 million. DC Water provides wholesale wastewater treatment services to User Jurisdictions at the Blue Plains Plant. The wholesale customers' share of operating costs at Blue Plains are recovered in accordance with the Blue Plains Intermunicipal Agreement of 1985, the Potomac Interceptor Agreements and the Loudoun County Sanitation Authority Agreement (as discussed in more detail in "THE SYSTEM – The Wastewater System"), and are based on actual costs of operating and maintaining the plant and the collection facilities, prorated to each User Jurisdiction based on its respective actual share of wastewater flows. The User Jurisdiction's share of capital costs is based on each User Jurisdiction's share of capacity allocations in the Plant. Both operating and capital payments are made on a quarterly basis. Wholesale customers are billed based on the adopted budget for that fiscal year. Capital-related charges are billed quarterly with payments due on the 15th day of the second month following the end of the quarter. The operating and maintenance-related charges are billed annually by mid-October and payments are due each of November, February, May and August and receipts are projected to be 17 percent of total receipts in FY 2013. Following each fiscal year, the Authority prepares a reconciliation that determines the actual costs and each wholesale customer's appropriate share of such costs. Adjustments are then billed or credited to the wholesale customers in the first quarter of the subsequent fiscal year. The wholesale customers include: Washington Suburban Sanitary Commission (WSSC), Loudoun County, VA, Fairfax County, VA and a group of small customers of the Potomac Interceptor (PI). The PI customers are comprised of Dulles International Airport (MWAA), National Park Service, Department of Navy and the Town of Vienna.

DC WATER CASH RECEIPTS, Cont.

CONSUMPTION

While wholesale customers pay for their proportional share of wastewater services, retail customers are billed based upon metered consumption. Therefore, variations in consumption have a direct impact upon DC Water retail rates. The consumption for DC retail customers increased by 0.6 percent in FY 2011 but declined by 3.4 percent in FY 2012. Given the uncertainty of the current economy as well as the federal government goal to close some neighboring federal facilities and implement a number of conservation best practices over the next few years, the revenue projections assume a 2.24 percent decline in FY 2013 over FY 2012 projection and 1.0 percent decline in FY 2014 and beyond.

Historical and Projected Billed Consumption (Ccf)



DC WATER CASH RECEIPTS, Cont.

Historical and Projected Billed Consumption (Ccf) ⁽³⁾

| | FY 2010 Actual | FY 2011 Actual | FY 2012 Actual | FY 2013 Projected | FY 2014 Projected |
|------------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| Residential | 8,318,424 | 8,270,107 | 7,878,216 | 7,659,000 | 7,582,000 |
| Commercial (1) | 13,576,563 | 13,877,861 | 13,406,380 | 13,007,000 | 12,877,000 |
| Multi-family | 7,991,418 | 7,831,967 | 7,569,320 | 7,320,000 | 7,247,000 |
| Municipal (2) | 1,585,385 | 1,652,379 | 1,546,942 | 1,522,000 | 1,506,000 |
| Federal | 5,908,875 | 5,997,204 | 6,067,764 | 5,877,000 | 5,818,000 |
| D.C. Housing Authority | <u>939,533</u> | <u>907,516</u> | <u>775,733</u> | <u>753,000</u> | <u>745,000</u> |
| Total Retail | 38,320,198 | 38,537,034 | 37,244,355 | 36,138,000 | 35,775,000 |

(1) Reflects consumption at Commercial facilities and selected facilities at Howard University and Soldiers' Home. From October 1, 2011 Howard University accounts have been transferred to Commercial and are no longer exempt from paying water.

(2) Reflects consumption at District of Columbia Government facilities and DC Water facilities

(3) Ccf - hundred cubic feet or 748 gallons

RECENT & PROPOSED RATE & FEE CHANGES

FY 2013 RATE & FEE CHANGES

Effective October 2012, the Board increased rates and fees as follows:

- Water and Sewer volumetric rate increased by \$0.40 per Ccf from \$7.20 to \$7.60 per Ccf, {\$0.54 per 1,000 gallons}.
 - Water rate increase of \$0.18 per Ccf ,{\$0.24 per 1,000 gallons} from \$3.24 per Ccf to \$3.42 per Ccf ,{\$4.57 per 1,000 gallons}
 - Sewer rate increase of \$0.22 per Ccf ,{\$0.30 per 1,000 gallons} from \$3.96 per Ccf to \$4.18 per Ccf ,{\$5.59 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Surface Charge increased by \$2.93 from \$6.64 per ERU to \$9.57 per ERU
- Clean Rivers Impervious Area Surface Charge (IAC) six-tier residential rate structure is shown in the table below.

| Tiers | Residential Impervious Area Range | ERU |
|--------------|--|------------|
| Tier 1 | 100 – 600 sq ft | 0.6 ERU |
| Tier 2 | 700 – 2,000 sq ft | 1.0 ERU |
| Tier 3 | 2,100 – 3,000 sq ft | 2.4 ERU |
| Tier 4 | 3,100 – 7,000 sq ft | 3.8 ERU |
| Tier 5 | 7,100 – 11,000 sq ft | 8.6 ERU |
| Tier 6 | 11,100 sq ft and more | 13.5 ERU |

- Right-of-Way fee – This fee increased to recover the full cost of the Right-of-Way fee charged to DC Water by the District of Columbia.
 - Increase of \$0.01 per Ccf in the Right-of-Way fee {\$0.01 per 1,000 gallons} to \$0.16 per Ccf {\$0.21 per 1,000 gallons}
- Payment in Lieu of Taxes Fee – This fee increased to recover the cost for providing municipal services to DC Water by the District of Columbia.
 - Increase of \$0.01 per Ccf in the PILOT fee {\$0.01 per 1,000 gallons} to \$0.50 per Ccf (\$0.67 per 1,000 gallons)
- These changes increased the typical residential customer’s total monthly bill by \$5.74 or 8.7 percent.

RECENT & PROPOSED RATE & FEE CHANGES

FY 2013 RATE & FEE CHANGES

- Clean Rivers Impervious Only Accounts
 - With the Clean Rivers Impervious Surface Area Charge implemented in 2009 more than 9,000 properties were identified as having impervious surfaces without a metered water service. Examples include parking lots and garages. A policy was adopted to bill these Impervious Only properties with less than twenty-five Equivalent Residential Units (ERU) on a semi-annual basis to reduce transaction costs for DC Water. The recent and projected Clean Rivers Impervious Area Charge rate adjustments may make the total “please pay” amount on a semi-annual bill a hardship to pay all at once for customers exceeding three ERUs. To make this bill easier to pay, the Board has approved to change the billing frequency for all customers with three or more ERUs to monthly, which was effective October 1, 2012. This will not change the overall revenue or customer cost of the Clean Rivers Impervious Area Charge.

- Pretreatment Fees
 - In April 2011, the DC Water Retail Water and Sewer Rates Committee received staff’s proposal for a series of changes to the miscellaneous fees and charges including adoption of new pretreatment fees to recover the cost of implementing pending regulation of industrial users. While the Committee subsequently adopted most of the fee proposals with some modifications, the new pretreatment fees were postponed based on public comments received. However, on July 5, 2012, the Board approved the Pretreatment fees listed below, which became effective October 1, 2012. The pretreatment group provides permitting, sampling and inspections for designated Industrial Users of the wastewater system. Currently, no charge is assessed for these services.

RECENT & PROPOSED RATE & FEE CHANGES

FY 2013 RATE & FEE CHANGES

| Classification | New Permit Fee |
|--|----------------|
| Industrial User Permitting fee: | |
| Permit Initial Fee | \$2,000.00 |
| Permit Renewal Fee | \$600.00 |
| Industrial User Annual Compliance fees: | |
| Significant or Non-Significant Categorical Industrial User | |
| 1 outfall | \$2,500.00 |
| 2 or more outfalls | \$3,500.00 |
| Significant Non-Categorical Industrial User | |
| 1 outfall | \$2,500.00 |
| 2 or more outfalls | \$3,500.00 |
| Non-Significant Non-Categorical Industrial User | |
| 1 outfall | \$550.00 |
| 2 or more outfalls | \$700.00 |

RECENT & PROPOSED RATE & FEE CHANGES

PROPOSED FY 2014 RATE & FEE CHANGES

The Board has proposed the following rates and fee increases for rate making, to be, effective October 2013:

- Water and Sewer volumetric rate to be increased by \$0.42 per Ccf from \$7.60 to \$8.02 per Ccf, {\$0.56 per 1,000 gallons}.
 - Water rate increase of \$0.19 per Ccf {\$0.26 per 1,000 gallons} from \$3.42 per Ccf to \$3.61 per Ccf,{\$4.83 per 1,000 gallons}
 - Sewer rate increase of \$0.23 per Ccf {\$0.30 per 1,000 gallons} from \$4.18 per Ccf to \$4.41 per Ccf,{\$5.89 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge (IAC) increase of \$3.20 from \$9.57 per ERU to \$12.77 per ERU
- PILOT and Right-of-Way fee – These fees are proposed to increase to recover the full cost of the PILOT and Right-of-Way fees charged to DC Water by the District of Columbia.
 - Increase of \$0.04 in the PILOT and Right of Way fees, {\$0.05 per 1,000 gallons}, \$0.03 increase in PILOT per Ccf {\$0.04 per 1,000 gallons} to \$0.53 per Ccf {\$0.71 per 1,000 gallons} \$0.01 increase in Right-of-Way fee per Ccf {\$0.01 per 1,000 gallons} to \$0.17 per Ccf {\$0.22 per 1,000 gallons}

PROPOSED FY 2014 RATE & FEE CHANGES

In FY 2010, DC Water consultants performed a Cost of Service (COS) Study to include objectives from senior staff on prioritizing DC Water's pricing objectives. One of the objectives noted was the Class-Based Volumetric Differentiation.

In FY 2011, a Customer Segmentation Study was performed to identify classes of customers for the purpose of rate-setting, planning, supply management and cost analysis among others. Typically this classification is based on: A. general service characteristics, B. demand patterns. Each class is assumed to have somewhat different needs and progressively higher demands than the previous class. Most water utilities typically have three principal classes of customers: A. Residential, B. Commercial, and C. Industrial. DC Water currently has two customer classes: A. Residential, B. Non-Residential.

Furthermore, the FY 2012 Cost of Service Study identified several customer categories that demonstrated a reasonable level of differentiation in terms of peak usage. The customer classes identified included A. Residential, B. Multi-family, and C. Non-residential. DC Water will determine whether to adopt and approve the expanded customer class during its FY 2014 ratemaking process.

RECENT & PROPOSED RATE & FEE CHANGES

PROPOSED FY 2014 RATE & FEE CHANGES

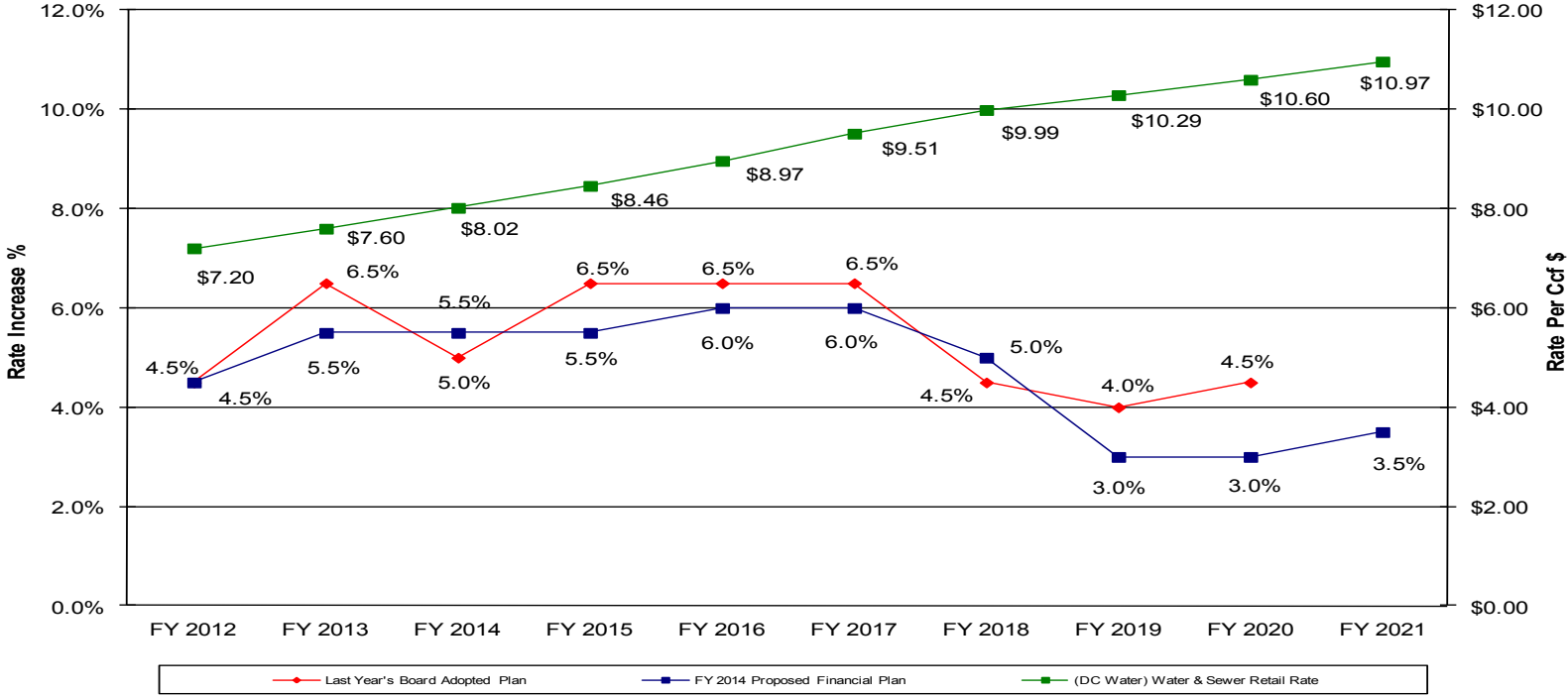
The ten-year projected water and sewer rate increases under this year's plan total 47.5 percent driven primarily by capital spending for DC Water's \$3.8 billion capital improvement program. *This is down from the, 61.0 percent, ten-year projection in the FY 2011 – FY 2020 Financial Plan.*

Primary spending in the ten-year capital plan includes: initial phases of the Clean Rivers Project (CSO LTCP), the Enhanced Nitrogen Removal Facilities (formerly called BTN), digesters, and various water and sewer infrastructure improvements.

The public outreach and comment process for the FY 2014 rate proposal will occur between February and June 2013. If approved, these changes will increase the typical residential customer's monthly bill by \$6.28 or 8.8 percent as shown on page IV-17.

RECENT & PROPOSED RATE & FEE CHANGES, Cont.

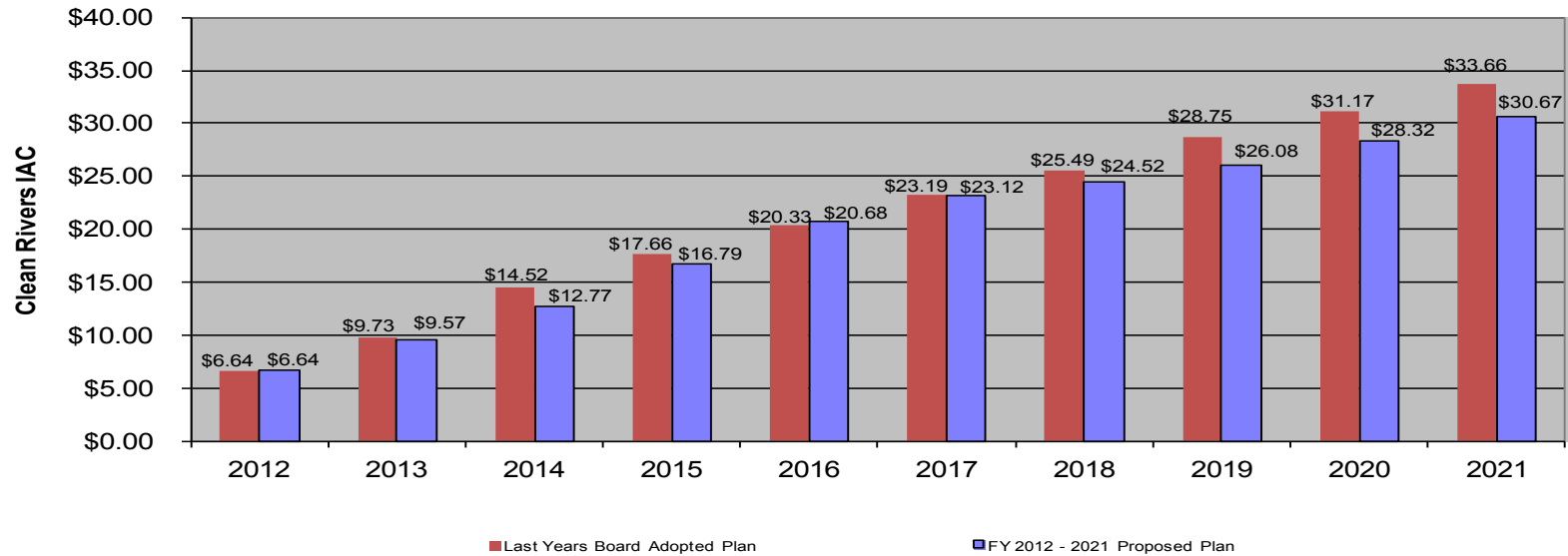
PROJECTED RETAIL WATER & SEWER RATE CHANGES
FY 2012 – FY 2021



- 1) In FY 2014 proposed water and sewer rate increase of \$0.42 per Ccf, (\$0.56 per 1,000 gallons)
— Combined water and sewer rate increases from \$7.60 to \$8.02 per Ccf
- 2) Rate increases ranging from 3.0 percent to 6.0 percent

RECENT & PROPOSED RATE & FEE CHANGES, Cont.

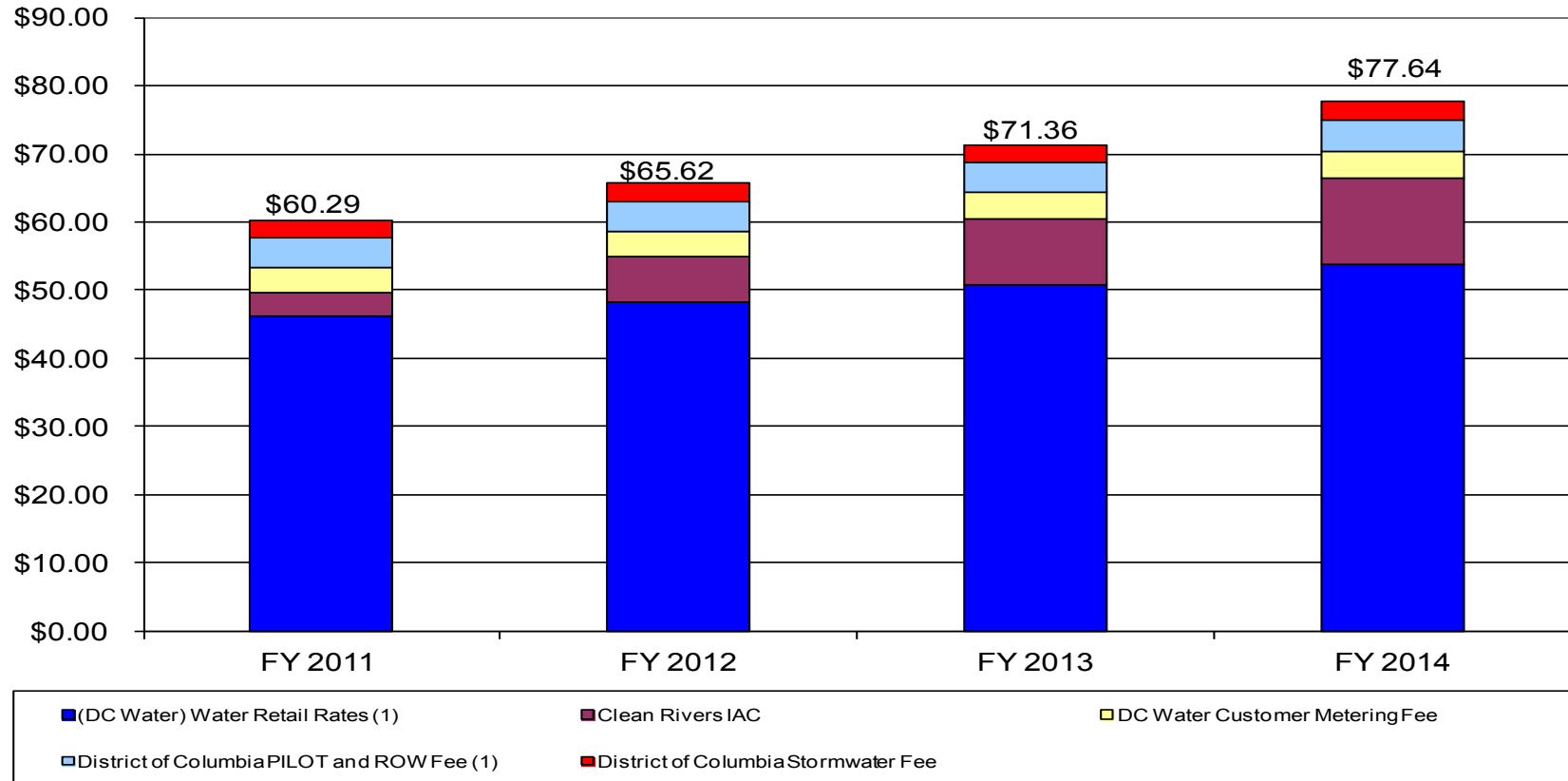
PROJECTED MONTHLY CLEAN RIVERS IMPERVIOUS SURFACE AREA CHARGE (IAC) CHANGES FY 2012 – FY 2021



- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the twenty year \$2.6 billion Clean Rivers Project, which includes the federally mandated CSO-LTCP and the nine-minimum controls program.
- The annual Clean Rivers Project IAC costs for the average Tier 2 residential customer (700 – 2,000 sq ft of impervious area) is projected to increase from \$153.24 in FY 2014 to \$368.04 in FY 2021.

RECENT & PROPOSED RATE & FEE CHANGES, Cont.

*AVERAGE RESIDENTIAL CUSTOMER MONTHLY BILL
FY 2011 – FY 2014*



- 1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons
 – FY 2014 cost per gallon is \$0.01 (water and sewer rates only)

RECENT & PROPOSED RATE & FEE CHANGES, Cont.

AVERAGE RESIDENTIAL CUSTOMER MONTHLY BILL FY 2011 – FY 2014

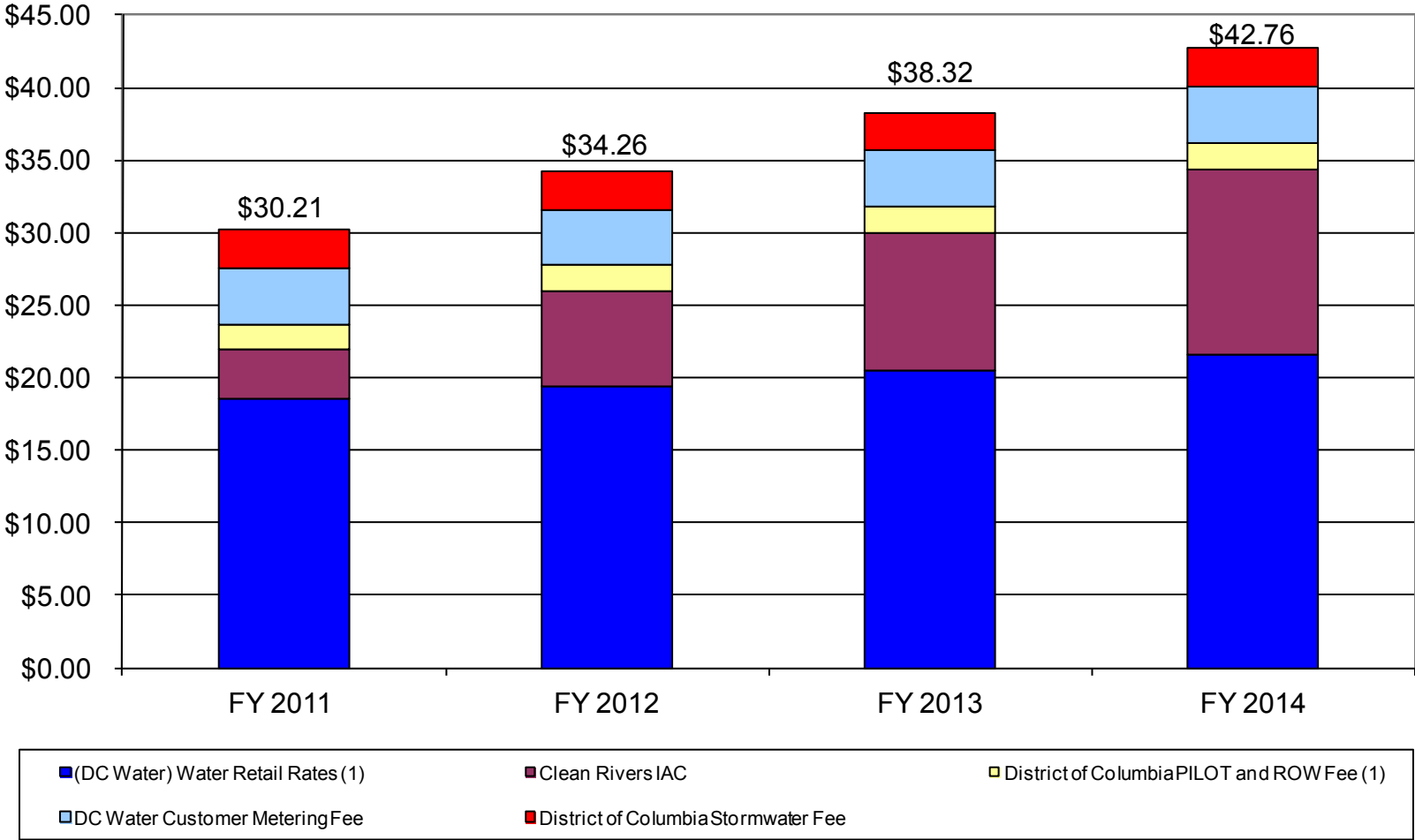
| | Units | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| DC Water Retail Rates (1) | Ccf | \$ 46.09 | \$ 48.17 | \$ 50.84 | \$ 53.65 |
| DC Water Clean Rivers IAC | ERU | 3.45 | 6.64 | 9.57 | 12.77 |
| DC Water Customer Metering Fee | | 3.86 | 3.86 | 3.86 | 3.86 |
| Subtotal DC Water Rates & Charges | | \$ 53.40 | \$ 58.67 | \$ 64.27 | \$ 70.28 |
| Increase / Decrease | | \$ 8.25 | \$ 5.27 | \$ 5.60 | \$ 6.01 |
| District of Columbia PILOT (1) | Ccf | \$ 3.28 | 3.28 | 3.35 | 3.55 |
| District of Columbia Right of Way Fee (1) | Ccf | 0.94 | 1.00 | 1.07 | 1.14 |
| District of Columbia PILOT/ROW Fee | Ccf | 4.22 | 4.28 | 4.42 | 4.69 |
| District of Columbia Stormwater Fee (2) | ERU | 2.67 | 2.67 | 2.67 | 2.67 |
| Subtotal District of Columbia Charges | | \$ 6.89 | \$ 6.95 | \$ 7.09 | \$ 7.36 |
| Total Amount Appearing on DC Water Bill | | \$ 60.29 | \$ 65.62 | \$ 71.36 | \$ 77.64 |
| Increase / Decrease Over Prior Year | | \$ 8.76 | \$ 5.33 | \$ 5.74 | \$ 6.28 |
| Percent Increase in Total Bill | | 17.0% | 8.8% | 8.7% | 8.8% |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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

RECENT & PROPOSED RATE & FEE CHANGES, Cont.

AVERAGE CAP CUSTOMER MONTHLY BILL
FY 2011 – FY 2014



RECENT & PROPOSED RATE & FEE CHANGES, Cont.

AVERAGE CAP CUSTOMER MONTHLY BILL FY 2011 – FY 2014

| | Units | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|-------|-----------------|-----------------|-----------------|-----------------|
| DC Water Retail Rates (1) | Ccf | 46.09 | 48.17 | 50.84 | 53.65 |
| DC Water Clean Rivers IAC | ERU | 3.45 | 6.64 | 9.57 | 12.77 |
| DC Water Customer Metering Fee | | 3.86 | 3.86 | 3.86 | 3.86 |
| Subtotal DC Water Rates & Charges | | \$ 53.40 | \$ 58.67 | \$ 64.27 | \$ 70.28 |
| Increase / Decrease | | \$ 8.25 | \$ 5.27 | \$ 5.60 | \$ 6.01 |
| District of Columbia PILOT (1) | Ccf | \$ 3.28 | 3.28 | 3.35 | 3.55 |
| District of Columbia Right of Way Fee (1) | Ccf | \$ 0.94 | 1.00 | 1.07 | 1.14 |
| District of Columbia Stormwater Fee (3) | ERU | 2.67 | 2.67 | 2.67 | 2.67 |
| Subtotal District of Columbia Charges | | \$ 6.89 | \$ 6.95 | \$ 7.09 | \$ 7.36 |
| Total Amount | | \$ 60.29 | \$ 65.62 | \$ 71.36 | \$ 77.64 |
| Less: CAP Discount (4 Ccf per month) (1), (2) | | (30.08) | (31.36) | (33.04) | (34.88) |
| Total Amount Appearing on DC Water Bill | | \$ 30.21 | \$ 34.26 | \$ 38.32 | \$ 42.76 |
| Increase / Decrease Over Prior Year | | \$ 3.16 | \$ 4.05 | \$ 4.06 | \$ 4.44 |
| CAP Customer Discount as a Percent of Total Bill | | -49.9% | -47.8% | -46.3% | -44.9% |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

(2) Extension of CAP program in FY 2011 to first 4 Ccf of PILOT and ROW

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

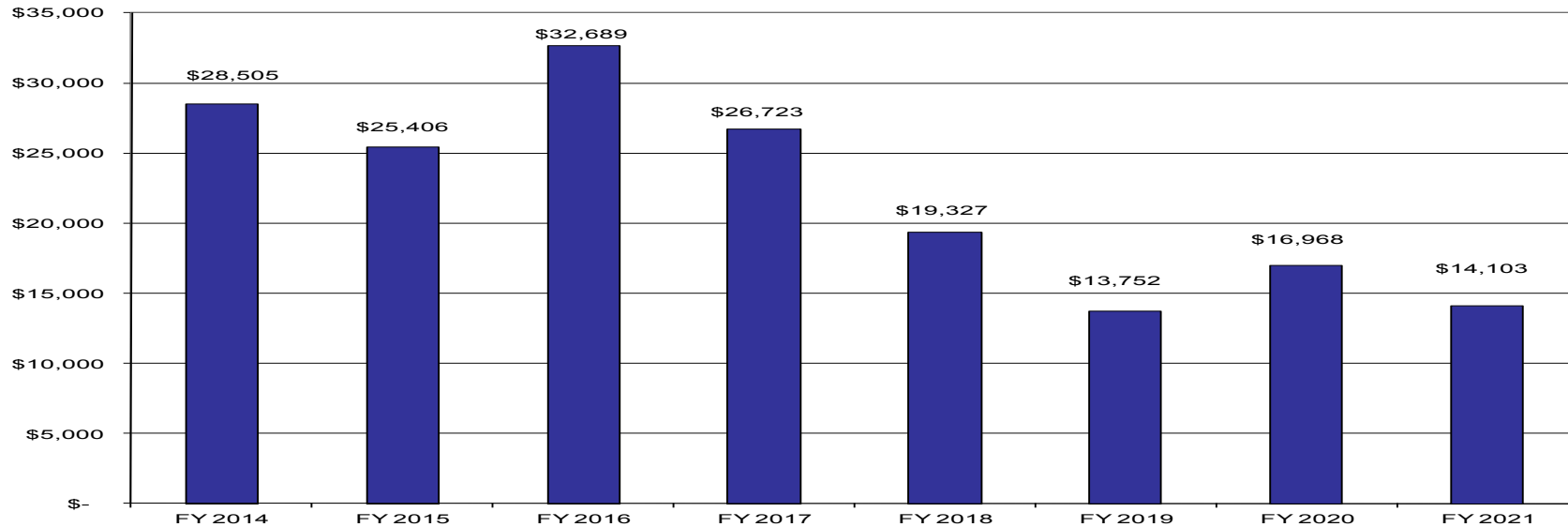
- 1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons
 - FY 2014 cost per gallon is \$0.01 (water and sewer rates only)

WHY RATE INCREASES ARE NEEDED

FY 2012 – FY 2021 FINANCIAL PLAN

- As shown in the chart below, incremental increases in retail revenues are projected to range from \$13.8 million to \$32.7 million in FY 2014 – FY 2021, due to:
 - Average annual debt service increase of 11.2 percent
 - Average annual O/M increase of 3.1 percent
 - Annual projected PILOT and ROW increases due to DC government increasing costs of providing services to the District.
 - This year’s ten-year financial plan reflects anticipated operating cost savings at Blue Plains beginning in FY 2015 due to the implementation of the digester/cambi biosolids management project.

*Incremental Increase in Revenues
FY 2014 – FY 2021
(\$000's)*



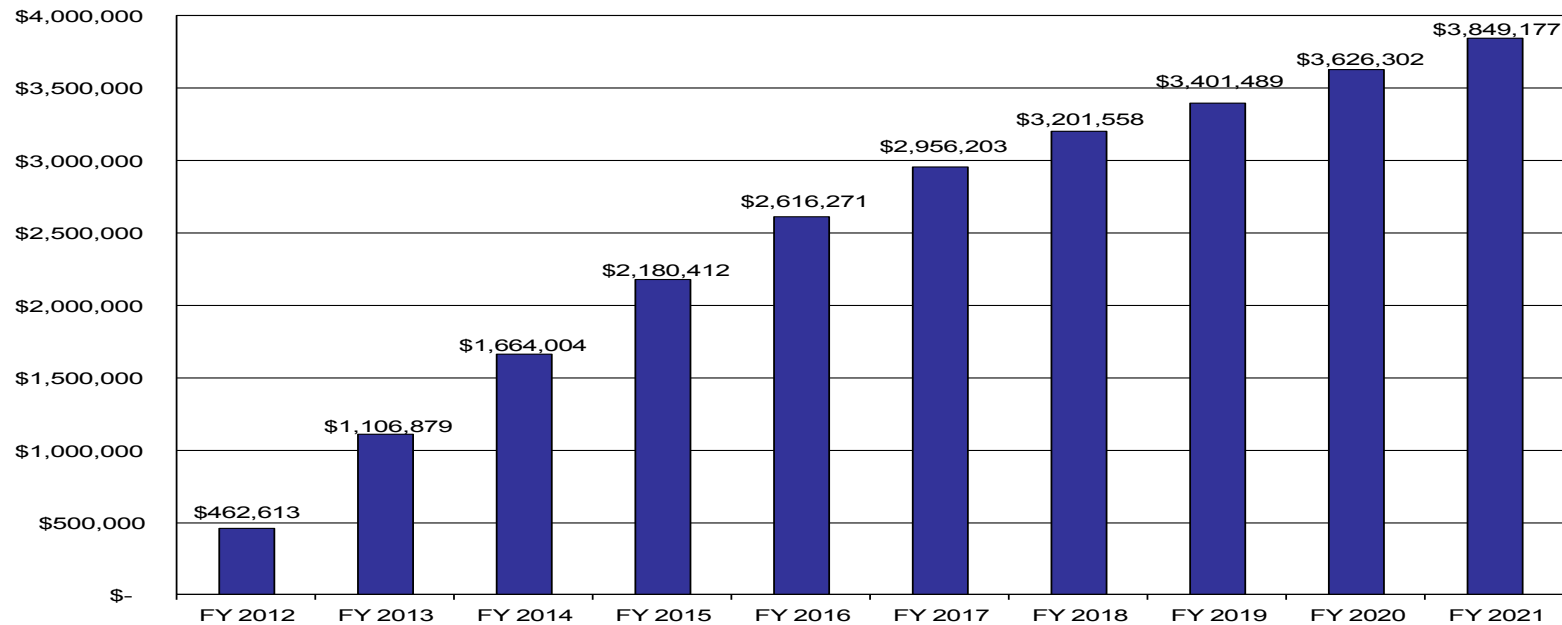
WHY RATE INCREASES ARE NEEDED, Cont.

- These costs would be recovered through:
 - Proposed water and sewer rate increases ranging from 3.0 percent to 6.0 percent
 - Proposed Clean Rivers Impervious Surface Area Charge revenues ranging from \$6.64 to \$30.67 per ERU per month
 - Proposed DC PILOT & ROW fee increases ranging from 3.0 percent to 6.0 percent in accordance with the current MOU
 - Utilization of the Board-authorized Rate Stabilization Fund (RSF) to offset retail rate increases

WHY RATE INCREASES ARE NEEDED, Cont.

DC Water's proposed rate increases are primarily required to fund increasing debt service costs from increased capital spending.

CUMULATIVE CAPITAL SPENDING
FY 2012 – FY 2021
(\$000's)



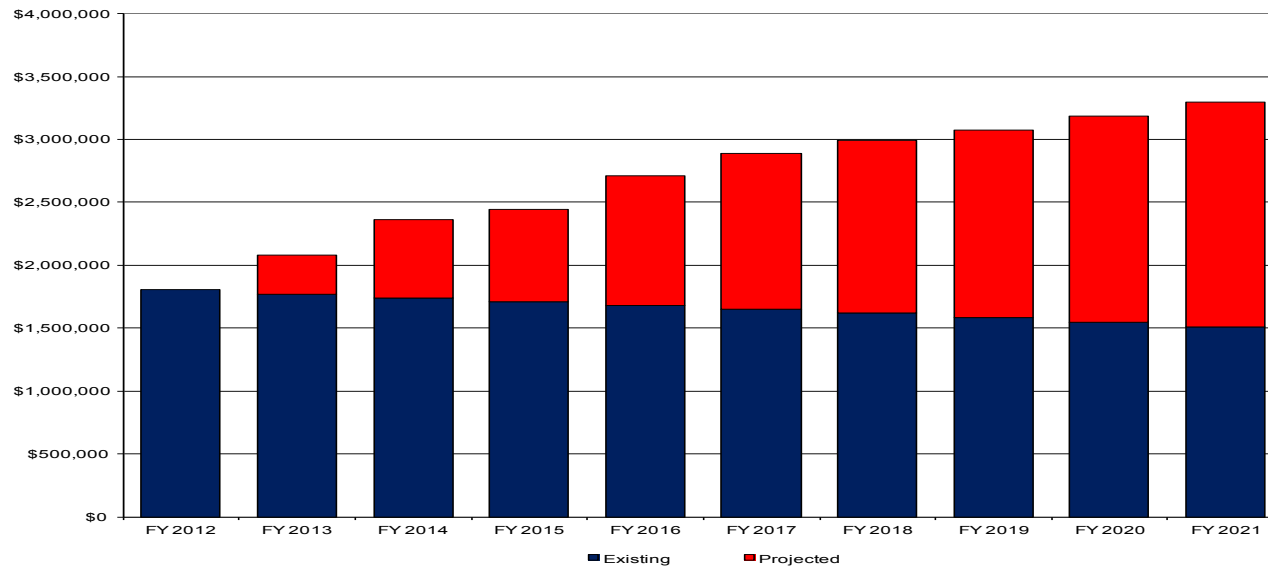
- DC Water's ten-year capital improvement program totals \$3.8 billion, with annual spending ranging from \$199.9 million to \$644.3 million.

WHY RATE INCREASES ARE NEEDED, Cont.

- Once completed, the ten-year capital improvement project will double the book value of DC Water's infrastructure.
- The ten-year plan includes disbursements of the Clean Rivers Project (CSO LTCP), totaling nearly \$1.1 billion exclusive of nine minimum controls.
- Water and sewer infrastructure continues to drive the ten-year Capital Improvement Plan from FY 2012 through FY 2021.

WHY RATE INCREASES ARE NEEDED, Cont.

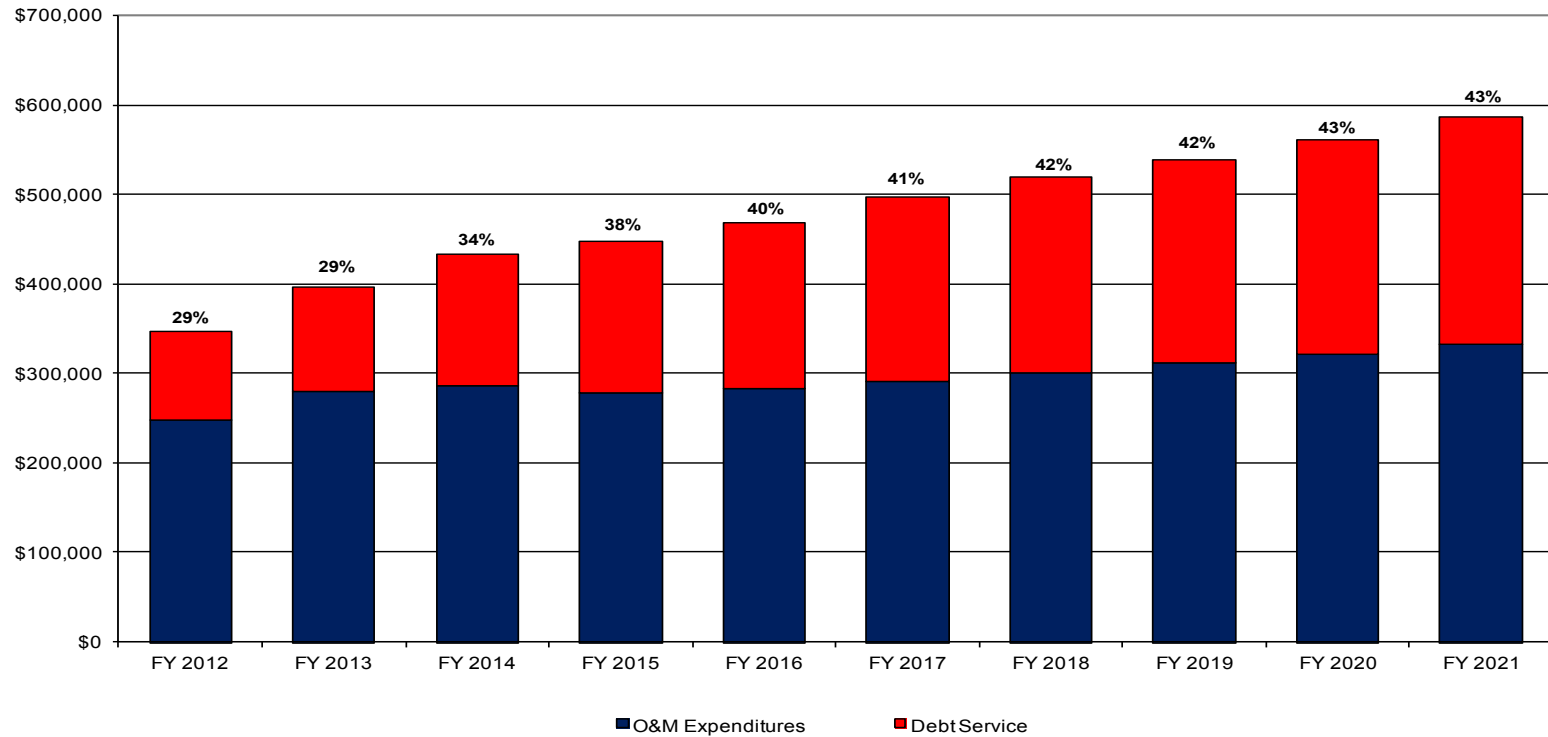
*NEW & EXISTING DEBT OUTSTANDING
FY 2012 – FY 2021
(\$000's)*



- The largest source of funding for DC Water's capital program is debt.
- Over the next ten years, DC Water will issue approximately \$1.9 billion in new debt (which includes the funding of reserves and costs of issuance), increasing total debt outstanding from \$1.8 billion at the end of FY 2012 to almost \$3.3 billion at the end of FY 2021.

WHY RATE INCREASES ARE NEEDED, Cont.

DEBT SERVICE AS PERCENT OF TOTAL OPERATING & MAINTENANCE EXPENDITURES
FY 2012 – FY 2021
(\$000's)



WHY RATE INCREASES ARE NEEDED, Cont.

OPERATING & DEBT SERVICE EXPENDITURES FY 2012 – FY 2021

Over the ten-year period, total expenditures increase on average by 5.8 percent annually.

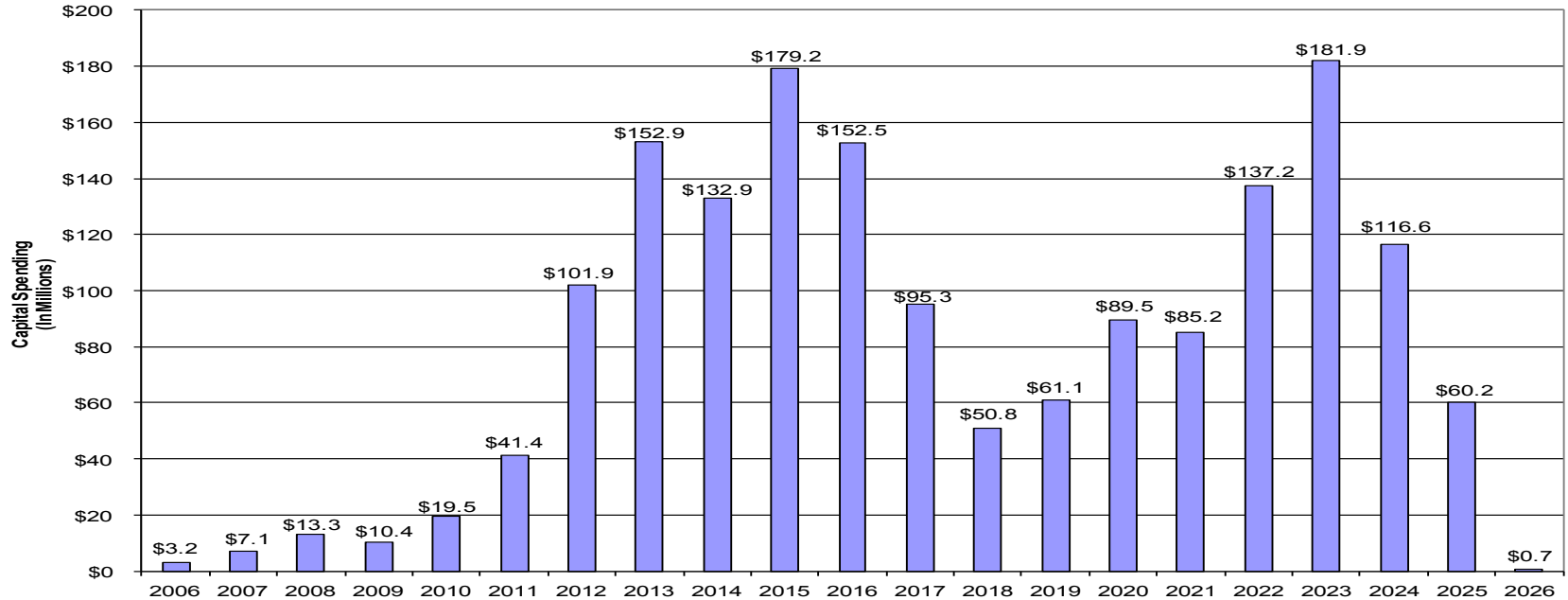
DC Water's proposed rate increases are primarily required to fund increasing debt service costs.

- Operations and maintenance expenditures (excluding the payment in lieu of taxes and right-of-way fee) increase on average by only 3.1 percent annually.
- Debt service expenditures grow at an annual average rate of 11.2 percent.
- This year's ten-year financial plan reflects anticipated operating cost savings at Blue Plains beginning in FY 2015 due to the implementation of the digester/cambi biosolids management project.

WHY RATE INCREASES ARE NEEDED, Cont.

POTENTIAL IMPACT OF CSO LONG-TERM CONTROL PLAN ON RATES

Clean Rivers CSO LTCP Spending by Fiscal Year

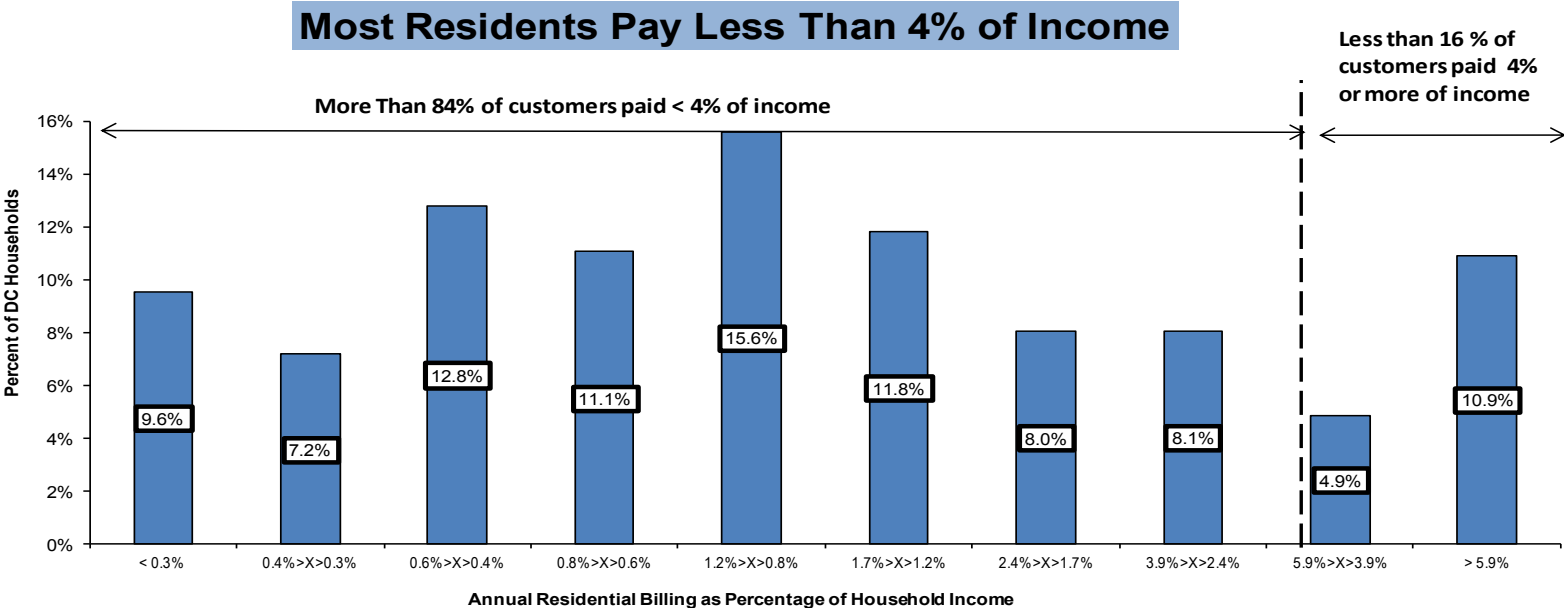


In December 2004, the Board reached agreement with the federal government on the Clean Rivers Project (CSO-LTCP) and entered into a related consent decree. Projected disbursements by fiscal year for the Clean Rivers Project are shown in the chart above and are the drivers for changes in the Clean Rivers IAC over the ten-year plan. Wholesale customers contribute 7.1 percent to the Clean Rivers Project. To mitigate impacts, DC Water continues to look for federal support for this program. As of September 30, 2012, \$168.6 million has been received through federal appropriations. Lifetime capital costs for the plan (exclusive of the nine – minimum controls program) total approximately \$2.4 billion, and this year’s proposed ten-year plan includes \$1.1 billion of projected Clean Rivers Project disbursements.

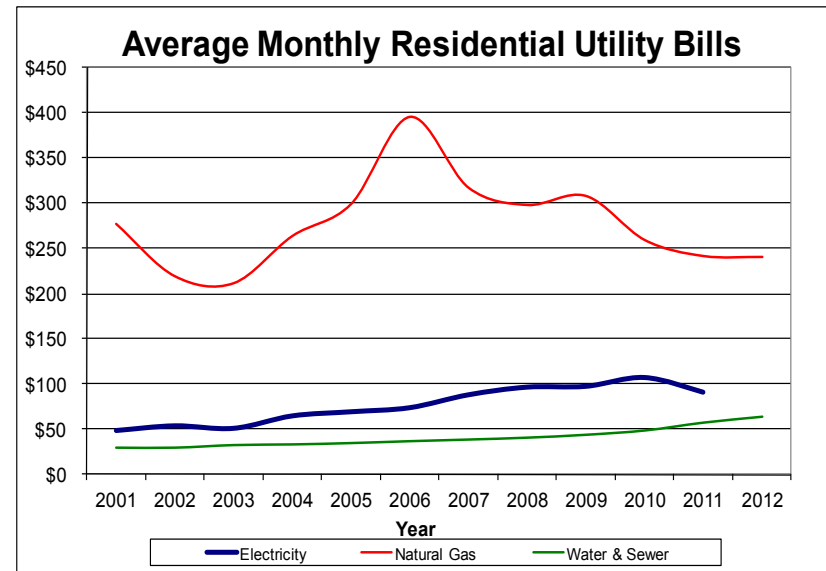
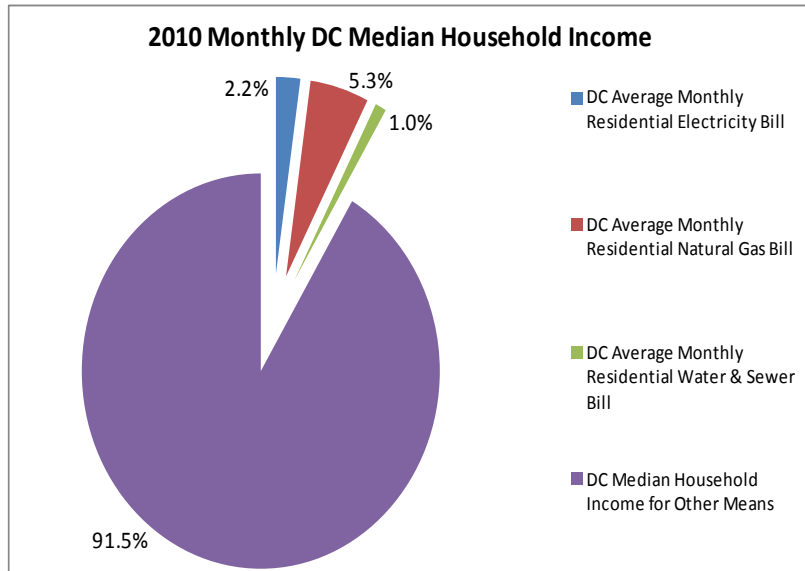
AFFORDABILITY OF RETAIL RATES

DC Water charges are still affordable and competitive with other major cities

- Median household income:** The average DC Water charges are less than 4% of income for 84% of the households in the District of Columbia. US EPA guidelines suggest that charges greater than 4% of median household income are typically viewed as a strain on household budgets (2% water + 2% sewer)
- Typical DC Water residential bill as a percentage of income is about average when compared to other utilities of similar size.**
- Customer Assistance programs are in place to help eligible low income customers with their water/sewer bills.**



AFFORDABILITY, Cont.



Observation:

- DC Water's average monthly residential water & sewer bill is about 1.0 percent of the total monthly household income for the median income family, lower compared to the average monthly electricity and natural gas bill and at about the national average for urban populations.

Observation:

- Average electricity and natural gas are higher than water & sewer bills.

Assumption:

- Average DC customer is assumed to use 6.69 Ccf of water, 200 Therms of natural gas and almost 733 kWh of electricity per month.

Sources:

Electricity and Gas: DC Public Service Commission

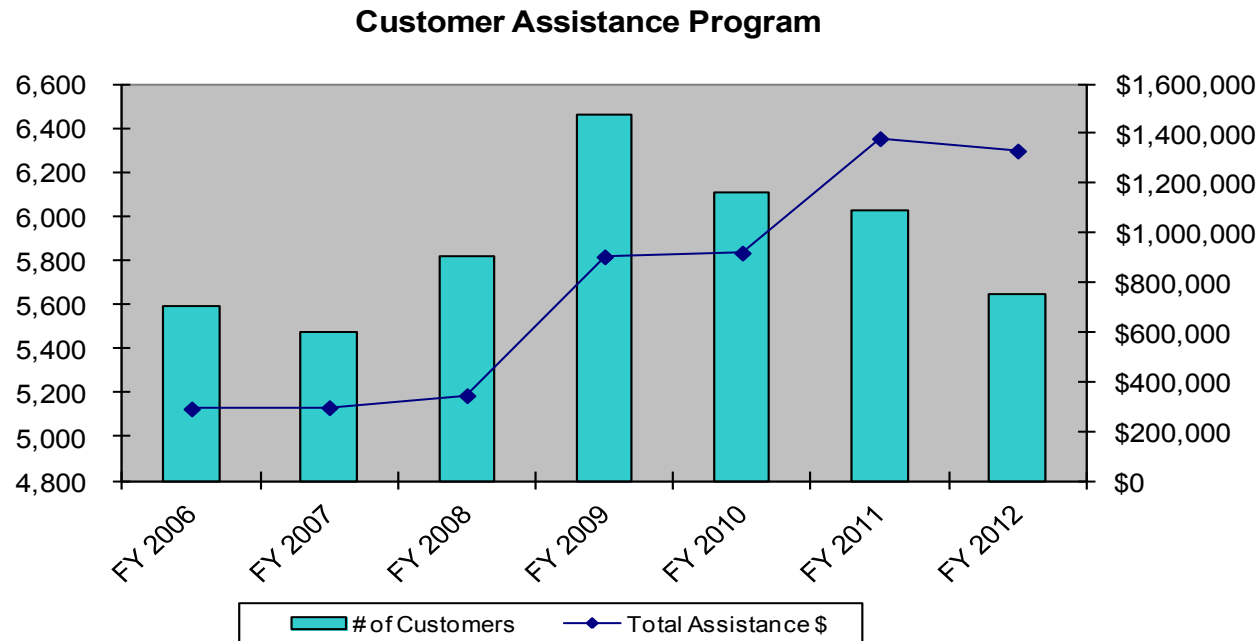
Water and Sewer: DC Water Assuming 6.69 Ccf, or 5,004 gallons consumption

Median HH Income: US Census Bureau

AFFORDABILITY, Cont.

DC Water sponsors two programs to assist low income customers in paying their water bills:

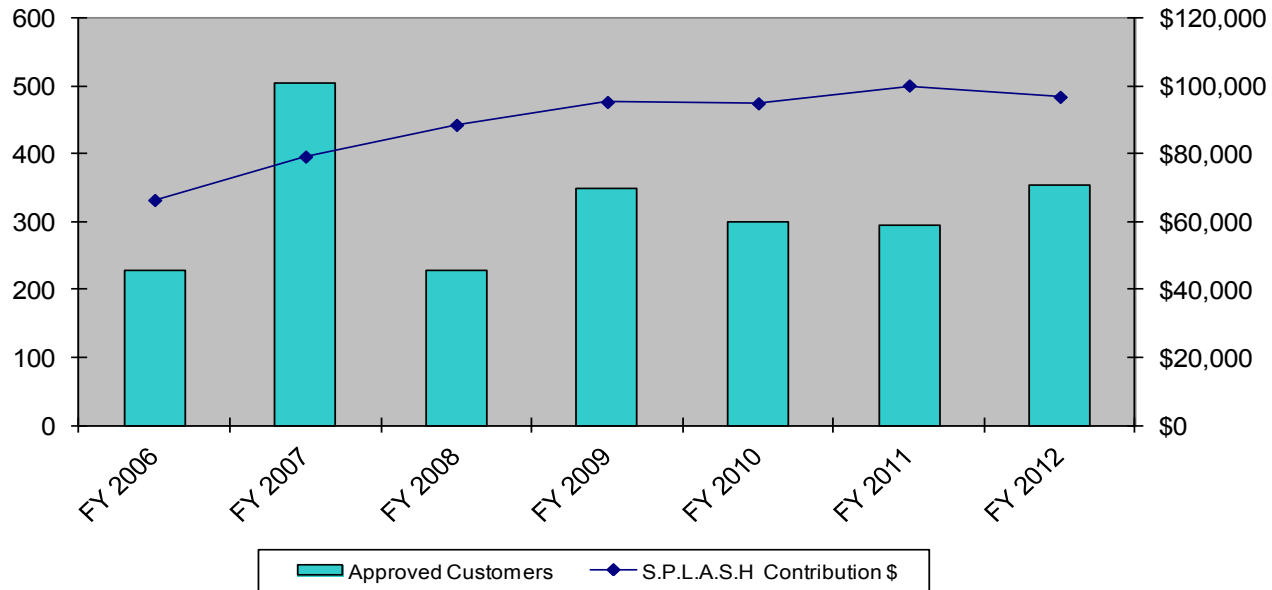
- **Customer Assistance Program (“CAP”)**: The Authority implemented the CAP in 2000 providing a discount of 4 Ccf per months of water service for single family residential homeowners that meet income eligibility guidelines. In FY 2004, the Authority expanded the CAP to include tenants who meet the financial eligibility requirements and whose primary residence is separately metered by the Authority. In January 2009, the Authority further expanded the CAP to provide a discount of 4 Ccf per month of sewer services to eligible customers. In FY 2011, the discount was expanded to the first 4 Ccf associated with the PILOT/ROW fee in addition to the current discount provided on water and sewer services.



AFFORDABILITY, Cont.

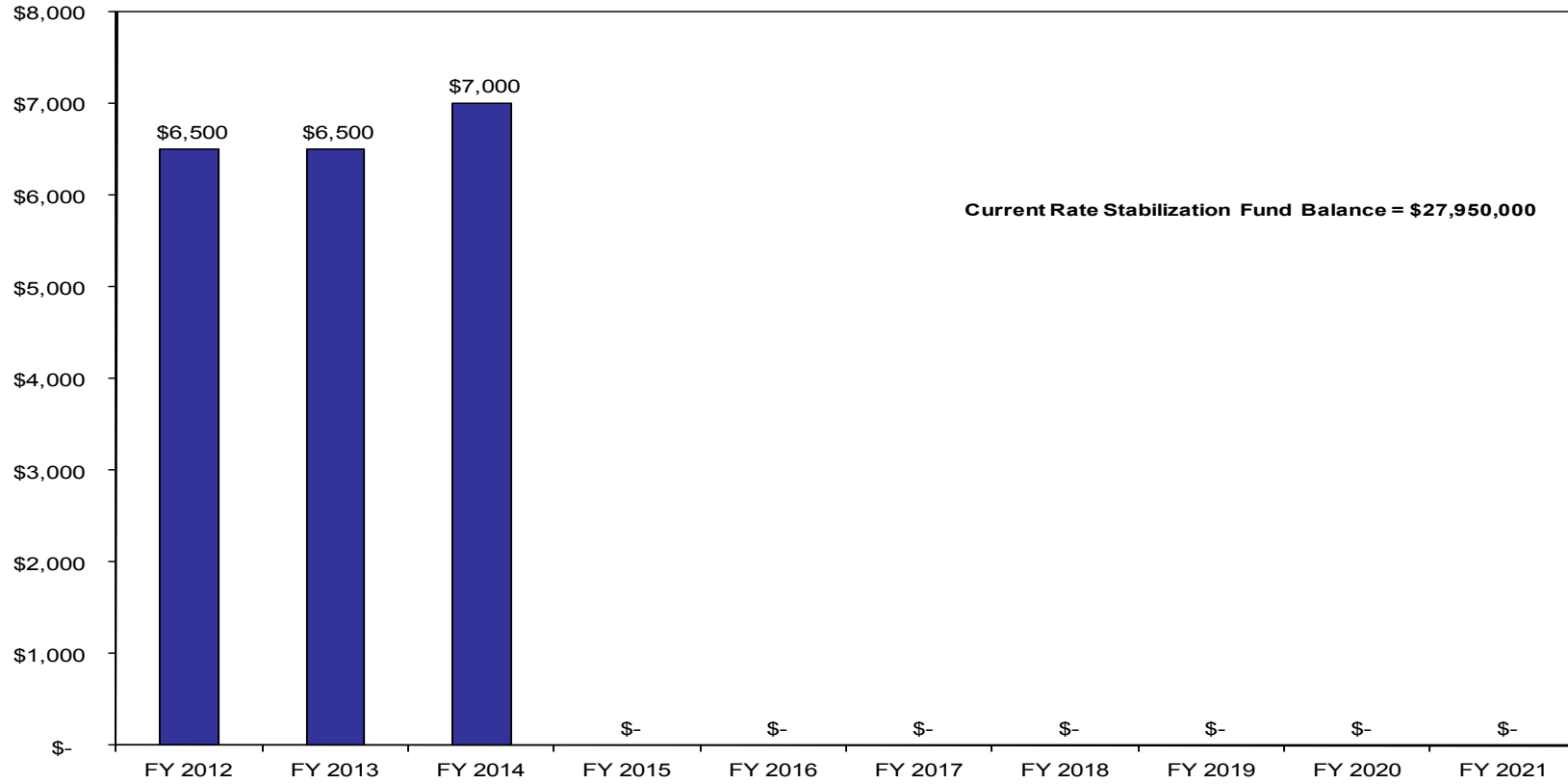
- **Serving People by Lending a Supporting Hand (“S.P.L.A.S.H”)**: Through the S.P.L.A.S.H. program, DC Water offers assistance to families in need so that they can maintain critical water and sewer services until they get back on their feet. The program is administered by the Greater Washington Urban League. Every dollar received by DC Water is distributed to eligible customers.

S.P.L.A.S.H Program



AFFORDABILITY, Cont.

RATE STABILIZATION FUND USAGE
FY 2012 – FY 2021
(\$000's)



- At the end of FY 2012, DC Water's rate stabilization fund (RSF) balance was \$27.95 million. The proposal calls for use of \$6.5 million in FY 2013. RSF will have a balance of \$18.55 million at the end of FY 2021.

AFFORDABILITY, Cont.

When considering factors of water and sewer service affordability, utilities often look at similarly situated agencies. However, every utility implements unique rate-setting structures, making it difficult to give clear representative data for comparison. The American Water Works Association (AWWA) conducts a survey every two years to compare utility rates from agencies across the country. AWWA sorts their results into water and sewer separately, and compare agencies by the quantities (MGD) served: A) over 75 MGD; B) 20-75 MGD and; C) less than 20 MGD. DC Water falls within the largest categories for both the water and the sewer comparisons. The last survey was conducted in 2012 and DC Water customer bills are near the median of all similarly sized utilities.

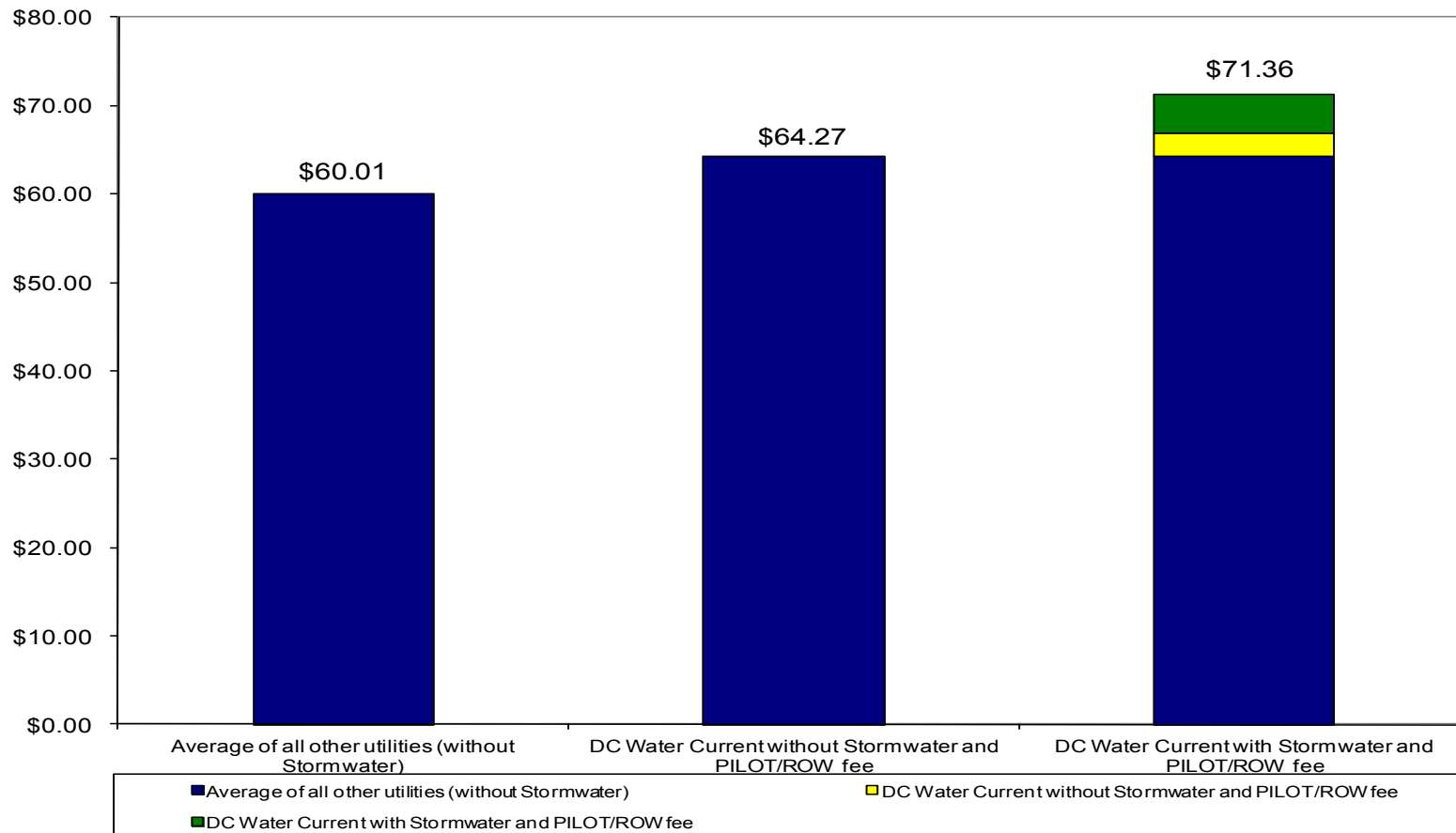
The following charts provide DC Water combined water and sewer rates compared to: large CSO communities average residential water bills, other similar large jurisdictions and other regional jurisdictions. There remains distinct differences between DC Water and other comparable utilities. Some differences include:

- Different use patterns (most suburban jurisdictions)
- Taxing authority or tax support (WSSC, Baltimore, Atlanta, Chicago)
- Available undeveloped areas supporting high developer contributions for growth (such as Fairfax)
- Separated wastewater and water authorities
- Different climate (perhaps with conservation needs such as Seattle)
- Status of federal mandates (such as DC Clean Rivers Project)

AFFORDABILITY, Cont.

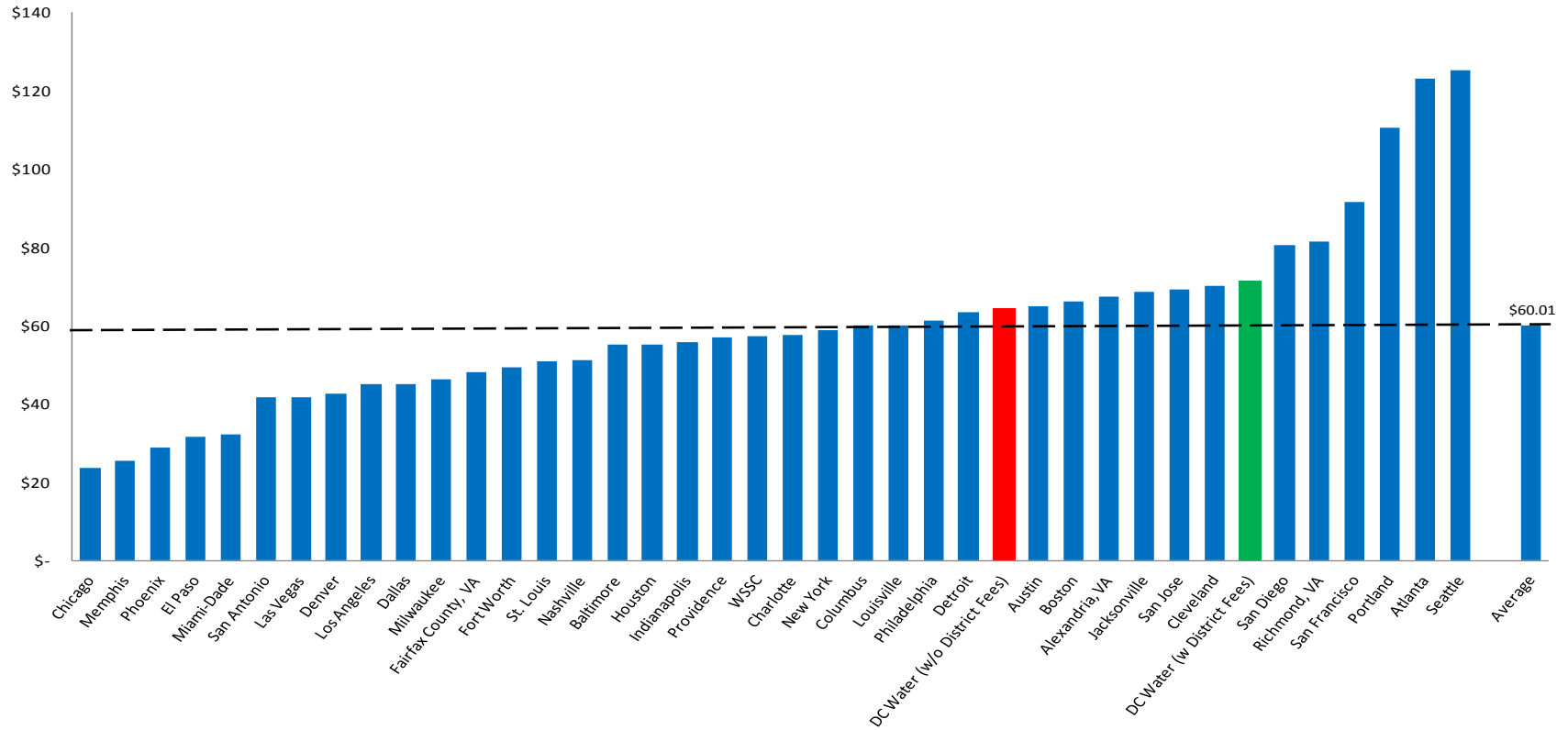
DC WATER'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES

DC Water's Current FY 2013 Monthly Residential Bill
vs.
Average Monthly Bill of Other Utilities in Effect Fall 2012



AFFORDABILITY, Cont.

*DC Water Retail Rates Compared to Other Large Utilities
(Based on Rates in effect Fall 2012)*

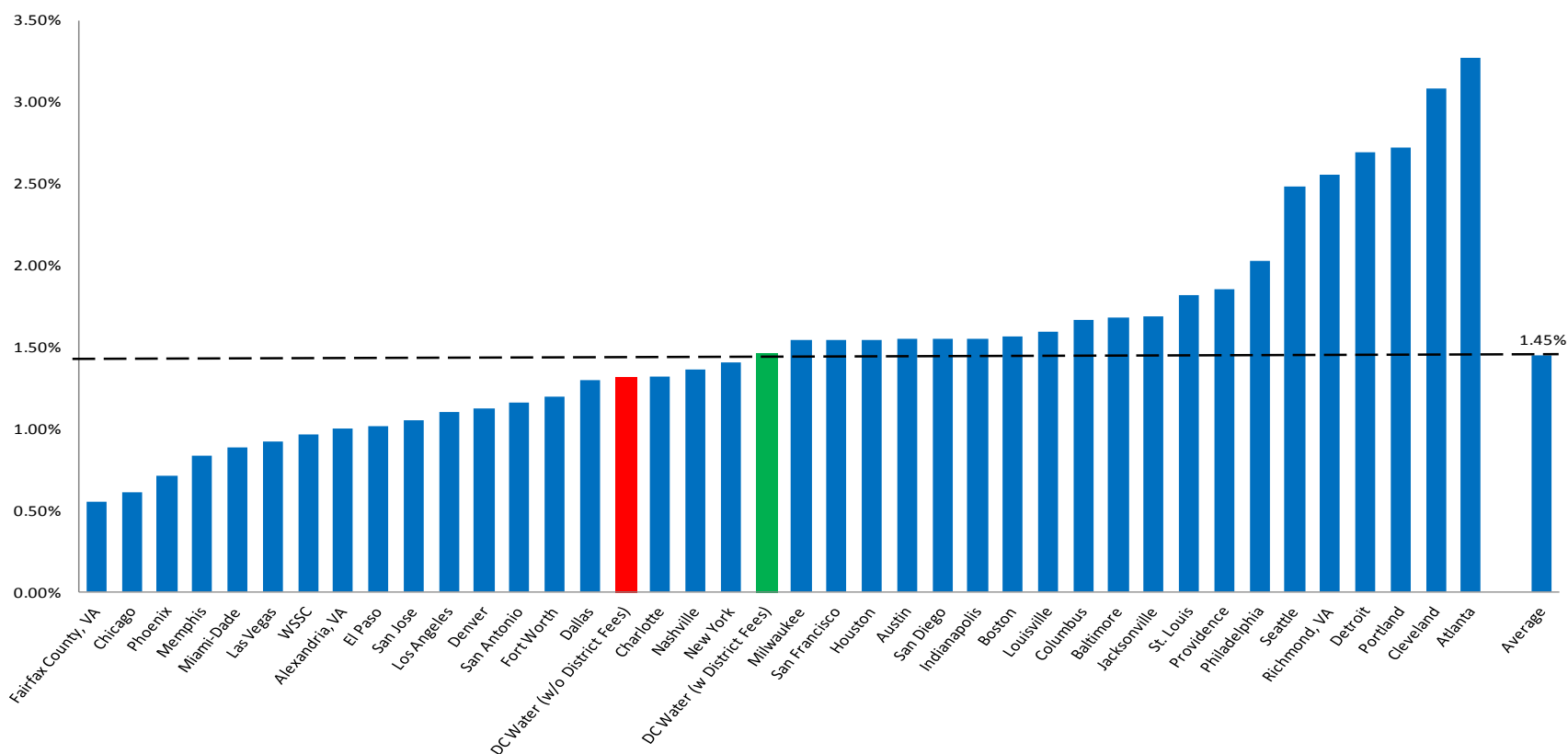


- (1) Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects DC Water's rate and fee changes in FY 2013.

AFFORDABILITY, Cont.

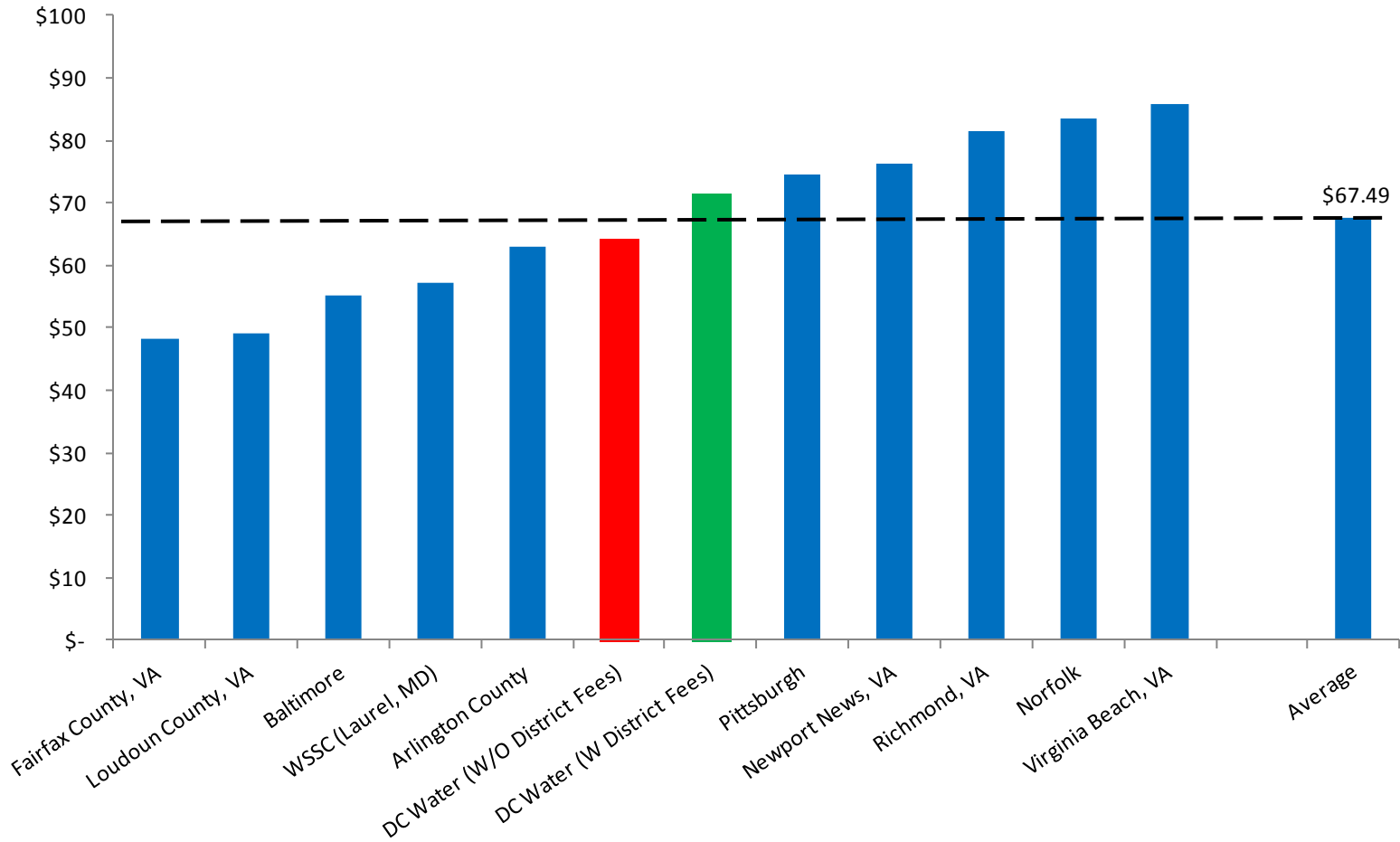
In the chart below DC Water current charges rank at the median for bill comparison purposes for water and wastewater services compared to a select group of large, regional and CSO utilities, but well within US EPA guidance of 4 percent.

**Single Family Residential (SFR) Monthly Bill as %
of Median Household Income - Large National Utilities
(Based on Rates in effect Fall 2012)**



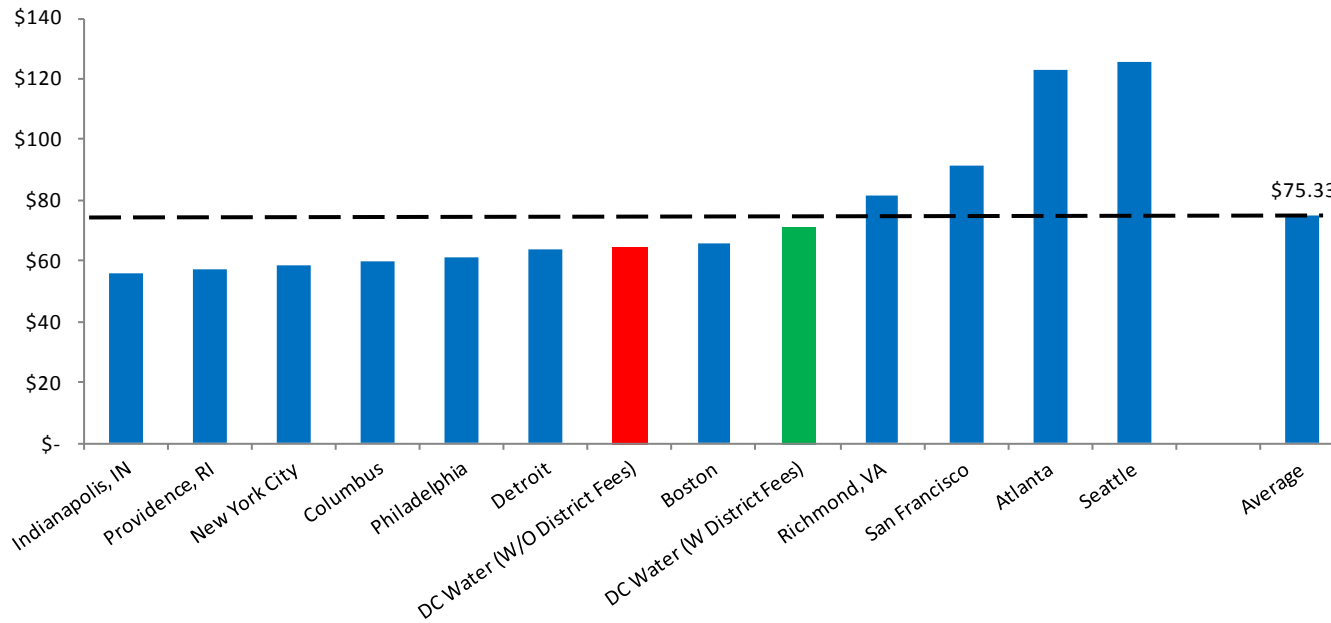
AFFORDABILITY, Cont.

*DC Water Retail Rates Compared to Regional Utilities
(Based on Rates in effect Fall 2012)*



AFFORDABILITY, Cont.

*DC Water Compared to CSO Communities
(Based on Rates in effect Fall 2012)*

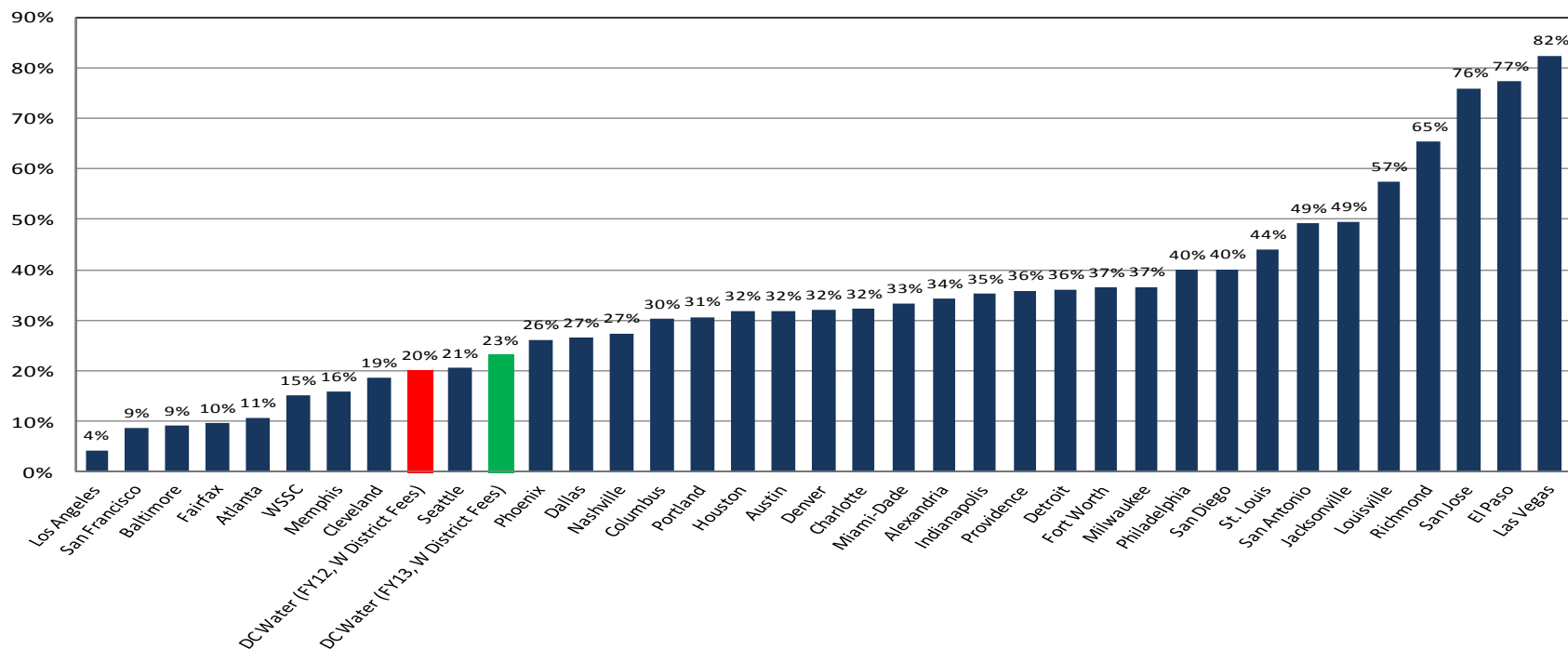


- Most CSO communities have implemented double digit rate increases to recover CSO-LTCP costs.
- Increases do not reflect other available dedicated taxes or state funding potentially available to some agencies.
- Chart reflects SFR monthly bill utilities with CSO programs without offsets to user charges.

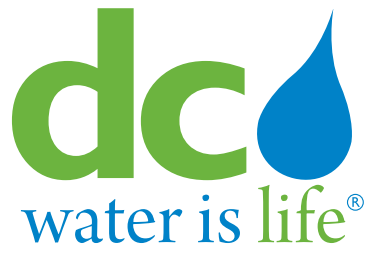
AFFORDABILITY, Cont.

Fixed charges are a small component of the DC Water monthly bill and is less than median for large utilities. This provides the customer more opportunities to impact monthly bills through water conservation.

**Fixed Charge as % of Total Single-Family Residential Bills in Large Cities
(Based on Rates in effect Fall 2012)**



- User Charges are based upon information provided by the identified cities and standardize assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors. Sewer charges include stormwater charges in those cities where separate stormwater fees are assessed. Some cities use property tax revenue or other revenues to pay for the part of the cost of water, wastewater, or stormwater services.
- DC Water rate schedule was effective October 1, 2012. Whereas, charges for all cities reflect rate schedules in effect Fall 2012.
- DC Water PILOT and ROW fees are split between variable water charges and variable sewer charges.
- DC Water charges include the stormwater charges of the District.
- CSO/Stormwater charges may cover the cost of CSO abatement facilities in those cities with combined sewers; such charges can also cover the cost of stormwater-related facilities and services.



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION V

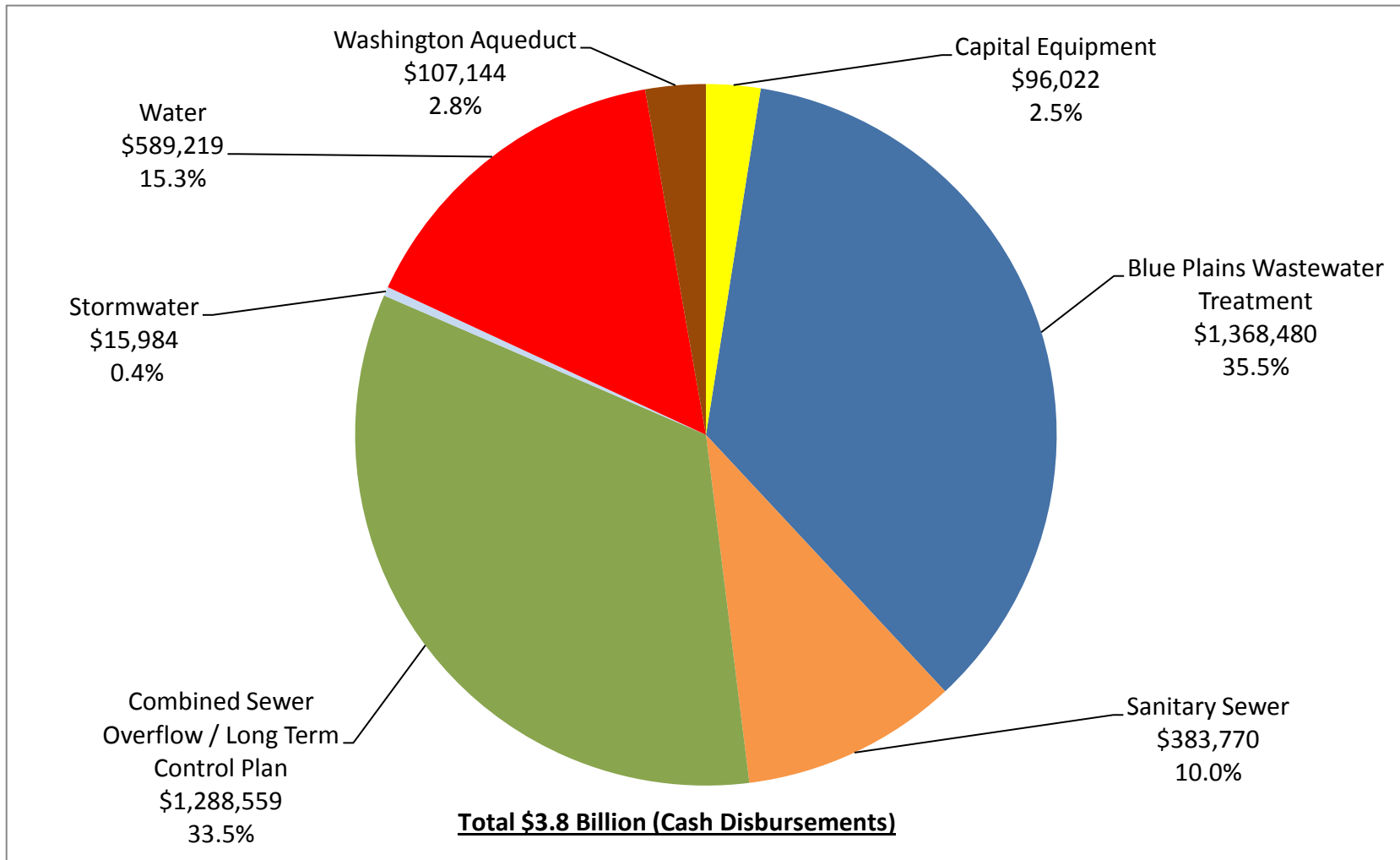
CAPITAL PROGRAMS

REVISED FY 2013 APPROVED FY 2014



Photo: Eric Vance, USEPA

**FY 2012 - FY 2021 Capital Improvement Program
(\$ in 000's)**



FY 2012 – FY 2021 CAPITAL IMPROVEMENT PROGRAM OVERVIEW

District of Columbia Water and Sewer Authority's ("DC Water") ten-year capital improvement program (CIP) totals \$3.8 billion (on a cash disbursements basis), approximately the same amount as the past few years. Lifetime budgets increased in all service areas (with the exception of the Washington Aqueduct and Capital Equipment) in the aggregate amount of \$429.3 million resulting in a total lifetime budget of \$8.4 billion. The Congressional Capital Authority request is \$557 million.

While all mandates and immediate critical needs are incorporated into this ten-year plan, there is approximately \$850 million in projects which have been identified as prudent asset re-investments for DC Water, but have not been prioritized for inclusion within the current 10-year planning period. In addition, disbursements for existing projects have been accelerated in anticipation of modifications currently under discussion for the Combined Sewer Overflow Long-Term Control Plan (CSO-LTCP). These proposed changes (DC Clean Rivers Green Infrastructure) are discussed in more detail within this section and contribute to an increase in the CSO-LTCP service area of \$104 million. This increase is offset slightly by a decrease in the Sanitary Sewer Service Area of \$74 million. All other service areas remain relatively level to the previous year.

The following summarizes major projects and changes in each service area, with additional details for each project included in the Capital Budget book. Please note that all dollar amounts are presented on a project lifetime basis, except where noted otherwise.

WASTEWATER TREATMENT

The lifetime budget for the Wastewater Treatment Service Area increased by \$57 million driven primarily by the Solids Processing Projects. There were increases of \$10.8 and \$15.1 in the Liquid Processing and Plantwide Projects, respectively. These increases were mainly offset with a decrease in the Enhanced Nitrogen Removal facilities of \$21.9 million. Included in the increases in the Plantwide Projects is \$10 million for the development and implementation of an Asset Management Program for the Wastewater Treatment Service Area. With regards to the Solids Processing Area, the Digestion Project (Project XA) experienced an increase in the Lifetime Budget of \$39.3 million related to the combined heat and power and final dewatering portions of this project. Also, the Gravity Thickeners Upgrade Project experienced an increase of \$15.7 million.

As indicated above, this area continues to reflect the implementation of the Biosolids Management Plan including the costs of construction of the Combined Heat and Power Facility (CHP), Main Process Train (Digesters and thermal hydrolysis process) and Final Dewatering Facilities, with estimated completion in late FY 2014. The benefits of this plan include production of a Class A biosolids product which can be more widely beneficially reused at reduced costs; reduction in the carbon footprint relative to the existing lime stabilization process; and, the on-site production of electricity with an estimated net of 10MW that can be utilized at Blue

Plains. An interim method of financing this project has been used in the Financial Plan to mitigate the impact on customers' rates and to better match the financing costs with the benefits that will be received over the life of these facilities.

Other significant projects that are underway include Secondary Treatment Facility Upgrades/Enhanced Nitrogen Removal North (Project BI) projected to start construction in FY 2013 and Filtrate Treatment Facilities (Project EE), currently in design with construction anticipated to start in FY 2014.

COMBINED SEWER OVERFLOW

The lifetime budget for the Combined Sewer Service Overflow (CSO) Service Area has increased by \$137 million to \$2.8 billion, which includes the twenty-year DC Clean Rivers Project (CSO Long Term Control Plan). The current ten-year disbursement budget has an increase of approximately \$104 million over last year's budget. This increase is the result of a number of items. First, are the addition of FY 2021 and the deletion of FY 2011 from the ten year plan. Second, is the increase in the estimated cost of the Anacostia River Tunnel included in the previously identified lifetime budget. Third, is the addition of a demonstration project entitled DC Clean Rivers Green Infrastructure (Project LJ). This project as planned would install large-scale demonstration controls in the Potomac and Rock Creek watersheds to understand and evaluate the practicality and efficacy for green infrastructure in use of CSO control. Final installation will depend upon a detailed and thorough discussion with EPA and outreach to all stakeholders along the way to ensure that the overall aims of reduced overflows in the Potomac and Rock Creek watersheds can be accomplished. This project has been funded in the short term from amounts previously included in the Potomac and Rock Creek Tunnel Projects. Spending on this project has been accelerated to the near term as compared with the out year's spending for referenced tunnels.

During Fiscal Year 2013 another of the more significant contracts since the Authority was created will be awarded under the DC Clean Rivers and Enhanced Nitrogen Removal Projects for construction of the tunnel dewatering pump station and enhanced clarification facility at Blue Plains. This will be the second major contract that will support the reduction of sewer overflows as well as the enhanced nitrogen removal processes required by the recent permit limitations for the Blue Plains Wastewater Treatment plant. As has been noted over the past few years there are additional risks and contingencies associated with the 20-year DC Clean Rivers Project that exist and need to be evaluated over time. For instance, recent flooding in Bloomingdale has warranted a review of the time frame anticipated for the Northeast Boundary tunnel work included within the Anacostia River Tunnel portion of the DC Clean Rivers Program. A task force designated by the Mayor of the District of Columbia recently made several recommendations that would accelerate that work and thus impact disbursement assumptions. Those recommendations are under review and have not been included within this ten-year planning window, but will be incorporated as further decisions, impacts and funding availability are determined in future budget cycles. Given the long time frame of this project and the uncertainties associated with tunneling projects, we are continually monitoring the costs and risks with the expectation of continuing to update the budget projections when certain milestones have been reached.

STORMWATER

The lifetime budget for the Stormwater Service Area is \$63.2 million, an increase of \$4.7 million from last year primarily as a result of increased funding for Storm Sewer Rehabilitation, Project IE, for \$4.8 million. Over the past few years, extensive dialogue among stormwater task force members resulted in a better definition of roles, responsibilities and funding sources for the activities required to enhance DC stormwater management. The DC Department of the Environment (DDOE) entered into agreements with various offices to provide services in support of the District's MS4 permit in accordance with funding availability from the Enterprise Fund. Under the current MS4 permit issued to the DC government, DC Water is responsible for the inspection, repair and cleaning of stormwater outfall structures, stormwater catch basins (annually), and clearing of blockages as necessary from storm sewer lines in DC public space. Various other agencies have responsibility for a variety of other stormwater activities. Discussion of other matters, such as the turnover of stormwater pumping facility maintenance and planned capital replacement of infrastructure in areas managed by the District under the MS4 permit continues. DDOE maintains the central responsibility for managing stormwater activities under the MS4 permit and has worked to coordinate with all agencies, the activities and funding mechanisms necessary to ensure full compliance.

While DC Water has the Clean Rivers Project to address these issues within the combined sewer areas, DC Water's staff continues to participate in the MS4 task force and to monitor the impact of other MS4 NPDES requirements on DC Water and its ratepayers. Significant progress has been made throughout the District. Since 2001, DC Water collected the MS4 stormwater fees on behalf of the District, and acted as the Stormwater Administrator until the creation of DDOE and the transfer of duties in early 2007. DC Water continues to collect those fees on behalf of the District and transfer them to DDOE quarterly. In FY 2009, we worked closely with DDOE to share our impervious surface area database.

SANITARY SEWER

Many of the sewers in the DC Water system were constructed more than one hundred years ago and are still in operation. Aging infrastructure is a national issue and can impact the condition and performance of the system. DC Water is responsible for wastewater collection and transmission in the District of Columbia, including operation and maintenance of the sanitary sewer system. DC Water's sanitary sewer system includes approximately 600 miles of large interceptor sewers and smaller gravity collection sewers. DC Water is also responsible for sewer lateral connections from the sewer mains to the property lines of residential, government, and commercial properties. In addition, DC Water is responsible for the 50 mile long Potomac Interceptor System under an agreement with the participating jurisdictions. This sewer provides conveyance of wastewater from areas in Virginia and Maryland to Blue Plains. The existing sanitary sewer system in the District of Columbia dates back to 1810, and includes a variety of materials such as brick and concrete, vitrified clay, reinforced concrete, ductile iron, plastic, steel, brick, cast iron, cast in place concrete, and even fiberglass.

During FY 2009, DC Water completed a Sewer System Assessment and the Water Facility Plan (“Study”). This document culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement. This Study identified a significant increase in funding needed for specific sewer infrastructure improvements. As recommended by the Study, the current CIP includes funds for an ongoing, annual sewer inspection program, which may identify the need for additional work.

Key Findings of the 2009 Sewer Facilities Plan:

- Generally speaking, major sewer pipe infrastructure can meet current and future population needs; however, continued investment in upgrades to major infrastructure elements is needed.
- 88% of the sewers inspected had some defects, 60% of which could be addressed using localized repair and the remaining require, mainly, lining.
- 94% of the manholes inspected were found to have one or more defects
- The number and severity of pipe defects indicates an expected increase in problems in pipes greater than 75 years old. Older pipes can be in good condition (and younger ones can be in poor condition), but at the 75 year mark, DC Water can assume that more extensive and frequent inspection is needed.
- There are approximately 210 miles of sewers in stream valleys and about 12.3 miles of these sewers were found to need some type of repair.
- There are about 316,000 linear feet of sewers with some portion under buildings; of those inspected, a preliminary list has been developed, and approximately 17,000 linear feet of sewers have been found to have multiple and/or significant defects, warranting rehabilitation or replacement.

Key Recommendation of 2009 Sewer Facilities Plan - - continue a two-pronged, parallel approach to the CIP program:

- Implement identified projects resulting from ongoing system condition and needs assessment, and an increase in the continued annual sewer pipe renewal program.
- Based on a 20-year planning outlook, this will require a \$1.2 billion increase (2008 dollars) in capital spending to address currently identified projects (\$536 million) and a sewer pipe renewal program (\$664 million).

The lifetime budget in this area has increased by \$69.3 million resulting in a lifetime budget of \$924.5 million. The proposed 10-year CIP reflects spending at just over \$383 million of which more than fifty percent relates to the Sanitary Interceptor/Trunk Force Sewers. There is approximately \$330 million related to above referenced - - and already identified - - projects in the lifetime budget for this service area. The remaining amounts (about \$200 million) will be included in future requests as they are analyzed and prioritized with all other funding needed for all service areas.

Also, there are approximately \$180 million in sanitary collection sewer projects identified in the 10-year Capital Improvement Plan that transmit some flow from our wholesale customers. These are projects in planning or design exclusive of projects already under construction. D.C. Water has implemented a new hydraulic model to determine our wholesale customer's share of these projects. Accordingly, in calendar 2011 we reached a preliminary agreement that for FY 2012 and forward that their share of these projects would reflect the new model; prior to this agreement this portion was previously identified in the CIP as assigned to the District of Columbia ratepayers as a placeholder. The suburban share of these projects is consistent with the 1985 Inter Municipal Agreement (IMA) as well as the proposed new 2012 IMA.

WATER

The lifetime budget for the Water Service Area (including Meter Replacement / AMR installation/CIS) is \$1.6 billion, an increase of \$163.4 million from last year's CIP. The reduction in the lifetime budget for DDOT Water Projects (\$53.4 million) reflects the transition beginning in FY 2014 of these projects to the Water Distribution Systems program area. This was done to provide flexibility in the replacement of the watermain distribution system. If for any reason DDOT's activities are reduced, DC Water can continue with its goal with regard to the replacement of distribution mains. Also, this year's increase includes a new program beginning in FY 2015 for the replacement of existing AMR installations as well as for the procurement and installation of a new Customer Information System (CIS) beginning in FY 2013.

The water service area CIP includes a majority of the projects recommended in the 2009 Water Facilities Plan Update. Major water projects include construction of pump station upgrades; new storage facilities; water main replacements, rehabilitations and extensions; fire hydrant replacements; and valve replacements.

WASHINGTON AQUEDUCT

The Washington Aqueduct (Aqueduct), managed by the U.S. Army Corps of Engineers, provides water, in wholesale, to DC Water and its partners in Northern Virginia, Arlington County and Falls Church. DC Water purchases a little less than 75 percent of the water produced by the Aqueduct's two treatment facilities, the Dalecarlia and McMillan treatment plants, and thus is responsible for nearly 75 percent of the Aqueduct's operating and capital costs. Under federal legislation and a memorandum of understanding enacted in 1997, DC Water and its Northern Virginia partners have a much greater role in oversight of the Aqueduct's operations and its capital improvement program.

The proposed lifetime budget for DC Water's share of Washington Aqueduct projects remains at \$203.1 million. The budget reflects the prioritized need for infrastructure improvements over the next ten years.

CAPITAL EQUIPMENT

DC Water's Capital Equipment budget totals approximately \$96 million for the FY 2012 – FY 2021 plan, a decrease of approximately \$2.3 million compared to the last ten-year plan. Approximately thirty eight percent of spending in the capital equipment area is on major information technology projects, including the document management system (\$2.8 million) and the infrastructure upgrades (\$6.6 million). DC Water continues its commitment to scheduled replacement of its vehicle fleet with a ten year budget of \$15.6 million, representing about sixteen percent of the ten-year plan. Finally, maintenance of large equipment totals \$22.7 million or about twenty four percent of the ten-year plan. Other equipment including pumps, valves and meters necessary for maintenance (including that of the District's public fire system) totals \$9.5 million.

The revised FY 2013 budget is \$18.4 million or \$3.1 million more than the currently approved budget. This variance is primarily attributable to increases in budgets for Fleet Management and Maintenance Services.

CIP DEVELOPMENT AND APPROVAL PROCESS

DC Water's capital budget review process begins each year in the spring, as part of both our capital and operating budget review process. This process includes a review of major accomplishments, priorities, status of major projects and emerging regulatory and related issues impacting the capital program. Projections of changes in project lifetime budgets are also included. The review process involves the DC Water departments with responsibility for managing the operations of DC Water services and capital projects as well as finance and budget staff and executive management. The CIP is integrated into DC Water's ten-year financial plan; because of its size, it is the primary driver of DC Water's projected rate increases over the current 10 year planning period.

This review process lasts over several months and culminates with the presentation of the updated CIP to DC Water's Board of Directors' Environmental Quality & Sewerage Services, Water Quality and Water Services, Finance & Budget and DC Retail Water and Sewer Rates Committees in October. The Committees complete their review from October through December. The operating budgets, capital improvement program, and ten-year financial plan are then forwarded to the full Board for its consideration in late winter; usually January.

After adoption by the Board of Directors, DC Water is required to submit its annual operating and capital budgets to the Mayor and the District of Columbia Council for its review and comment; however, neither has power to change DC Water's annual budgets. Final operating and capital budget numbers, along with the capital authority request will be forwarded to the District for inclusion in the District of Columbia's budget submission to Congress. DC Water's request for capital authority is ultimately made to and approved by the U.S. Congress.

DISBURSEMENTS AND PROJECT LIFETIME BUDGETS

As in the past, we have presented the CIP on both a project lifetime basis and cash disbursement basis. During the CIP review process, we perform an extensive review of the total project, or “lifetime” budgets, which also reflect historical spending prior to the current ten-year period, projected spending beyond the current ten-year period and project contingencies. Project lifetime budgets are our primary area of focus in budget development and day-to-day monitoring. In addition to lifetime budgets, we also develop cash disbursements forecast. Actual cash disbursements are critical to forecasting the anticipated level of rate increases and the amount and timing of capital financings. While cash disbursements are a function of project lifetime budgets, they reflect a more realistic projection of actual “cash out the door” excluding contingencies and taking into account historical and projected completion rates.

As in prior years, the budget document includes a comparison of this year’s vs. last year’s lifetime project budgets by program area for the Board’s review. Changes have been made to some of the project lifetime budgets approved from last year due to a change in project scope, engineering cost estimates, site changes and other related issues. In addition, some projects are either closed or dropped from the CIP. Projects for which all activities have been completed during a given fiscal year are listed as ‘Closed’ during that fiscal year; these same projects are, then, listed as ‘Dropped’ in the immediately following fiscal year.

CAPITAL AUTHORITY

As part of DC Water’s enabling legislation, Congressional appropriation authority is required before any capital design or construction contract can be entered into. The FY 2014 request totals \$557 million, and reflects the following:

- Remaining authority from prior years’ appropriations;
- Projected commitments in FY 2013 and FY 2014;
- Planned FY 2015 and FY 2016 commitments, to ensure adequate authority exists, in the event that any projects are accelerated.
- Risk allowance associated with the construction of the Blue Plains Tunnel, the Anacostia River Tunnel components for the Clean Rivers project, and projects related to flood-mitigation efforts in the Bloomingdale neighborhood of Washington, D.C.

Due to the timing of the Congressional appropriations process, authority requests must be made well in advance of commitment execution. Including projected FY 2015 and FY 2016 commitments (a 24-month ‘look ahead’) allows us adequate flexibility to continue with contract commitments in the event that the U.S Congress delays budget approval and allows us to quickly accelerate or reprioritize projects into earlier years as approved by the Board. While this gives us flexibility to reprioritize projects, it should be noted that such changes and execution of any contract still require General Manager’s approval, with major projects and contracts requiring Board approval.

MAJOR ASSUMPTIONS

Inflation: All project costs are typically inflated at three percent annually to the mid-point of construction.

Contingency: DC Water capital projects include project contingencies generally ranging from five to fifteen percent, based on the size of the project.

PROJECT PAGES

This document contains individual sections for each of DC Water's seven service areas. Each service area is made up of specific projects. Within each service area section in this document, there are individual project sheets for each current capital project in that section. The capital project sheets contain general information for each project. The following information is included:

Service Area Title – currently, there are seven defined project service areas in DC Water's CIP. The seven areas are: Wastewater Treatment, Combined Sewer Overflow / LTCP, Stormwater, Sanitary Sewer, Water, Washington Aqueduct and Capital Equipment. The service area categorization groups together similar projects based on facility location and type of work being done in the project. Congressional capital authority is requested at this level.

Program Title – is a further categorization within the Service Area and groups projects by type of process. For example, in the Wastewater Treatment Service Area, there are four programs: Liquid Processing, Plantwide projects, Solids Processing and Enhanced Nitrogen Removal.

Activity Group/Project Title – The activity group is the level at which DC Water manages and monitors projects, including in the financial system and project management system. The project title reflects the descriptive name given to the project.

Service Area Manager – lists which department or organization manages the project. The majority of the projects in DC Water's CIP are managed by an internal DC Water operating department. DC Water's CIP also includes some projects which are managed by outside organizations. It is advantageous for DC Water to coordinate some of its capital work on the water and sewer infrastructure with the District's Department of Transportation (DDOT). The funding required for DC Water's work is included in the CIP, but those projects are managed by DDOT. Approximately 75 percent of the Washington Aqueduct's capital program is funded by DC Water, but the U.S. Army Corps of Engineers actually manages those projects.

Priority – DC Water engages in and prioritizes capital projects based on specific criteria. A project comprises of one or more jobs which, in turn, have individual priorities. The Priority mentioned on the capital project-sheets (listed in different sections of

this book) is the one that has the largest budgeted dollars associated with it. The following is a list of definitions of the priorities shown on the individual project sheets:

1A. Court Ordered, Stipulated Agreements, Etc.

These are the projects that are undertaken to comply with court orders, stipulated agreements, regulatory issues, and the National Pollutant Discharge Elimination Permit (NPDES).

2A. Health Safety

These are projects that are required to eliminate or mitigate impact on public health or safety. These projects are also required to ensure that there is no failure to comply with DC Water's NPDES permit requirements.

2B. Board Policy, DC Water's commitment to outside agencies

These are projects that are undertaken to comply with a policy that the Board may adopt as a result of its commitment to outside Agencies.

2C. Potential Failure/Ability to continue meeting permit requirement

These are projects that are undertaken to construct or rehabilitate Facilities or Equipment that is in danger of failing, and that such failure may potentially endanger DC Water's ability to continue meeting permit requirements.

2D. High Profile, Good Neighbor Policy

These are projects that are undertaken to remediate concerns expressed by Citizens or Public Officials.

3A. Good Engineering, High pay back, Mission / Function

This category includes projects that are needed for rehabilitation and upgrading of facilities and infrastructure required for DC Water to fulfill its mission and function, as well as projects needed to resolve operational issues and inefficiencies. This category also recognizes cost savings in operation and maintenance.

3B. Good Engineering, Low pay back, M&F over long term

This category includes projects that are needed for rehabilitation and upgrading of facilities and infrastructure, but have a lower priority than projects in 3A above, yet help DC Water to fulfill its mission over the long term.

Project Description – general description of the work to be done within the project.

Impact on Operations – describes the anticipated impact on DC Water’s operations when the project is completed.

Design / Construction / Project Completion Dates– anticipated dates are shown.

Funding by User – lists the anticipated project funding, by source and is based on the current Intermunicipal Agreement (IMA) and anticipates EPA funding where grants have been previously approved or in anticipation of that approval.

Lifetime Budget – the full project budget is approved and reviewed each year by DC Water’s Board of Directors. Proposed increases or decreases to the total project life budget are shown, if applicable. Lifetime budgets for program management have been reduced, and project budgets increased, to reflect the allocation of costs for program management services at the conclusion of the prior fiscal year.

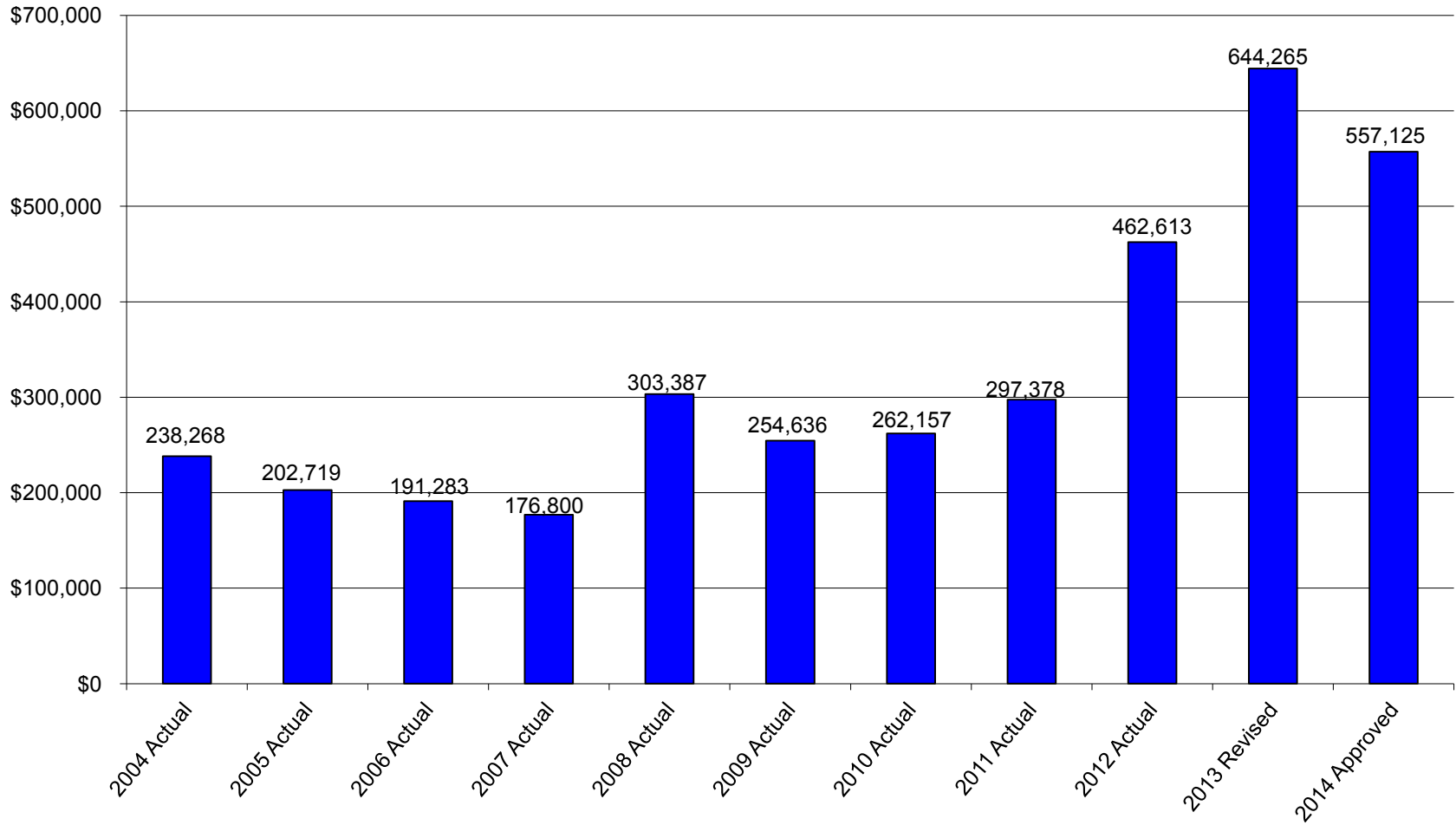
Disbursements / Commitments Budgets – projected disbursements and commitments for various projects are shown by fiscal year in which they are anticipated. Commitments budgets are based on total project budgets, which reflect the fully loaded, anticipated costs of a project, including project contingencies. Contingencies are not included when calculating disbursement budgets.

CAPITALIZATION POLICY

DC Water’s capitalization policy determines how expenditures will be recognized and accounted for. Because we also match the financing to the projected useful life of the item, it also determines how projects will be financed. The following guidelines are used to categorize items as capital, capital equipment or operating (maintenance):

- Maintenance related items – are routine, cost under \$5,000, and do not extend the life of the item more than 3 years.
- Capital Equipment – has a life of at least 3 years, a cost exceeding \$5,000 and is financed with short-term debt or cash.
- Capital Project – has a long life (average of 30 years), a minimum cost of \$500,000, and is financed with 30 year bonds.

Historical and Projected Capital Spending
FY 2004 - FY 2014
(\$ in 000's)

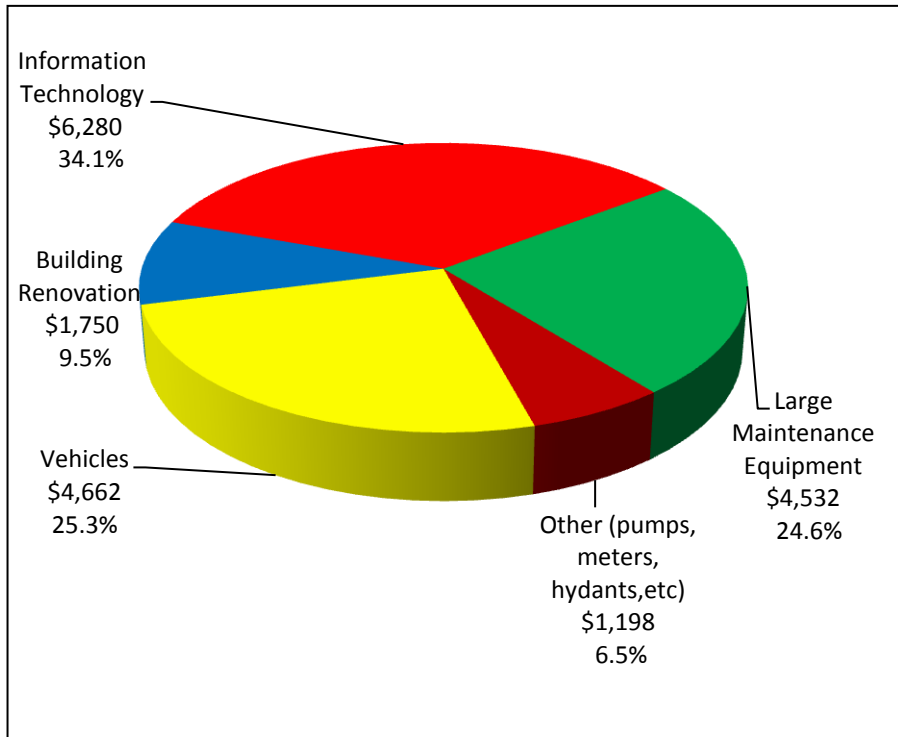


FY 2012 - FY 2021 PROJECTED CAPITAL IMPROVEMENT PLAN (CIP) - DISBURSEMENTS BASIS (\$ in 000's)

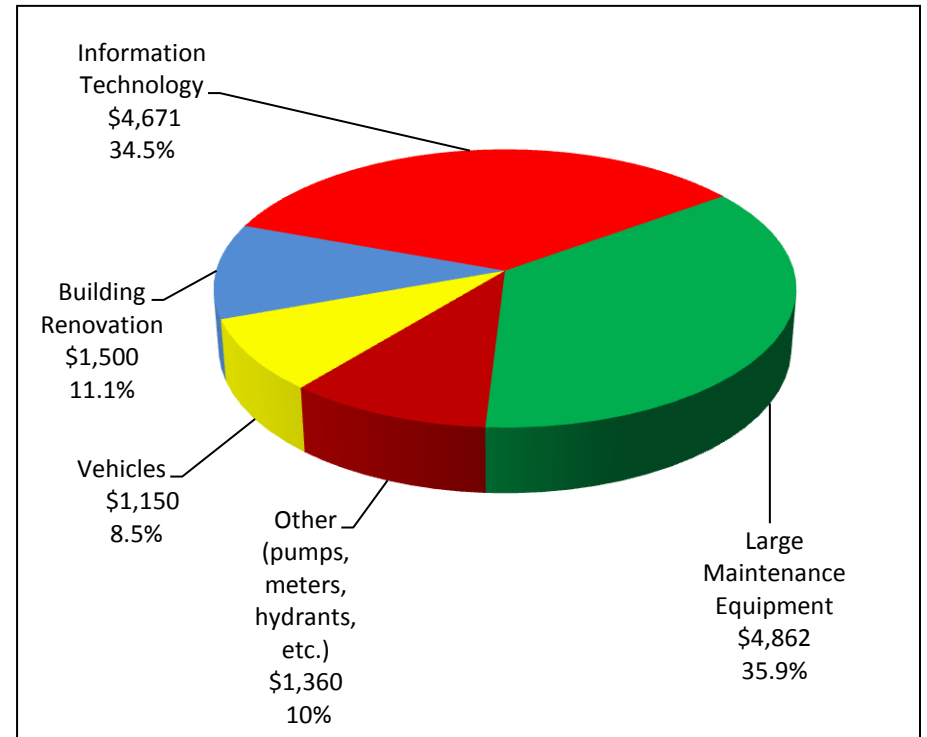
| | FY 2012 Actual | FY 2013 Revised | FY 2014 Approved | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total FY '12 -'21 |
|---|-------------------|--------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| Wastewater Treatment | | | | | | | | | | | |
| Liquid Processing Projects | \$22,311 | \$23,884 | \$16,403 | \$18,067 | \$14,085 | \$13,505 | \$11,903 | \$9,421 | \$1,596 | \$412 | \$131,587 |
| Plantwide Projects | 17,060 | 27,128 | 15,590 | 10,545 | 6,298 | 6,708 | 13,671 | 7,505 | 3,152 | 1,807 | 109,463 |
| Solids Processing Projects | 95,923 | 159,690 | 128,116 | 44,194 | 12,305 | 10,389 | 3,531 | 80 | - | - | 454,228 |
| Enhanced Nitrogen Removal Facilities (formerly BTN - Total Nitrogen Program) | 118,011 | 147,842 | 107,728 | 107,687 | 80,855 | 70,077 | 30,673 | 1,890 | 2,540 | 5,901 | 673,202 |
| Sub-total | 253,305 | 358,543 | 267,836 | 180,493 | 113,542 | 100,679 | 59,777 | 18,896 | 7,289 | 8,120 | 1,368,480 |
| Sanitary Sewer | | | | | | | | | | | |
| Sanitary Collection Sewers | 1,386 | 858 | 6,694 | 11,466 | 8,289 | 4,094 | 5,666 | 6,735 | 6,912 | 7,088 | 59,187 |
| Sanitary On-Going Projects | 7,169 | 10,544 | 9,292 | 6,612 | 6,562 | 6,948 | 7,169 | 7,604 | 8,163 | 8,123 | 78,186 |
| Sanitary Pumping Facilities | 189 | 679 | 347 | 241 | - | - | - | - | - | - | 1,455 |
| Sanitary Sewer Projects Program Management | 5,108 | 4,229 | 4,906 | 4,570 | 4,160 | 5,351 | 5,191 | 4,218 | 3,891 | 3,540 | 45,164 |
| Sanitary Interceptor/Trunk Force Sewers | 9,931 | 12,774 | 20,897 | 20,282 | 29,447 | 29,596 | 24,997 | 19,702 | 16,654 | 15,498 | 199,778 |
| Sub-total | 23,783 | 29,084 | 42,136 | 43,170 | 48,458 | 45,989 | 43,023 | 38,259 | 35,620 | 34,249 | 383,770 |
| Combined Sewer Overflow / Long Term Control Plan | | | | | | | | | | | |
| CSO Program Management | 1,812 | 1,634 | 1,968 | 1,444 | 1,077 | 1,394 | 1,903 | 2,319 | 1,844 | 1,418 | 16,812 |
| Combined Sewer Projects:Nine Minimum Controls | 4,932 | 2,844 | 1,491 | 41 | - | - | - | - | - | - | 9,308 |
| Combined Sewer Projects:Others | 4,034 | 6,111 | 15,975 | 26,437 | 40,820 | 15,348 | 11,161 | 8,600 | 11,226 | 21,340 | 161,053 |
| D.C. Clean Rivers Project (aka Long-Term Control Plan) | | | | | | | | | | | |
| Anacostia Tunnel | 101,880 | 150,900 | 126,261 | 164,914 | 138,414 | 87,570 | 42,109 | 48,666 | 76,184 | 58,914 | 995,812 |
| Potomac Tunnel | - | 1,793 | 6,561 | 14,279 | 13,857 | 7,000 | 7,963 | 11,072 | 11,432 | 24,364 | 98,321 |
| Rock Creek Tunnel | - | 227 | 89 | - | 222 | 732 | 757 | 1,348 | 1,926 | 1,952 | 7,253 |
| Sub-total | 112,658 | 163,509 | 152,345 | 207,115 | 194,390 | 112,044 | 63,893 | 72,005 | 102,612 | 107,988 | 1,288,559 |
| Stormwater | | | | | | | | | | | |
| Stormwater Local Drainage | - | 28 | 115 | 67 | 209 | 160 | 152 | 158 | 151 | 126 | 1,166 |
| Stormwater On-Going Program | 1,192 | 812 | 436 | 390 | 452 | 407 | 421 | 458 | 456 | 467 | 5,492 |
| Stormwater Pumping Facilities | - | - | - | - | - | - | - | - | - | - | - |
| DDOT Stormwater Program | - | 2 | 8 | 18 | 32 | 29 | 30 | 16 | - | - | 136 |
| Stormwater Research and Program Management | 337 | 289 | 237 | 140 | 119 | 140 | 192 | 234 | 186 | 143 | 2,017 |
| Stormwater Trunk/Force Sewers | 1,786 | 2,120 | 2,883 | 337 | 47 | - | - | - | - | - | 7,173 |
| Sub-total | 3,315 | 3,252 | 3,680 | 952 | 859 | 736 | 795 | 866 | 793 | 736 | 15,984 |
| Water | | | | | | | | | | | |
| Water Distribution Systems | 22,020 | 25,445 | 39,605 | 36,632 | 31,269 | 34,343 | 34,256 | 34,287 | 44,823 | 40,936 | 343,616 |
| Water On-Going Projects | 7,361 | 10,321 | 8,074 | 6,807 | 5,676 | 6,633 | 5,768 | 6,326 | 6,057 | 6,066 | 69,089 |
| Water Pumping Facilities | 2,425 | 3,226 | 4,359 | 2,610 | 5,191 | 3,023 | 6,219 | - | 8 | 36 | 27,099 |
| DDOT Water Projects | 3,577 | 5,791 | 1,971 | 789 | - | - | - | - | - | - | 12,128 |
| Water Storage Facilities | 1,146 | 1,353 | 3,667 | 7,028 | 8,192 | 7,677 | 3,766 | 2,799 | 1,750 | 1,226 | 38,604 |
| Water Projects Program Management | 4,188 | 4,332 | 4,721 | 5,064 | 3,970 | 3,929 | 3,580 | 3,318 | 3,232 | 3,122 | 39,456 |
| Water Lead Program | 1,927 | 1,860 | 1,373 | 1,051 | 1,792 | 1,764 | 1,893 | 2,002 | 1,967 | - | 15,630 |
| Meter Replacement /AMR Installation | 1,909 | 8,529 | 3,071 | 4,153 | 4,242 | 4,394 | 4,283 | 4,318 | 4,339 | 4,360 | 43,597 |
| Sub-total | 44,553 | 60,858 | 66,841 | 64,133 | 60,332 | 61,763 | 59,765 | 53,051 | 62,176 | 55,745 | 589,219 |
| Washington Aqueduct | 11,286 | 10,598 | 10,744 | 11,016 | 11,280 | 11,588 | 10,891 | 10,323 | 9,842 | 9,576 | 107,144 |
| Capital Equipment | 13,713 | 18,422 | 13,543 | 9,529 | 6,998 | 7,133 | 7,211 | 6,531 | 6,481 | 6,461 | 96,022 |
| Total FY 2014 DC Water CIP | \$462,613 | \$644,265 | \$557,125 | \$516,408 | \$435,861 | \$339,931 | \$245,355 | \$199,930 | \$224,813 | \$222,876 | \$3,849,178 |

CAPITAL EQUIPMENT DISBURSEMENTS BY MAJOR EXPENDITURE CATEGORIES
FY 2013 Revised vs. FY 2014 Approved
 (\$ in 000's)

FY 2013 Revised



FY 2014 Approved



FY 2013 Revised = \$18,422
 FY 2014 Approved = \$13,543

FY 2012 - FY 2021 CAPITAL EQUIPMENT BUDGET
DISBURSEMENTS BASIS
(\$ in 000's)

| Equipment Type | FY 2012 Actuals | FY 2013 Revised | FY 2014 Approved | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total FY '12-'21 | Project Sheet Ref. |
|---|--------------------|--------------------|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------------------|
| <u>Wastewater Treatment</u> | | | | | | | | | | | | |
| Lab Equipment for new Laboratory | \$0 | \$275 | \$100 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$375 | ED9 |
| Total | \$0 | \$275 | \$100 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$375 | |
| <u>Water Services</u> | | | | | | | | | | | | |
| Water Service Replacement | \$260 | \$260 | \$260 | \$260 | \$260 | \$260 | \$260 | \$260 | \$260 | \$260 | \$2,600 | EA2 |
| System Valve Replacements | 79 | 225 | 225 | 225 | 225 | 225 | 225 | 225 | 225 | 225 | 2,104 | EW1 |
| Fire Hydrant Replacements | 137 | - | - | - | - | - | - | - | - | - | 137 | EX8 |
| Total | \$476 | \$485 | \$485 | \$485 | \$485 | \$485 | \$485 | \$485 | \$485 | \$485 | \$4,841 | |
| <u>Sewer Services</u> | | | | | | | | | | | | |
| Sewer Pipes/Fittings | \$30 | \$30 | \$40 | \$40 | \$40 | \$40 | \$40 | \$40 | \$40 | \$40 | \$380 | EA4 |
| Sewer Inspection Equipment | - | - | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 80 | EA4 |
| Manhole Covers/Frames | 33 | 33 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 386 | EA4 |
| Regulator and Gate Rehabilitation | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 100 | EA4 |
| Sewer Cleaning and Repair Equipment | 55 | 55 | 55 | 20 | 55 | 55 | 55 | 55 | 55 | 55 | 515 | EA4 |
| Portable Pumps | 15 | 15 | 50 | 20 | - | 20 | 20 | 20 | 20 | - | 180 | EA4 |
| Sewer Flow Meters/Sensor Replacements | 25 | 25 | 50 | 25 | 75 | 75 | 75 | 75 | 75 | 75 | 575 | EA4 |
| Catch Basin Tops/Frames/Covers | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 600 | EA4 |
| Safety Equipment (<i>shoring</i>) | 0 | 150 | 150 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 650 | EA4 |
| Sewer Lateral Equipment | 50 | - | - | - | - | - | - | - | - | - | 50 | EA4 |
| 100 W Emergency Generator & Load Center | - | - | 50 | - | - | - | - | - | - | - | 50 | ES4 |
| CIPP Trenchless Equipment | - | - | 200 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 375 | EW6 |
| TV for Jet Machine | - | 60 | 60 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 330 | EG5 |
| Total | \$278 | \$438 | \$775 | \$330 | \$395 | \$415 | \$415 | \$415 | \$415 | \$395 | \$4,271 | |
| <u>Fleet Management</u> | | | | | | | | | | | | |
| Vehicles | \$2,079 | \$4,662 | \$1,150 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$15,591 | EB6 |
| Total | \$2,079 | \$4,662 | \$1,150 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$1,100 | \$15,591 | |
| <u>Facilities and Security</u> | | | | | | | | | | | | |
| HVAC at Various Locations | \$225 | \$250 | \$250 | \$300 | \$160 | \$160 | \$160 | \$160 | \$160 | \$160 | \$1,985 | EF3 |
| Photocopier Purchase | - | 300 | 200 | 200 | 90 | 90 | 90 | 90 | 90 | 90 | 1,240 | EF5 |
| Authority-wide fire suppress/detection | 90 | 125 | 125 | 250 | 100 | 100 | 100 | 100 | 100 | 100 | 1,190 | EF7 |
| Elevator -various locations | - | 300 | 75 | 74 | 50 | 50 | 50 | 50 | 50 | 50 | 749 | EF8 |
| Plumbing at Various Locations | 37 | 50 | 50 | 50 | 10 | 10 | 10 | 10 | 10 | 10 | 247 | EX6 |
| Furniture and Fixtures | 696 | 200 | 300 | 200 | 150 | 150 | 150 | 150 | 150 | 150 | 2,296 | EX6 |
| Facilities Improvements | 230 | 250 | 200 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 2,430 | EX6 |
| Signage | - | 25 | - | 25 | - | - | - | - | - | - | 50 | EX6 |

FY 2012 - FY 2021 CAPITAL EQUIPMENT BUDGET
DISBURSEMENTS BASIS
(\$ in 000's)

| Equipment Type | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total | Project Sheet Ref. |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|-----------------|--------------------|
| | Actuals | Revised | Approved | | | | | | | | FY '12-'21 | |
| Rollup Doors | 37 | 100 | 100 | 100 | 50 | 50 | 50 | 50 | 50 | 50 | 637 | EX6 |
| Authority-wide Fencing | 18 | 50 | 50 | 50 | 25 | 25 | 25 | 25 | 25 | 25 | 318 | EX6 |
| Roofing | - | 50 | 150 | 50 | - | - | - | - | - | - | 250 | EG7 |
| Security- Misc. Enhancements | - | 50 | - | 50 | 15 | 15 | 15 | 15 | 15 | 15 | 190 | EG8 |
| Appliances | - | - | - | - | - | - | - | 50 | - | - | 50 | EW7 |
| Total | 1,333 | 1,750 | 1,500 | 1,599 | 900 | 900 | 900 | 950 | 900 | 900 | \$11,632 | |
| Information Technology | | | | | | | | | | | | |
| Desktop Replacements | \$502 | \$500 | \$500 | \$565 | \$500 | \$500 | \$500 | \$500 | \$500 | \$500 | \$5,067 | EA6 |
| Cabling | 146 | 160 | 160 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 1,691 | EA7 |
| Telephone Systems Upgrades | 300 | 110 | 150 | 325 | 130 | 160 | 360 | 160 | 160 | 160 | 2,015 | EA8 |
| Software Applications/Licenses | 150 | - | - | - | - | - | - | - | - | - | 150 | EB1 |
| Radios | 984 | 575 | 316 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 2,085 | EB4 |
| Redundant Data Center | 200 | 200 | 200 | 210 | 450 | 200 | 60 | 60 | 60 | 60 | 1,700 | EB8 |
| Infrastructure Upgrade | 318 | 405 | 585 | 1055 | 585 | 605 | 1035 | 605 | 605 | 605 | 6,403 | EC4 |
| Audio Visual System - IT | 10 | - | - | - | - | - | - | - | - | - | 10 | EC6 |
| Enterprise Archiving | 25 | 100 | 150 | 10 | 10 | 150 | 10 | 10 | 10 | 10 | 485 | EG2 |
| Enterprise Storage Upgrades | - | 300 | 525 | 375 | 125 | 125 | 125 | 125 | 125 | 125 | 1,950 | EG3 |
| Finance/Procurement System | 812 | 1200 | 200 | - | - | - | - | - | - | - | 2,212 | EG4 |
| AMR Equipment -Enhancements | 207 | - | - | - | - | - | - | - | - | - | 207 | EM5 |
| Materials Management System | 233 | 950 | - | - | - | - | - | - | - | - | 1,183 | EP3 |
| Network Systems Security | 167 | - | - | - | - | - | - | - | - | - | 167 | ET1 |
| Intranet | 225 | - | - | - | - | - | - | - | - | - | 225 | ET2 |
| Field Service / Mobile Equipment | 100 | 325 | 275 | 175 | 100 | 100 | 100 | 100 | 100 | 100 | 1,475 | ET5 |
| Enterprise Backup Solution | 100 | 100 | 300 | 240 | 100 | 100 | 100 | 100 | 100 | 100 | 1,340 | ET7 |
| Services Mgmt System -Automated | 275 | - | - | - | - | - | - | - | - | - | 275 | ET9 |
| Web-Site Development | 5 | 170 | - | - | - | - | - | - | - | - | 175 | EX7 |
| Financial Management System | 53 | - | - | - | - | - | - | - | - | - | 53 | EZ1 |
| Customer Information & Billing System | 325 | - | - | - | - | - | - | - | - | - | 325 | EZ2 |
| Ceridian | - | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 270 | EZ4 |
| Document Management System | 575 | 600 | 550 | 275 | 100 | 300 | 100 | 100 | 100 | 100 | 2,800 | EZ8 |
| Asset Management Hardware Support | 1350 | - | - | - | - | - | - | - | - | - | 1,350 | EZ9 |
| Fleet Management System- | 35 | - | - | - | - | - | - | - | - | - | 35 | EZ9 |
| Oracle Upgrade | 70 | - | - | - | - | - | - | - | - | - | 70 | EY5 |
| Optimization- Pilot: Daily Fleet Operations- | 97 | - | - | - | - | - | - | - | - | - | 97 | EO6 |
| Water and Sewer SCADA | 265 | - | - | - | - | - | - | - | - | - | 265 | EO7 |
| Permits Relocation | 6 | - | - | - | - | - | - | - | - | - | 6 | EO9 |
| MAXIMO SCADA Integration | 150 | - | - | - | - | - | - | - | - | - | 150 | EK1 |
| CS-Leak Detection | 69 | 50 | - | - | - | - | - | - | - | - | 119 | EK2 |
| Safety System- | - | 100 | - | - | - | - | - | - | - | - | 100 | EK3 |
| Enterprise Performance Dashboard | - | 275 | 375 | 100 | - | - | - | - | - | - | 750 | EK4 |
| Civil 3D | - | - | - | 150 | 125 | 100 | 100 | - | - | - | 475 | EK5 |

FY 2012 - FY 2021 CAPITAL EQUIPMENT BUDGET
DISBURSEMENTS BASIS
(\$ in 000's)

| Equipment Type | FY 2012 Actuals | FY 2013 Revised | FY 2014 Approved | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total FY '12-'21 | Project Sheet Ref. |
|---|--------------------|--------------------|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------------------|
| Valve Identification Program | 54 | - | - | - | - | - | - | - | - | - | 54 | EG9 |
| VoIP Upgrades | | 75 | 150 | 300 | - | - | - | - | - | - | 525 | EH4 |
| Time & Attendance Clocks | 50 | 55 | 205 | - | - | - | - | - | - | - | 310 | EH6 |
| Total | \$7,858 | \$6,280 | \$4,671 | \$4,015 | \$2,460 | \$2,575 | \$2,725 | \$1,995 | \$1,995 | \$1,995 | \$36,570 | |
| <u>Maintenance Services</u> | | | | | | | | | | | | |
| Major Pump Rebuild/Replacement | \$487 | \$2,497 | \$1,000 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$6,084 | EC1 |
| Large Electric Motors | 237 | 200 | 400 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,237 | EC2 |
| High Priority Rehab Program | 550 | 500 | 500 | - | - | - | - | - | - | - | 1,550 | EC3 |
| Centrifuge Rebuild / Replace | 415 | 400 | 630 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 4,245 | EM4 |
| Membrane Diffuser, Mechanical /Electrical Replacements | - | 450 | 616 | - | - | - | - | - | - | - | 1,066 | EW8 |
| Total | \$1,689 | \$4,047 | \$3,146 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$900 | \$15,182 | |
| <u>Sewer and Water Pumping</u> | | | | | | | | | | | | |
| Major Pump Rebuild/Replacement | \$0 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$900 | EI1 |
| Total | \$0 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$100 | \$900 | |
| <u>Process Engineering</u> | | | | | | | | | | | | |
| Actuators | \$0 | \$0 | \$372 | \$372 | \$186 | \$186 | \$186 | \$186 | \$186 | \$186 | \$1,859 | PE1 |
| Flow Meters | - | - | 209 | 209 | 104 | 104 | 104 | 104 | 104 | 104 | 1,044 | PE2 |
| PLCs | - | 385 | 1,035 | 28 | 173 | 173 | 100 | 100 | 100 | 100 | 2,193 | PE3 |
| Digesters- Major Equipment Replacement | - | - | - | 391 | 196 | 196 | 196 | 196 | 196 | 196 | 1,564 | PE4 |
| Total | \$0 | \$385 | \$1,616 | \$1,000 | \$658 | \$658 | \$586 | \$586 | \$586 | \$586 | \$6,660 | |
| Total Capital Equipment | \$13,713 | \$18,422 | \$13,543 | \$9,529 | \$6,998 | \$7,133 | \$7,211 | \$6,531 | \$6,481 | \$6,461 | \$96,022 | |

FY 2012 - FY 2021 Capital Improvement Plan

Project Lifetime Budgets by Service Area / Program (\$ 000's)

| | FY 2013 Approved | FY 2013 Revised / FY 2014 Approved | Variance |
|---|-----------------------------|---|-----------------|
| <u>Wastewater Treatment</u> | | | |
| Liquid Processing Projects | 622,106 | 632,948 | 10,842 |
| Plantwide Projects | 345,887 | 360,994 | 15,107 |
| Solids Processing Projects | 719,537 | 772,912 | 53,375 |
| Enhanced Nitrogen Removal Facilities (formerly BTN - Total Nitrogen Program) | 988,778 | 966,888 | (21,890) |
| Sub-total | 2,676,308 | 2,733,742 | 57,434 |
| <u>Sanitary Sewer</u> | | | |
| Sanitary Collection Sewers | 133,906 | 162,656 | 28,750 |
| Sanitary On-Going Projects | 159,677 | 173,757 | 14,080 |
| Sanitary Pumping Facilities | 25,898 | 30,458 | 4,560 |
| Sanitary Sewer Projects Program Management | 103,135 | 91,086 | (12,049) |
| Sanitary Interceptor/Trunk Force Sewers | 432,583 | 466,541 | 33,958 |
| Sub-total | 855,199 | 924,498 | 69,299 |
| <u>Combined Sewer Overflow</u> | | | |
| CSO Program Management | 55,239 | 55,239 | - |
| Combined Sewer Projects: Nine Minimum Controls | 213,888 | 213,388 | (500) |
| Combined Sewer Projects: Others | 244,844 | 339,926 | 95,082 |
| D.C. Clean Rivers Project (aka Long-Term Control Plan) | | | |
| Anacostia Tunnel | 1,672,282 | 1,714,720 | 42,438 |
| Potomac Tunnel | 418,700 | 423,700 | 5,000 |
| Rock Creek Tunnel | 70,342 | 65,342 | (5,000) |
| Sub-total | 2,675,295 | 2,812,315 | 137,020 |
| <u>Stormwater</u> | | | |
| Stormwater Extensions/Local Drainage | 17,999 | 22,816 | 4,817 |
| Stormwater On-Going Program | 9,658 | 11,323 | 1,665 |
| Stormwater Pumping Facilities | 0 | 0 | - |
| DDOT Stormwater Program | 4,720 | 3,237 | (1,483) |
| Stormwater Projects Program Management | 10,630 | 10,630 | - |
| Stormwater Trunk/Force Sewers | 15,504 | 15,162 | (342) |
| Sub-total | 58,511 | 63,168 | 4,657 |

FY 2012 - FY 2021 Capital Improvement Plan

Project Lifetime Budgets by Service Area / Program (\$ 000's)

| | FY 2013 Approved | FY 2013 Revised / FY 2014 Approved | Variance |
|--|-----------------------------|---|-----------------|
| <u>Water</u> | | | |
| Water Distribution Systems | 695,720 | 857,178 | 161,458 |
| Water Lead Program | 191,040 | 191,040 | 0 |
| Water On-Going Projects | 117,541 | 127,879 | 10,338 |
| Water Pumping Facilities | 161,372 | 155,908 | (5,464) |
| DDOT Water Projects | 91,538 | 38,184 | (53,354) |
| Water Storage Facilities | 74,311 | 75,762 | 1,451 |
| Water Projects Program Management | 47,559 | 78,756 | 31,197 |
| Meter Replacement /AMR Installation | 73,534 | 91,264 | 17,730 |
| Sub-total | 1,452,615 | 1,615,971 | 163,356 |
| Washington Aqueduct | 203,138 | 203,138 | 0 |
| Capital Equipment³ | 98,307 | 96,022 | (2,285) |
| Total DC Water CIP Lifetime (see notes) | 8,019,373 | 8,448,854 | 429,481 |

Notes:

1 Lifetime budgets shown here represent total budgets for projects that are active during the current 10-year CIP. Lifetime budgets include historical spending prior to the beginning of the current 10-year plan, spending during the 10-year plan, and projected spending beyond the current 10-year plan. Projects completed in FY 2012 will be dropped from the CIP next year.

2 These budgets do not include inhouse labor costs, estimated to be in the \$9 to \$10 million range, annually, and are applicable to, primarily, the time charged to capital projects by employees in the Departments of Engineering and Technical Services, Sewer Services, and Water Services.

3 FY 2013 Revised/FY 2014 Approved reflects ten-year CIP disbursements.

**Fiscal Year 2014 Capital Authority Request
(\$ 000's)**

**Fiscal Year 2014
*Capital Authority Request**

Service Areas

| | | |
|---|--------------|-------------------------|
| Blue Plains Wastewater Treatment | | \$49,419 |
| Sanitary Sewer System | | 35,233 |
| Combined Sewer Overflow | 1,2 | 379,603 |
| Stormwater | | 0 |
| Water System | | 73,839 |
| Washington Aqueduct (DC Water share) | | 11,192 |
| Capital Equipment | | <u>7,750</u> |
| | Total | <u>\$557,036</u> |

* The authority request includes a 24 month look-ahead, i.e., it also takes into account projected commitments for FY 2015 and FY 2016.

¹ Includes Special Risk Allowance of \$74 million for the D.C. Clean Rivers Project (aka Long Term Control Plan - "LTCP"), although not part of this Project's Lifetime Budget.

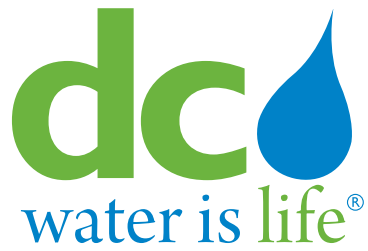
² Includes allowance of \$150 million in anticipation of advancement of the NE Boundary Tunnels and other activities in an effort to mitigate flooding issues in the Bloomingdale neighborhood of Washington, D.C.

List of New Projects

| Project I.D. | Project Title | Service Area | Budgeted Cost |
|--------------|--|-------------------------|----------------------|
| JT | Combined Sewer Rehabilitation 4 | Combined Sewer Overflow | \$27,602,000 |
| LJ | DC Clean Rivers Green Infrastructures | Combined Sewer Overflow | 40,000,000 |
| JR | Large Sewer Rehabilitation 10 | Sanitary Sewer | 16,175,500 |
| JS | Small Local Sewer Rehabilitation 10 | Sanitary Sewer | 13,910,000 |
| JU | Sanitary Sewer Rehabilitation 4 | Sanitary Sewer | 4,565,000 |
| LK | Large Sewer Rehabilitation 11 | Sanitary Sewer | 16,055,000 |
| LL | Small Local Sewer Rehabilitation 11 | Sanitary Sewer | 16,055,000 |
| LN | FY2021 - DSS Sanitary Sewer Projects | Sanitary Sewer | 12,945,000 |
| LR | Sanitary Sewer Asset Management | Sanitary Sewer | 5,000,000 |
| JH | FY2020 - DSS Storm Sewer Projects | Stormwater | 820,000 |
| LO | FY2021 - DSS Storm Sewer Projects | Stormwater | 845,000 |
| J6 | Deammonification Project | Wastewater | 1,483,000 |
| LC | Effluent Disinfection Upgrades | Wastewater | 770,000 |
| LM | ENR Program Management | Wastewater | 32,751,235 |
| LP | Wastewater Asset Management Tech Support | Wastewater | 10,000,000 |
| LS | Misc. Facilities Projects FY2013 | Wastewater | 1,350,000 |
| JZ | Large Dia Water Main Repl 3, 4, & 5 | Water | 63,710,000 |
| KA | Large Valve Repl Contracts 20, 21, & 22 | Water | 17,610,000 |
| KE | Small Dia Water Main Rehab18 | Water | 46,340,000 |
| KV | Water Program Mgt. Services 2F | Water | 30,610,000 |
| KW | FY2021 - DWS Water Projects | Water | 10,255,000 |
| LQ | Water Service Area Asset Management | Water | 5,000,000 |
| EM6 | AMR - Billing System | Water / AMR | 8,000,000 |
| | | | \$381,851,735 |
| EW6 | CIPP Trenchless Equipment | Capital Equipment | \$375,000 |
| EW7 | Appliances | Capital Equipment | 50,000 |
| EW8 | Membrane Diffuser, Mechanical/Electrical | Capital Equipment | 1,066,000 |
| PE1 | Actuators | Capital Equipment | 1,859,000 |
| PE2 | Flow Meters | Capital Equipment | 1,044,000 |
| PE3 | PLCs | Capital Equipment | 2,193,000 |
| PE4 | Digesters - Major Equipment Replacement | Capital Equipment | 1,564,000 |
| | | | \$8,151,000 |

List of Closed / Dropped Projects

| Project I.D. | Project Title | Service Area | Cost at Completion |
|-------------------------|--|-------------------------|--------------------------|
| Closed Projects | | | |
| AQ | FY2009 - DWS Water Projects | Water | \$7,916,787 |
| D4 | Small Valve Replacements 5 | Water | 757,191 |
| FJ | Parking Ramp Rehab - Bryant St. PS | Water | 409,672 |
| MK | 24" Wtrmain Ft. Stanton Res to MLK AVE | Water | 16,365,329 |
| QM | Small Valve Replacements - Contract 4 | Water | 2,830,723 |
| D9 | FY2014 - DDOT Water Projects | Water | 6,300,000 |
| DH | FY2015 - DDOT Water Projects | Water | 6,600,000 |
| DV | FY2016 - DDOT Water Projects | Water | 7,000,000 |
| FL | FY2017 - DDOT Water Projects | Water | 7,300,000 |
| GT | FY2018 - DDOT Water Projects | Water | 7,750,000 |
| HZ | FY2019 - DDOT Water Projects | Water | 8,000,000 |
| J8 | FY2020 - DDOT Water Projects | Water | 10,400,000 |
| CI | O Street - Facility Projects | Combined Sewer Overflow | 612,704 |
| | | | \$82,242,406 |
| Dropped Projects | | | |
| P1 | FY2000 - DDOT STORMWATER PROJECTS | Stormwater | \$409,709 |
| P2 | FY2001 - DDOT STORMWATER PROJECTS | Stormwater | 607,789 |
| P3 | FY2002 - DDOT STORMWATER PROJECTS | Stormwater | 119,639 |
| P4 | FY2003 - DDOT STORMWATER PROJECTS | Stormwater | - |
| H1 | MWCOG Budget Items | Wastewater | 39,499 |
| AS | FY2009 - DDOT Water Projects | Water | 92,152 |
| MT | Small Diameter Watermain Rehab. (1) | Water | 11,653,488 |
| MY | Elim. Dead Ends (Contract 3 & 4) | Water | 7,693,453 |
| | | | \$20,615,729 |



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

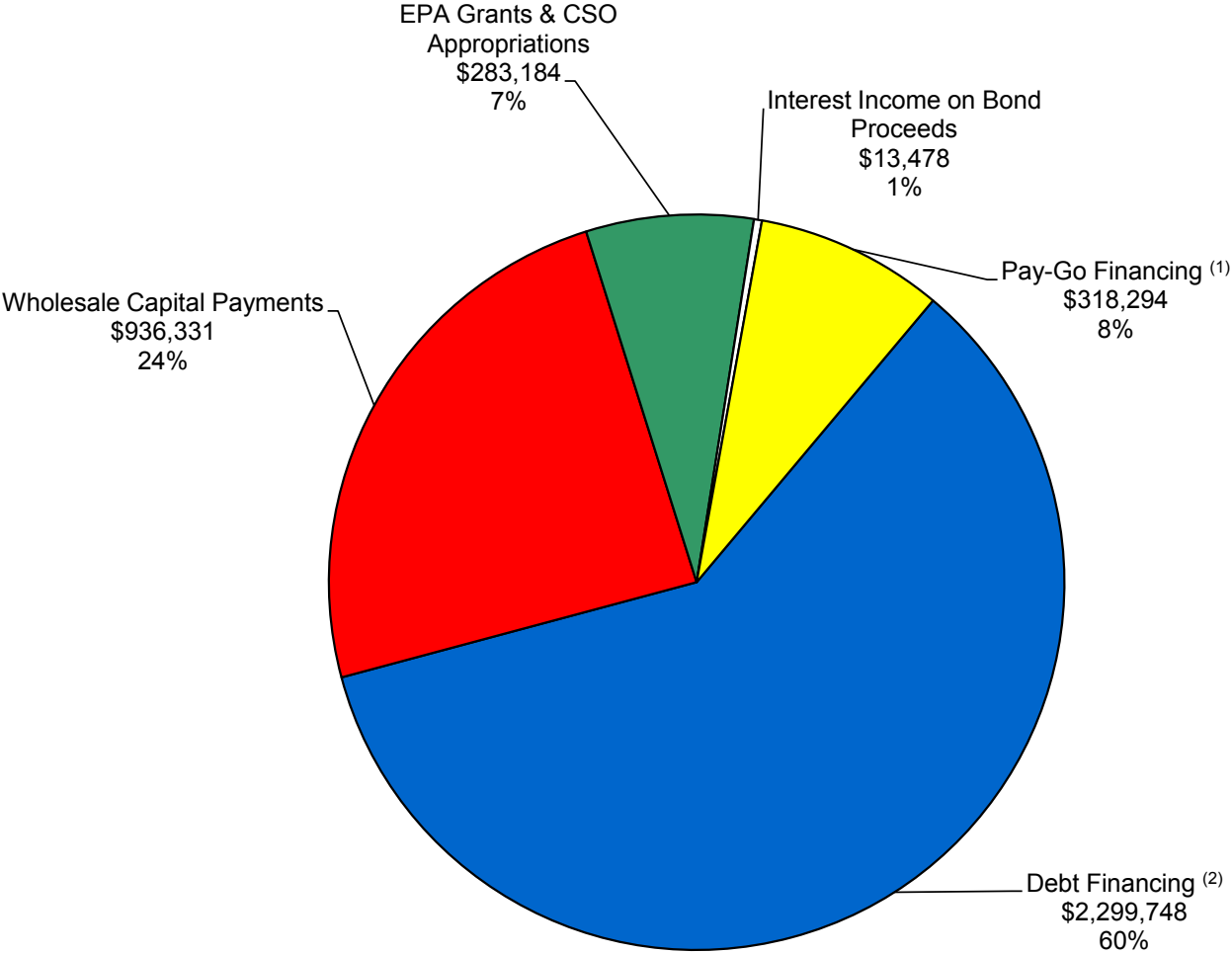
SECTION VI

CAPITAL, FINANCING, CASH AND DEBT

REVISED FY 2013 APPROVED FY 2014



CAPITAL IMPROVEMENT PROGRAM
Sources of Funds
 FY 2012 - 2021
 (In \$000's)



(1) Pay-go financing is any funds available after funding the greater of 120 day or \$125.5 million operating and maintenance reserve.

(2) Debt financing refers to the borrowing of funds through long-term revenue bonds, commercial paper and other short-term notes.

Sources & Uses
Capital Improvement Program
FY 2012 - FY 2014

| | <u>FY 2012 Actual</u> | <u>FY 2013 Revised Budget</u> | <u>FY 2014 Proposed Budget</u> | <u>FY 2014 Approved Budget</u> |
|---|---------------------------|---------------------------------------|--|--|
| Beginning Balance | \$ 132,635 | \$ 244,481 | \$ 224,127 | \$ 223,899 |
| New Debt Proceeds / Commercial Paper ⁽¹⁾ | 300,000 | 300,000 | 300,000 | 300,000 |
| Capital Equipment ⁽²⁾ | 7,500 | 10,799 | 13,378 | 13,378 |
| Pay-Go Financing ⁽³⁾ | 39,621 | 24,543 | 10,984 | 10,984 |
| EPA Grants | 24,560 | 32,424 | 36,541 | 36,541 |
| CSO Appropriations ⁽⁴⁾ | 27,990 | 30,000 | 18,169 | 18,169 |
| Wholesale Customer Capital Payments | 174,259 | 225,614 | 175,673 | 175,673 |
| Interest Income | 529 | 303 | 256 | 256 |
| Total Sources | \$ 707,094 | \$ 868,165 | \$ 779,127 | \$ 778,899 |
| | | | | |
| Water Projects | \$ 42,644 | \$ 52,329 | 63,770 | 63,770 |
| Blue Plains Projects | 253,305 | 358,543 | 267,836 | 267,836 |
| Sanitary Sewer Projects | 23,783 | 29,084 | 42,136 | 42,136 |
| Combined Sewer & LTCP Projects | 112,658 | 163,509 | 152,345 | 152,345 |
| Stormwater Projects | 3,315 | 3,252 | 3,680 | 3,680 |
| Washington Aqueduct | 11,286 | 10,598 | 10,744 | 10,744 |
| Capital Equipment | 13,713 | 18,422 | 13,543 | 13,543 |
| Meter Replacement AMR | 1,909 | 8,529 | 3,071 | 3,071 |
| Total Uses | \$ 462,613 | \$ 644,266 | \$ 557,125 | \$ 557,125 |
| | <u>\$ 244,481</u> | <u>\$ 223,899</u> | <u>\$ 222,002</u> | <u>\$ 221,774</u> |

(1) Commercial Paper is used for interim financing prior to issuing bonds

(2) Use short term notes to finance the capital equipment

(3) Pay-Go financing is cash available after meeting the six month operating reserve requirement, which total \$125.5 million in FY 2013

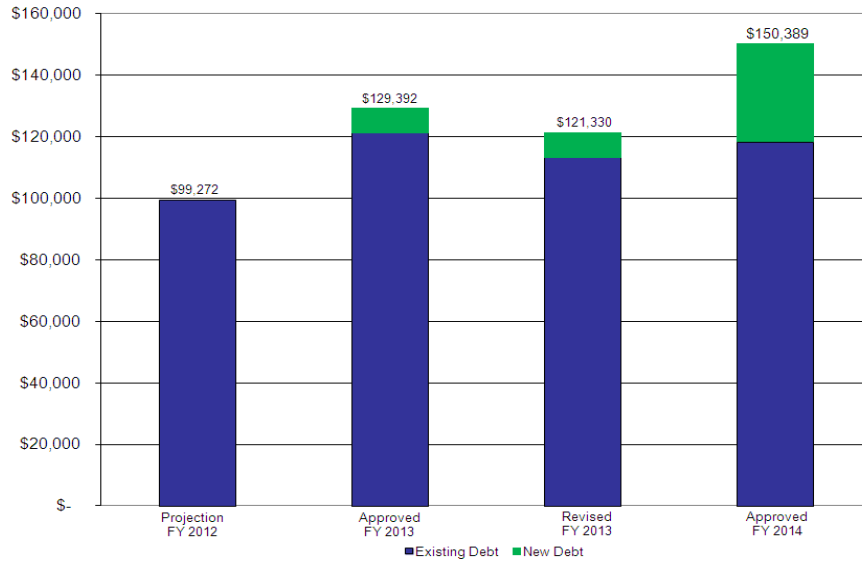
(4) Reflects spend down of a portion of already-received FY 2003 - FY 2012 Congressional appropriations for the CSO LTCP

Cash Reserve Summary
FY 2012 - FY 2014
(\$000's)

| | FY 2012 <u>Actual</u> | FY 2013 <u>Revised Budget</u> | FY 2014 <u>Proposed Budget</u> | FY 2014 <u>Approved Budget</u> |
|---|----------------------------------|--|---|---|
| Beginning O&M Reserve Balance (Net of Rate Stabilization Fund) | \$ 150,035 | \$ 140,251 | \$ 125,500 | \$ 125,500 |
| Operating Surplus | 58,463 | 28,878 | 18,328 | 18,328 |
| Wholesale Customer Refund / Payments for Prior Years | (5,661) | (5,800) | (1,500) | (1,500) |
| Transfer to Rate Stabilization Fund | (17,750) | (4,100) | - | - |
| Transfer to DC PILOT Fund | (4,468) | - | - | - |
| Prior Year Right of Way Payment | - | - | - | - |
| Prior Year Federal Billing Reconciliation | (1,000) | (5,105) | (6,000) | (6,000) |
| Customer Rebate | - | (4,200) | - | - |
| Interest Earned from Bond Proceeds | 252 | 120 | 156 | 156 |
| Prepayment of Aqueduct Treasury Loans | - | - | - | - |
| Pay-As-You-Go Capital Financing | (39,621) | (24,543) | (10,984) | (10,984) |
| Ending O&M Reserve Balance (Net of Rate Staiblization Fund) | \$ 140,251 | \$ 125,500 | \$ 125,500 | \$ 125,500 |
| Rate Stabilization Fund | \$ 27,950 | \$ 25,550 | \$ 18,550 | \$ 18,550 |

DEBT MANAGEMENT FY 2012 – FY 2014

Debt Service (\$000's)



INTEREST RATE ASSUMPTIONS

Budget:

- Variable rate
 - 3.25% (FY 2013) and 3.25% (FY 2014) plus fees
- Fixed rate
 - 5.75% (FY 2013) and 5.50% (FY 2014)

Ten-Year Plan:

- Variable rate
 - 1.55% (FY 2013) and 2.50% (FY 2014) plus fees
- Fixed rate
 - 4.75% (FY 2013) and 5.50% (FY 2014)

DEBT SERVICE

FY 2014 approved debt service increased \$29.1M over the FY 2013 revised budget due to a full year debt service on Series 2013, a partial year debt service on Series 2014 and increased issuance in commercial paper for capital equipment.

CAPITAL FINANCING PLAN

DC Water's comprehensive capital financing plan contains three key goals: 1) minimize cost of capital 2) increase operational flexibility, and 3) optimize asset/liability matching through:

- Interim financing
- Permanent bond financing
- PAYGO financing
- Federal grants

SENIOR BOND RATINGS

- Moody's Aa2 Stable Outlook
- Standard & Poor's AA+ Stable Outlook
- Fitch Ratings AA Stable Outlook

| | ACTUAL FY 2012 | | | REVISED FY 2013 | | | APPROVED FY 2014 | | |
|----------------------------|----------------|---------------|---------------|-----------------|---------------|----------------|------------------|----------------|----------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| Existing Debt | | | | | | | | | |
| Series 1998 - Senior | 11,080 | 12,290 | 23,370 | 11,685 | 11,681 | 23,366 | 12,390 | 10,980 | 23,370 |
| Series 2003 - Subordinate | - | 4,445 | 4,445 | - | - | - | - | - | - |
| Series 2007A - Subordinate | - | 11,351 | 11,351 | - | 11,351 | 11,351 | - | 11,351 | 11,351 |
| Series 2008A - Subordinate | 5,745 | 13,998 | 19,743 | 6,115 | 13,711 | 19,826 | 6,345 | 13,405 | 19,750 |
| Series 2009A - Senior | 2,485 | 16,062 | 18,547 | 2,575 | 15,963 | 18,538 | 2,790 | 15,885 | 18,675 |
| Series 2010A - Subordinate | - | 7,474 | 7,474 | - | 7,552 | 7,552 | - | 9,079 | 9,079 |
| Series 2012 - Subordinate | - | 8,915 | 8,915 | 4,440 | 17,689 | 22,129 | 4,585 | 18,139 | 22,724 |
| Commercial Paper | - | 3,074 | 3,074 | - | 5,750 | 5,750 | - | 5,750 | 5,750 |
| Capital Equipment | 1,500 | - | 1,500 | - | 3,819 | 3,819 | - | 6,760 | 6,760 |
| Jennings Randolph | 328 | 477 | 805 | 338 | 467 | 805 | 349 | 457 | 805 |
| Little Seneca | 41 | 7 | 47 | 41 | 4 | 45 | 22 | 2 | 23 |
| Subtotal | 21,179 | 78,093 | 99,272 | 25,194 | 87,987 | 113,182 | 26,480 | 91,807 | 118,287 |
| Projected New Debt | | | | | | | | | |
| Series 2013A | - | - | - | 1,349 | 6,799 | 8,148 | 2,650 | 20,398 | 23,048 |
| Series 2014A | - | - | - | - | - | - | 924 | 8,130 | 9,054 |
| Subtotal | - | - | - | 1,349 | 6,799 | 8,148 | 3,574 | 28,529 | 32,102 |
| Total Debt | 21,179 | 78,093 | 99,272 | 26,543 | 94,787 | 121,330 | 30,054 | 120,336 | 150,389 |

**DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2012
(In \$000's)**

| | RATES | FINAL MATURITY | AMOUNT OUTSTANDING |
|---|------------------------|-------------------|-----------------------|
| SENIOR DEBT | | | |
| Public Utility Revenue Bonds, Series 1998 | 5.50% - 6.00% | 2028 | 218,815 |
| Public Utility Revenue Bonds, Series 2009A | 3.00% - 6.00% | 2039 | 296,205 |
| SUBTOTAL SENIOR DEBT | | | \$ 515,020 |
| SUBORDINATE DEBT | | | |
| Public Utility Subordinated Lien Revenue Bonds, Series 2007A | 4.75% - 5.50% | 2041 | 218,715 |
| Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2008A | 4.00% - 5.00% | 2034 | 279,955 |
| Public Utility Subordinated Lien Federally Taxable Issuer Subsidy Build America Bonds, Series 2010A | 4.07% - 5.52% | 2044 | 300,000 |
| Public Utility Subordinated Lien Revenue Bonds, Series 2012A | 2.00% - 5.00% | 2037 | 177,430 |
| Public Utility Subordinated Lien Multimodal Revenue Bonds, Series 2012B-1 | SIFMA Index plus 0.48% | 2044 | 52,690 |
| Public Utility Subordinated Lien Multimodal Revenue Bonds, Series 2012B-2 | SIFMA Index plus 0.58% | 2040 | 47,310 |
| Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2012C | 4.00% - 5.00% | 2033 | 163,215 |
| Notes Payable to the Federal Government for Jennings Randolph Reservoir | 3.25% | 2041 | 14,273 |
| Notes Payable to WSSC for Little Seneca Reservoir | 5.98% - 6.60% | 2014 | 63 |
| SUBTOTAL SUBORDINATE DEBT | | | \$ 1,253,651 |
| SUBTOTAL DEBT OUTSTANDING | | | \$ 1,768,671 |
| Commercial Paper, Series B (tax-exempt) | Maximum 12% per Annum | 2012 | 12,000 |
| Commercial Paper, Series C (taxable) | Maximum 12% per Annum | 2012 | 29,200 |
| TOTAL COMMERCIAL PAPER | | | \$ 41,200 |
| TOTAL DEBT OUTSTANDING | | | \$ 1,809,871 |

DEBT LIMIT: DC Water is not subject to any legal debt limitations. However, prior to any new debt issuance, DC Water must meet an additional bonds test and certify revenue sufficiency.

PUBLIC UTILITY SENIOR LIEN REVENUE BONDS: 1) *Series 1998*, insured (FSA), Aaa/AAA/AAA, fixed rate, March 1998; and 2) *Series 2009A*, Aa3/AA/AA-, fixed rate, January 2009

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS: 1) *Series 2003*, insured (FGIC), Aaa/AAA/AAA, fixed rate, August 2003; 2) *Series 2004*, insured (Ambac), Aaa/AAA/AAA, auction rate securities, July 2004; 3) *Series 2007A*, insured (FGIC), Aaa/AAA/AAA, fixed rate, May 2007; 4) *Series 2007B*, insured (CIFG), auction rate securities, Aaa/AAA/AAA, May 2007

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS (FEDERALLY TAXABLE ISSUER SUBSIDY BUILD AMERICA BONDS): *Series 2010A*, fixed rate, Aa3/AA-/AA, October 2010

PUBLIC UTILITY SUBORDINATE LIEN MULTIMODAL REVENUE BONDS: *Series 2012B-1 and Series 2012B-2*, Aa3/AA/AA-, SIFMA indexed variable rate, March 2012

PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS: 1) *Series 2008A* (refunded Series 2004), insured (Assured Guaranty), Aaa/AAA/AAA, fixed rate, April 2008; 2) *Series A-1*, taxable commercial paper, (refunded Series 2007B), April 2008; and 3) *Series 2012C* (advance refunded Series 2003), fixed rate debt, Aa3/AA/AA-, March 2012

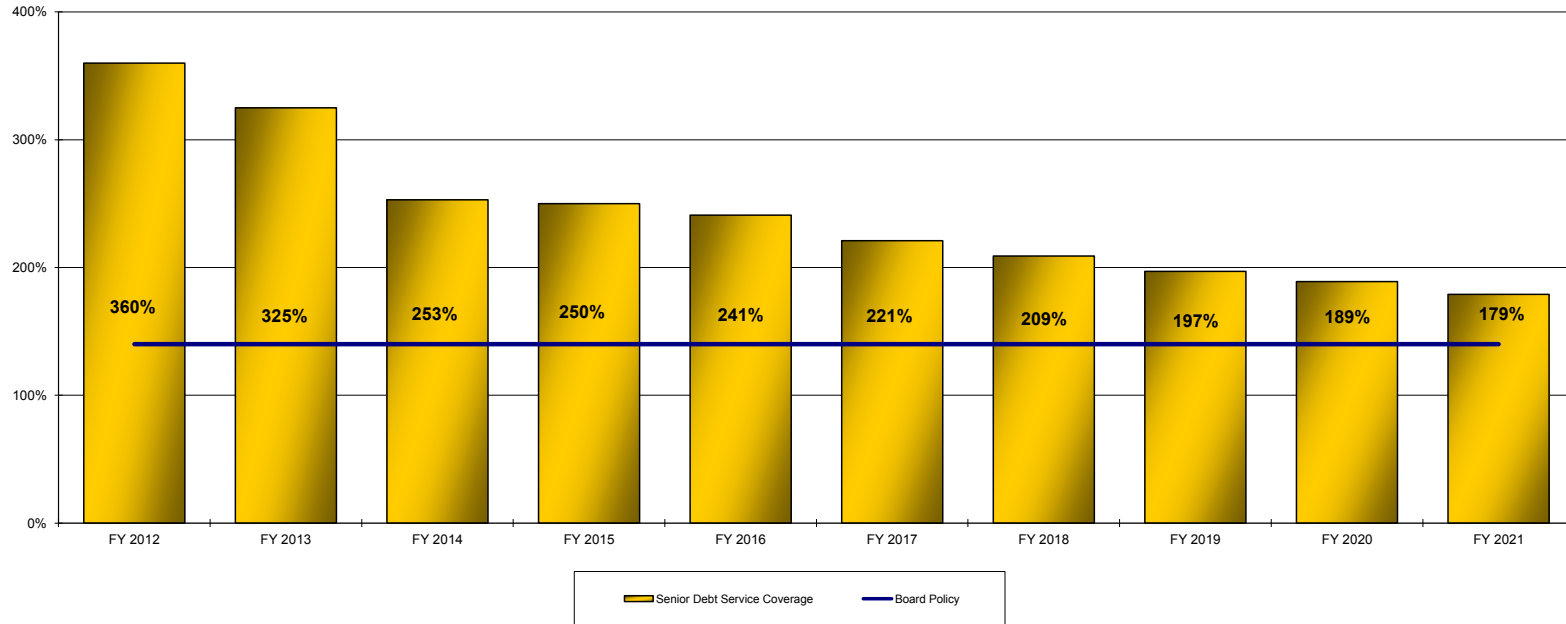
NOTES FOR JENNINGS RANDOLPH RESERVOIR: Notes payable to the Federal government for improvements to the Jennings Randolph Reservoir, a backup water supply facility for the Authority are considered subordinate debt under the Master Indenture of Trust. DC Water's share of operating and capital cost is 30 percent.

NOTES FOR LITTLE SENECA RESERVOIR: Notes payable to Washington Suburban Sanitary Commission (WSSC) are considered subordinate debt under the Master Indenture of Trust. The notes were issued by WSSC for construction of the Little Seneca Dam and Lake for backup and peak-day water supply for the Authority. DC Water's share of operating and capital costs is 40 percent.

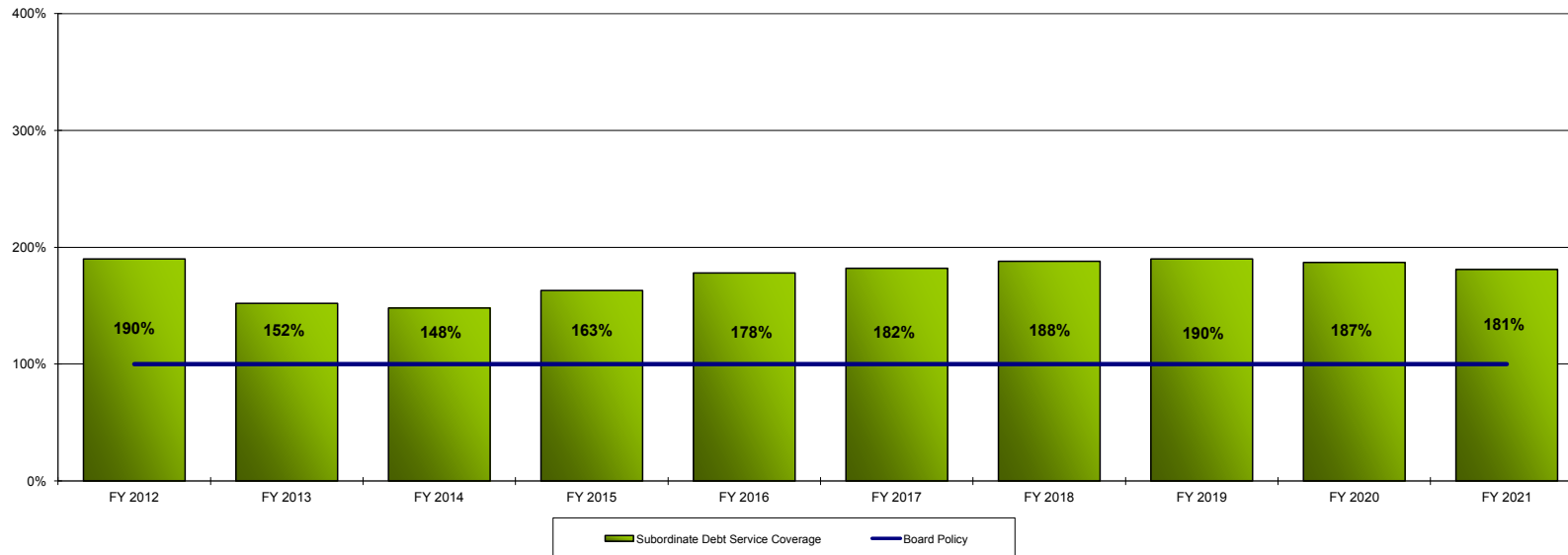
COMMERCIAL PAPER: Notes issued are considered subordinate debt under the Master Indenture of Trust. As described in Section III, the Board approved the commercial paper program in early FY 2002. Proceeds from the sale of the notes are used for interim bond financing, short-term financing for capital equipment and certain taxable costs for the Washington Aqueduct. DC Water's commercial paper program is issued in increments with maturities less than 270 days. Each new bond issuance is evaluated to determine the most cost effective way of reducing the amount of taxable commercial paper. Normal market conditions carries significantly lower interest rates than long-term debt. In May 2010, DC Water successfully secured two new LOC providers; JP Morgan Chase Bank, National Association and US Bank, National Association. The new commercial paper program was increased from \$100 to \$225 million which includes three notes: 1) Series A Note (tax-exempt) aggregate principal amount not to exceed \$100 million, (2) Series B Note (tax-exempt) aggregate principal amount not to exceed \$50 million, and (3) Series C Note (taxable) aggregate principal amount not to exceed \$75 million. Unless the LOC is extended, it will expire May 31, 2013.

DEBT POLICY: DC Water's comprehensive debt policy can be found on the website at www.dcwater.com.

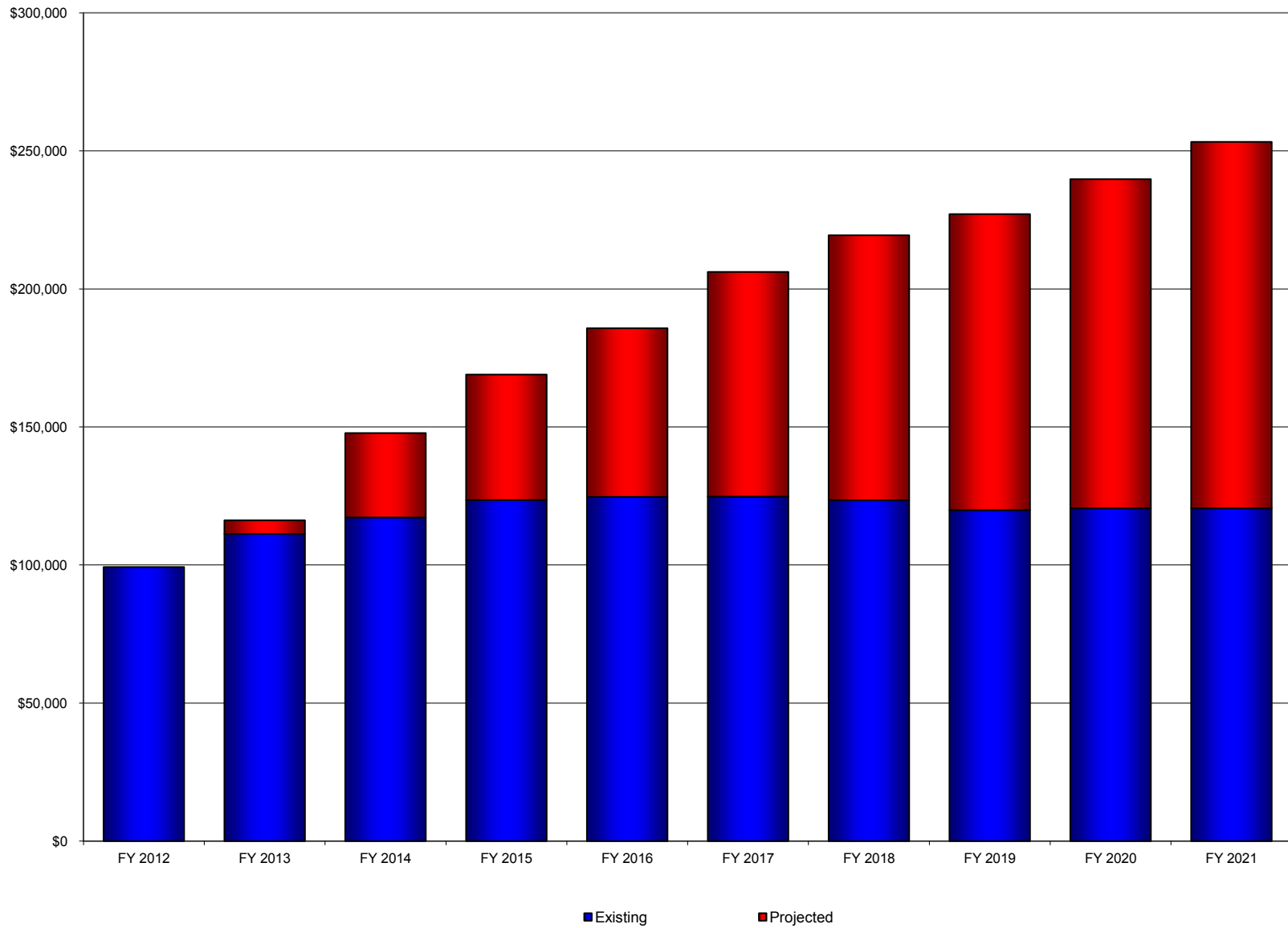
**Senior Debt Service Coverage
FY 2012 - FY 2021**



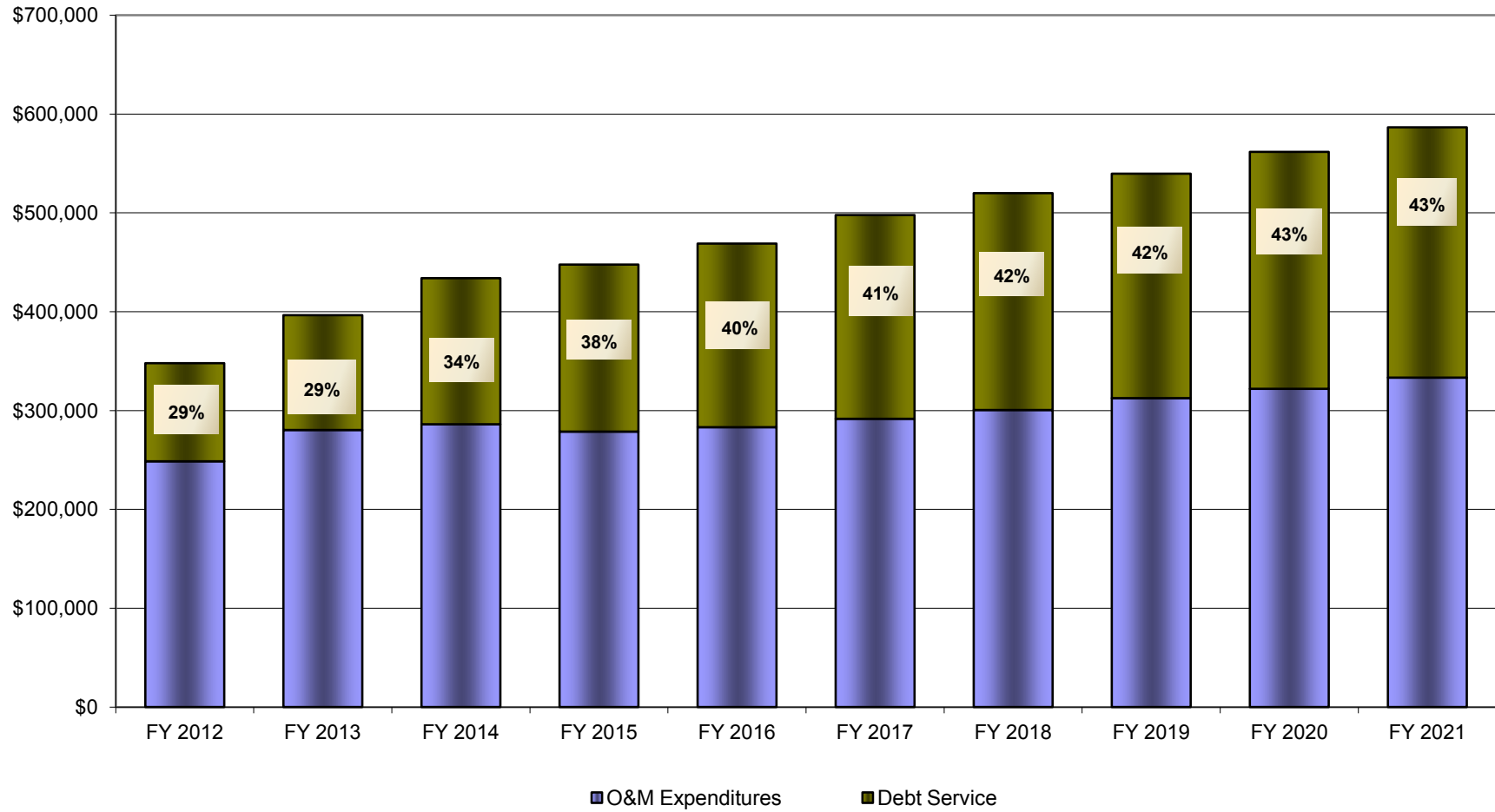
**Subordinate Debt Service Coverage
FY 2012 - FY 2021**



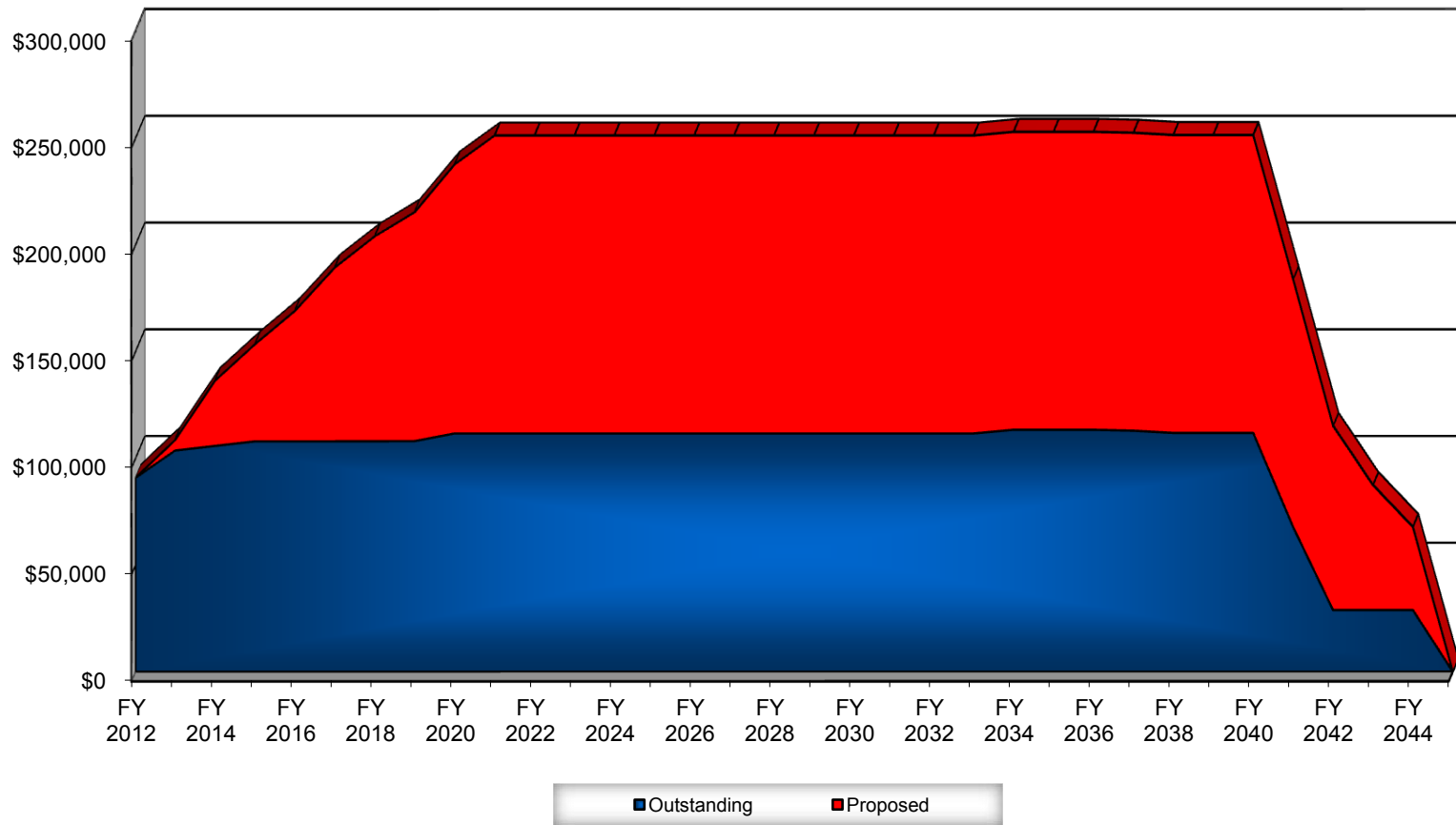
Existing & Projected Debt Service
FY 2012 - FY 2021
(In \$000's)



Debt Service as Percentage of Total Operating and Maintenance Expenditures
FY 2012 - FY 2021
(In \$000's)



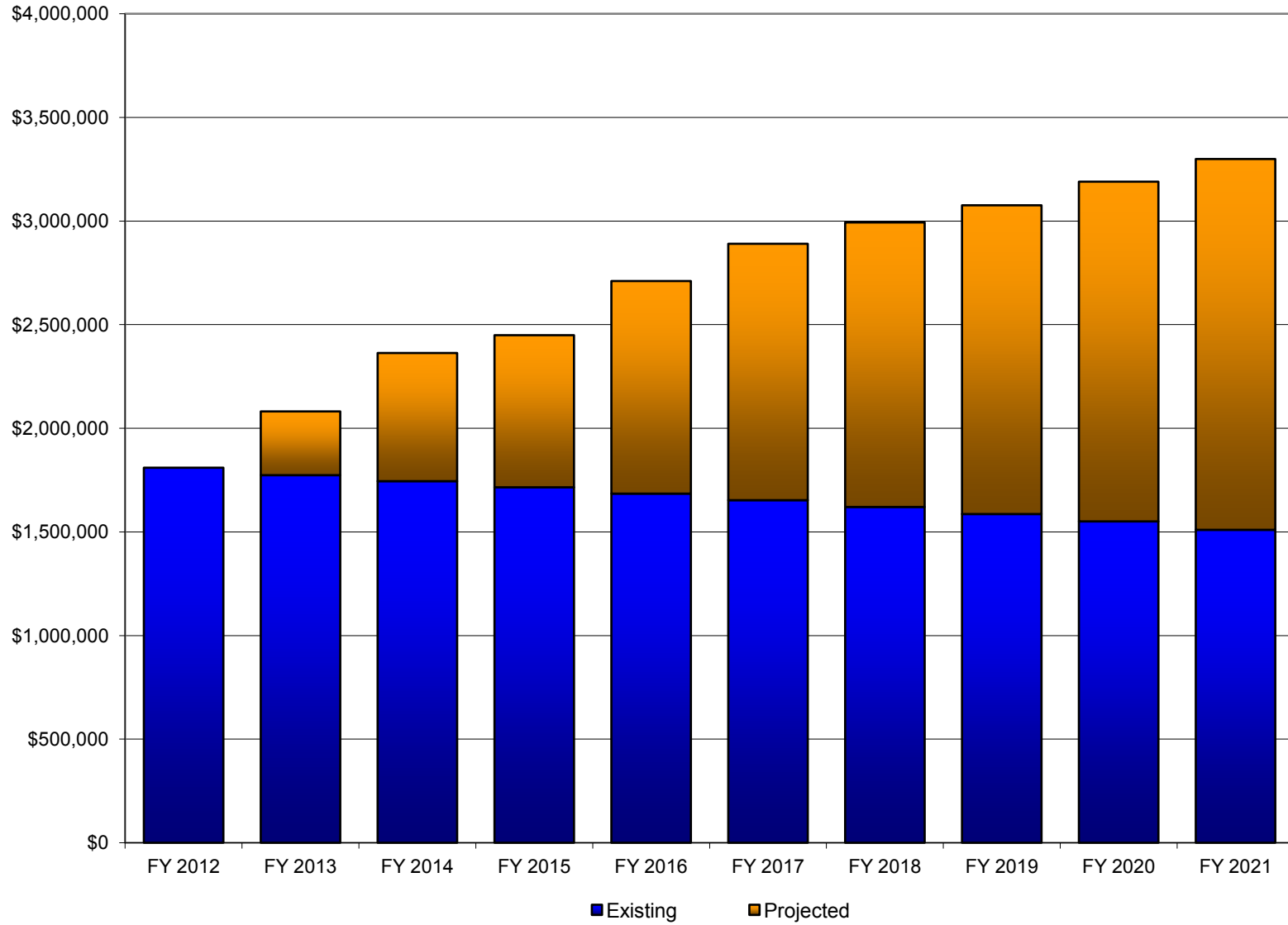
Debt Service FY 2012 - FY 2044 (In \$000's)



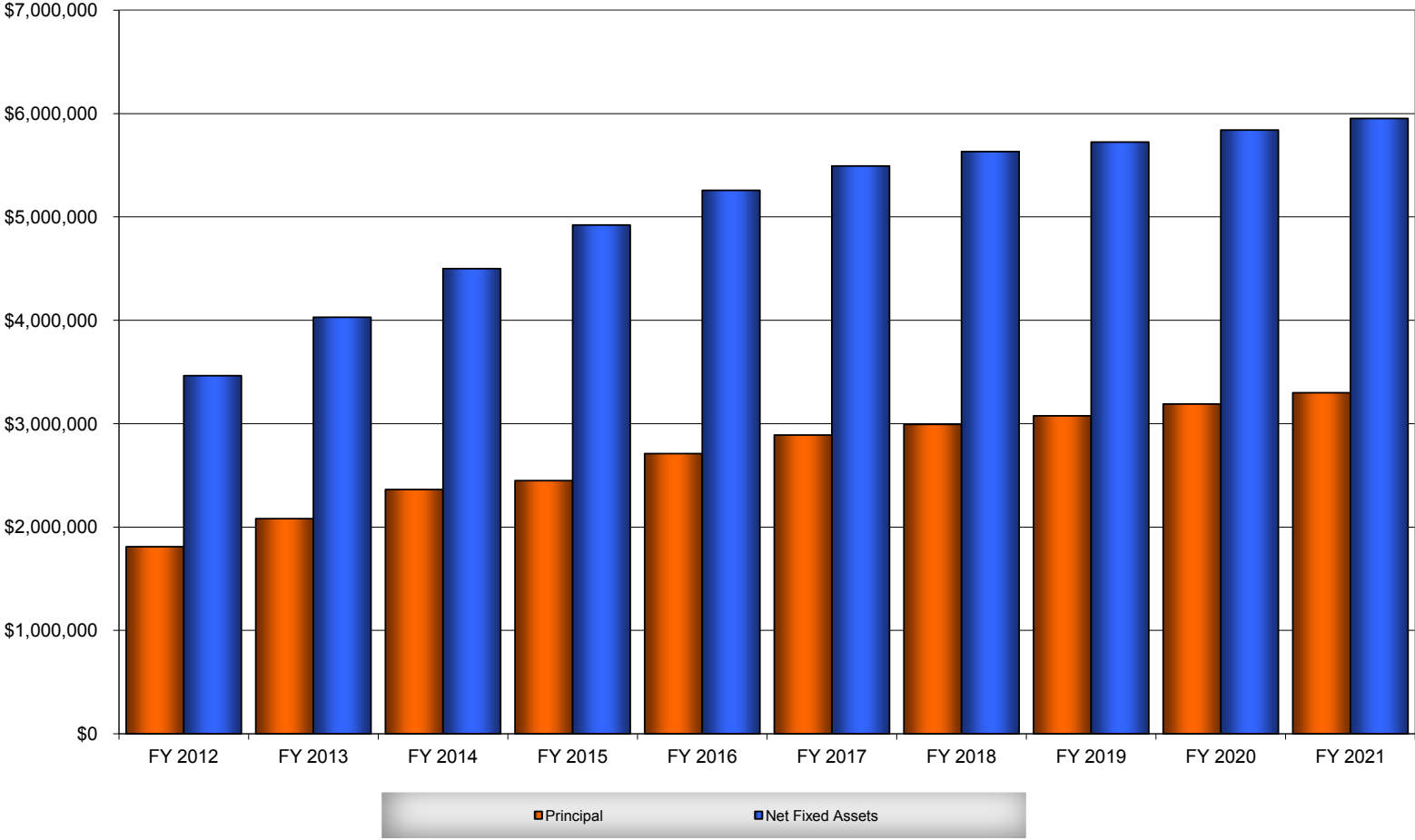
Outstanding Debt

FY 2012 - FY 2021

(In \$000's)

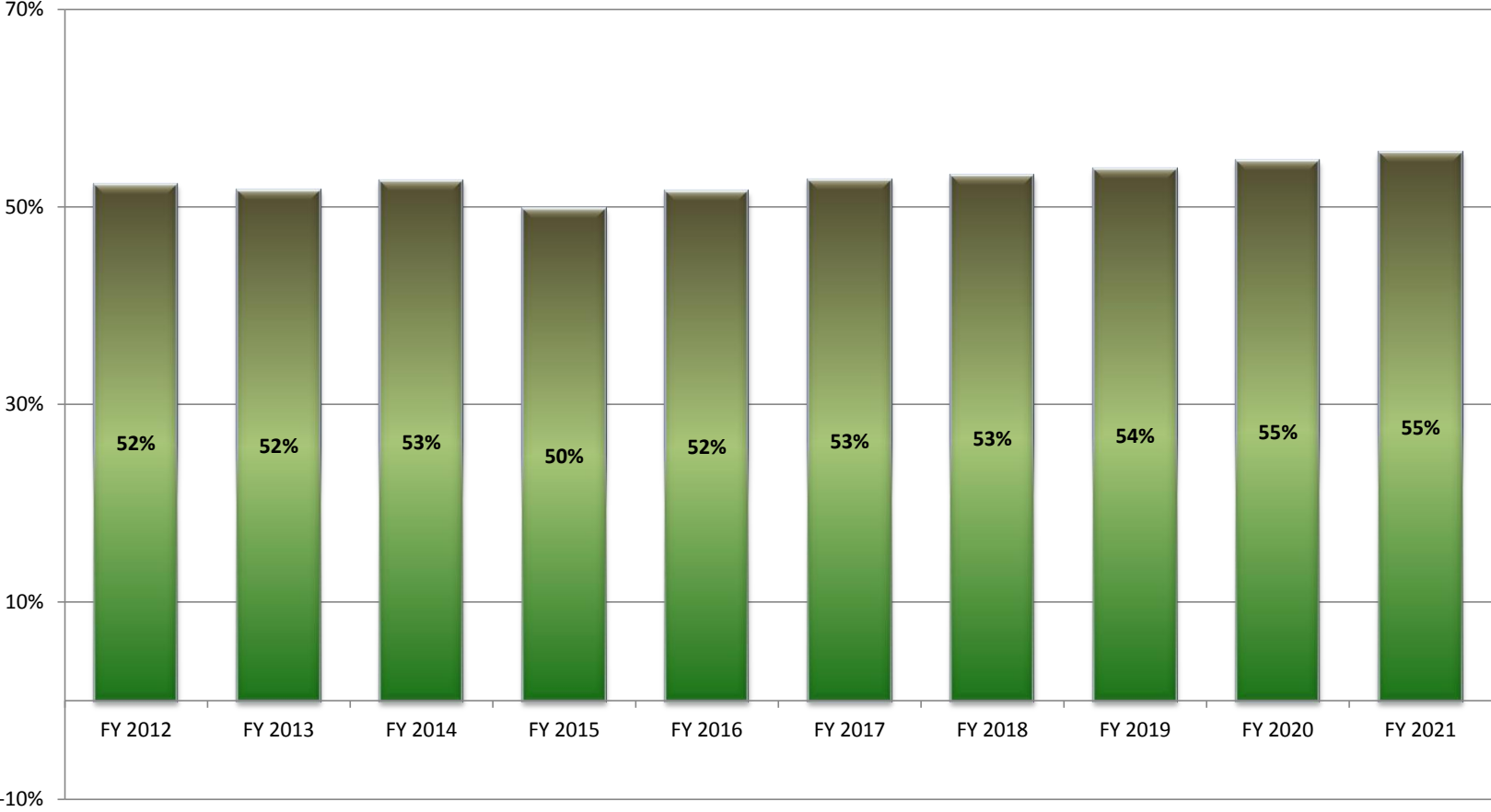


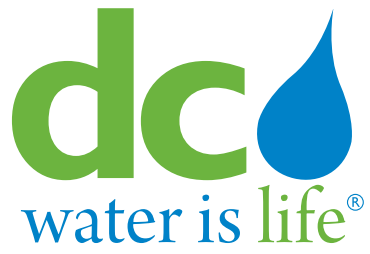
Principal and Net Fixed Assets
FY 2012 - FY 2021
(In \$000's)



Debt to Net Fixed Asset Ratio

FY 2012 - FY 2021





DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION VII

DEPARTMENTAL SUMMARIES

REVISED FY 2013 APPROVED FY 2014



Introduction to DC Water's Operational and Administrative (Support) Departments

DC Water's organizational structure is a key tool for ensuring that the organizational mission is achieved. The structure consists of twenty-three departments that are defined primarily along functional roles and further grouped along service lines (Operational or Administrative) or reporting lines of authority.

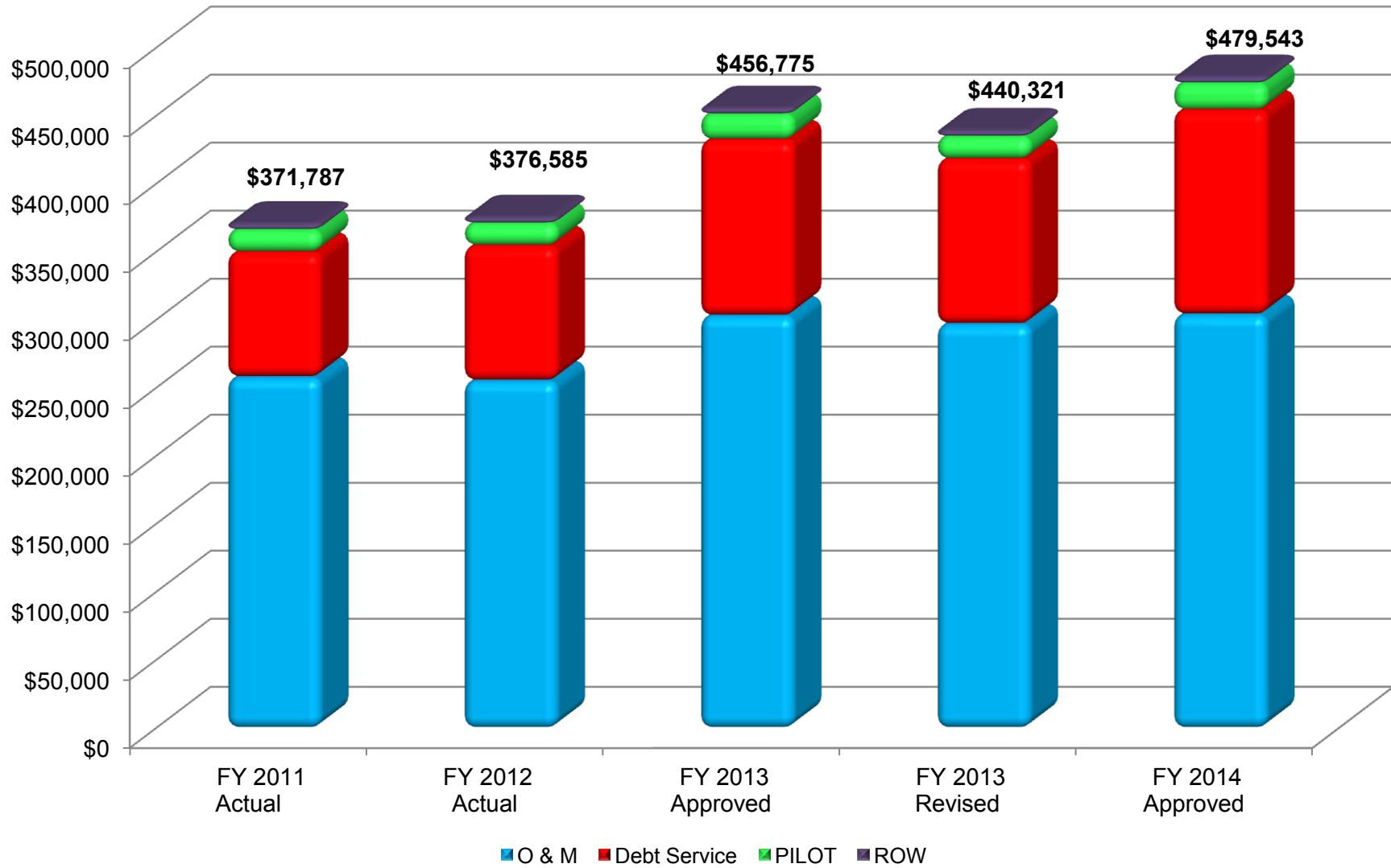
Service Lines: Operational departments include: Water Services; Sewer collection and Wastewater treatment services (including maintenance of these facilities). These departments are responsible for the day-to-day operations of the DC Water's extensive infrastructure and facilities that provide direct services to our customers. Similarly, the Customer Services department is classified as an operating department because of the integrated nature of their work to operations (i.e., customer care, metering and billing) and also because they provide first-line customer care to our customers to include 24 hour emergency service. Engineering and Technical Services, Clean Rivers and Permit departments are responsible for ongoing reinvestment of the system infrastructure, compliance with various mandates and service the development community throughout the District of Columbia.

All other departments provide critical administrative and technical support to ensure the safe and reliable continuity of our vital services through short and long-term planning, asset management, leadership and all financial and human capital support requirements. An organizational chart can be found on page VII-14.

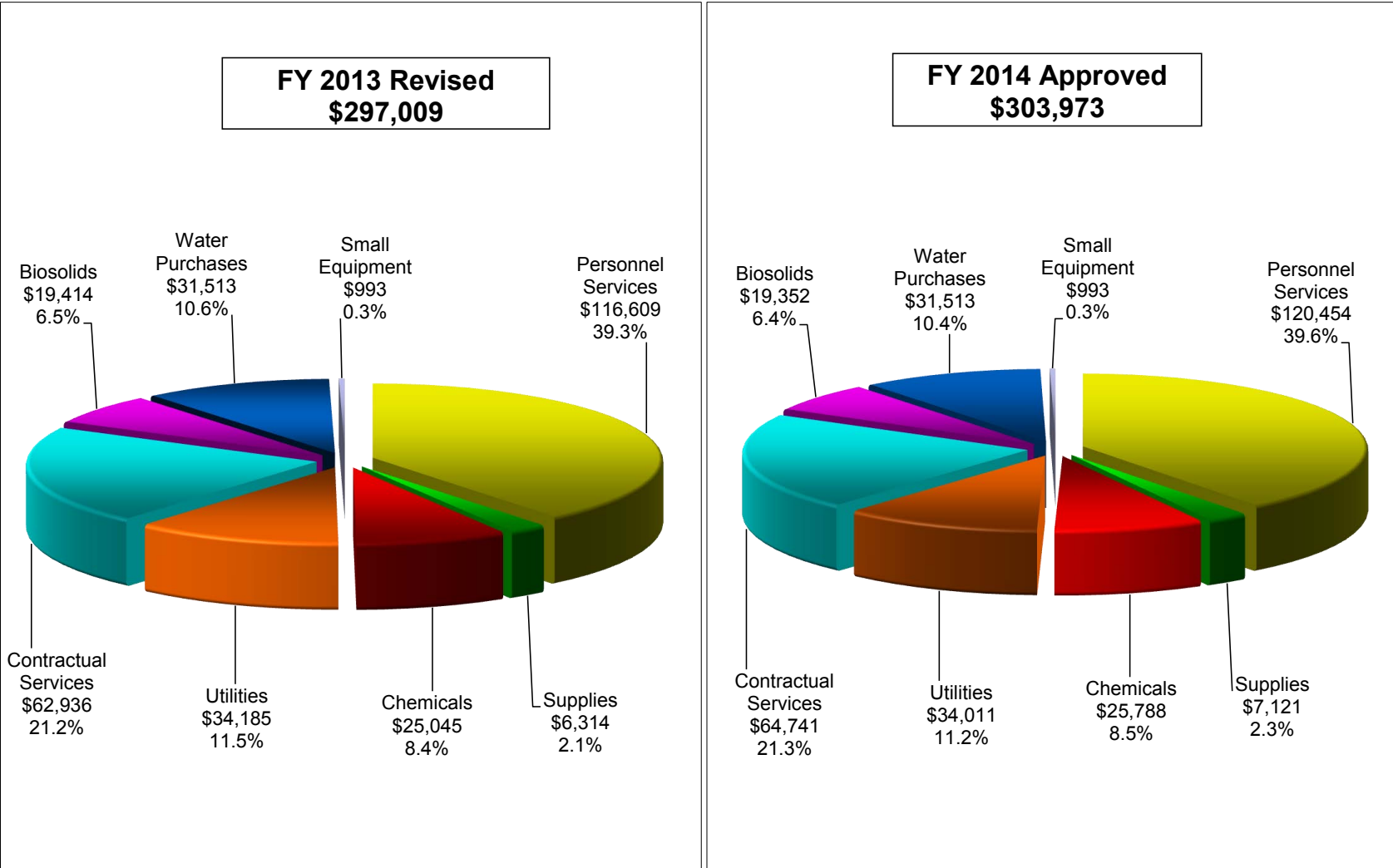
Reporting Lines: Departments are grouped within clusters to ensure accountability and to enhance efficiency and delivery of various services. A member of the Executive Leadership Team heads each departmental cluster group and carries the accountability for service delivery and performance metrics of the departments within their cluster.

As DC Water strives in its mission to be a "best in world" organization, it also continues to make organizational changes and improvement to enhance efficiencies, improve processes and best utilize all assets with the goal to better serve the public and protect the environment. In FY 2012, this resulted in reorganization of wastewater treatment and maintenance services functions in Blue Plains, which culminated into the creation of a new Process Engineering Department and the renaming of Wastewater Treatment Department to Wastewater Treatment Operations Department. Also, the Customer Service cluster reviewed its purpose and activities and rebranded to the Customer Care and Operations Cluster to better explain its mission.

Comparative Operating Expenditure Budgets FY 2011 - FY 2014 (\$000's)



Operations & Maintenance Expenditures By Category (\$000's)



Comparative Operating Expenditure Budgets
(\$000's)

| | FY 2011 ACTUAL | FY 2012 ACTUAL | FY 2013 APPROVED | FY 2013 REVISED | FY 2014 APPROVED |
|--|---------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| <u>OPERATING</u> | | | | | |
| Personnel Services | 103,145 | 107,334 | 117,796 | 116,609 | 120,454 |
| Contractual Services | 71,067 | 64,939 | 82,349 | 82,350 | 84,094 |
| Water Purchases | 27,170 | 28,389 | 32,523 | 31,513 | 31,513 |
| Chemicals and Supplies | 26,412 | 26,744 | 31,360 | 31,360 | 32,909 |
| Utilities | 29,429 | 26,786 | 38,047 | 34,185 | 34,011 |
| Small Equipment | 694 | 1,139 | 993 | 993 | 993 |
| Subtotal O & M Expenditures | 257,917 | 255,331 | 303,069 | 297,009 | 303,973 |
| Debt Service | 91,888 | 99,272 | 129,392 | 121,330 | 150,389 |
| Payment in Lieu of Taxes | 16,882 | 16,882 | 19,215 | 16,882 | 20,081 |
| Right of Way Fees | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 |
| Total Operating Expenditures | 371,787 | 376,585 | 456,775 | 440,321 | 479,543 |
| Personnel Services charged to Capital Projects | (9,906) | (9,550) | (16,690) | (16,690) | (17,860) |
| Total Net Operating Expenditures | \$ 361,881 | \$ 367,035 | \$ 440,085 | \$ 423,631 | \$ 461,683 |

Comparative Operating Expenditures by Department
(\$000's)

| | FY 2011 ACTUAL | FY 2012 ACTUAL | FY 2013 APPROVED | FY 2013 REVISED | FY 2014 APPROVED | |
|---|--|---------------------------|-----------------------------|----------------------------|-----------------------------|-------------------|
| O | Wastewater Treatment - Operations | 74,542 | 72,628 | 87,735 | 83,305 | 84,900 |
| p | Wastewater Treatment - Process Engineering | - | - | - | 3,317 | 7,816 |
| e | Maintenance Services | 19,737 | 18,192 | 21,217 | 21,062 | 21,160 |
| r | Water Services | 51,073 | 50,260 | 61,207 | 59,331 | 57,603 |
| a | Sewer Services | 18,740 | 19,227 | 21,213 | 18,743 | 19,312 |
| t | Customer Service | 14,671 | 15,329 | 16,602 | 16,574 | 15,994 |
| i | Water & Sewer Pumping Services | 4,142 | 4,944 | 4,691 | 4,843 | 5,136 |
| o | Engineering and Technical Services | 15,423 | 17,121 | 19,829 | 19,501 | 19,566 |
| n | Clean Rivers | 331 | 475 | 1,394 | 1,431 | 1,645 |
| s | Permit Operations | 116 | 1,266 | 1,522 | 1,909 | 2,015 |
| | Subtotal Operations | <u>198,774</u> | <u>199,442</u> | <u>235,409</u> | <u>230,017</u> | <u>235,147</u> |
| A | General Manager | 2,900 | 2,598 | 3,985 | 3,691 | 3,979 |
| d | Office of the Board Secretary | 367 | 604 | 598 | 611 | 619 |
| m | Internal Audit | 642 | 702 | 840 | 840 | 830 |
| i | General Counsel | 8,993 | 4,813 | 7,033 | 6,941 | 7,316 |
| n | External Affairs | 1,565 | 1,801 | 2,213 | 2,233 | 2,202 |
| i | Information Technology | 8,484 | 7,400 | 10,261 | 9,969 | 10,229 |
| s | Finance and Budget | 7,545 | 7,220 | 8,184 | 8,381 | 8,819 |
| t | Risk Management | 5,235 | 5,258 | 6,194 | 5,918 | 6,033 |
| r | Assistant General Manager - Support Services | 246 | 324 | 330 | 332 | 340 |
| a | Human Capital Management | 3,769 | 4,285 | 4,470 | 4,536 | 4,630 |
| t | Facilities Management and Security | 6,558 | 11,394 | 12,990 | 13,048 | 12,879 |
| i | Procurement | 3,561 | 3,856 | 4,362 | 4,105 | 4,140 |
| o | Occupational Safety and Health | 5,118 | 1,303 | 1,733 | 1,760 | 1,894 |
| n | Fleet Management | 4,159 | 4,332 | 4,466 | 4,625 | 4,918 |
| | Subtotal Administration | <u>59,142</u> | <u>55,890</u> | <u>67,659</u> | <u>66,991</u> | <u>68,827</u> |
| | Subtotal O & M Expenditures | <u>257,917</u> | <u>255,331</u> | <u>303,069</u> | <u>297,009</u> | <u>303,973</u> |
| | Debt Service | 91,888 | 99,272 | 129,392 | 121,330 | 150,389 |
| | Payment in Lieu of Taxes | 16,882 | 16,882 | 19,215 | 16,882 | 20,081 |
| | Right of Way | 5,100 | 5,100 | 5,100 | 5,100 | 5,100 |
| | Total Operating Expenditures | <u>371,787</u> | <u>376,585</u> | <u>456,775</u> | <u>440,321</u> | <u>479,543</u> |
| | Personnel Services charged to Capital Projects | (9,906) | (9,550) | (16,690) | (16,690) | (17,860) |
| | Total Net Operating Expenditures | <u>\$ 361,881</u> | <u>\$ 367,035</u> | <u>\$ 440,085</u> | <u>\$ 423,631</u> | <u>\$ 461,683</u> |

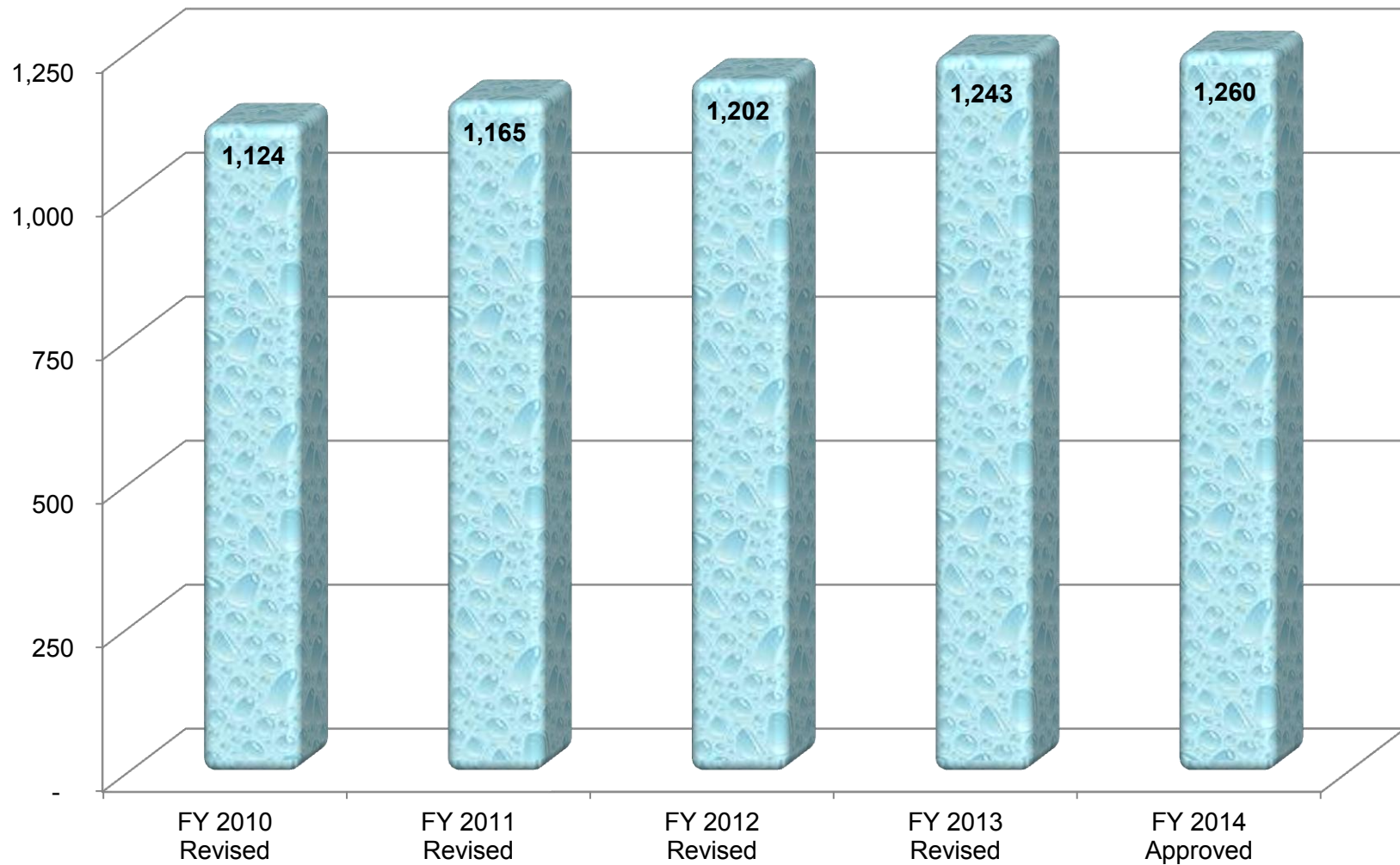
**Comparative Operating Expenditures by Department by Category
FY 2013 Revised Budget
(\$000's)**

| | Auth Pos | Pay | Fringe | Overtime | Total PS | Supplies | Chemicals | Utilities | Contract | Biosolids | Water Purchases | Small Equipment | Total NPS | TOTAL Dept. |
|---|--------------|------------------|------------------|-----------------|-------------------|-----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|-------------------|-------------------|
| O Wastewater Treatment - Operations | 108 | 7,730 | 2,178 | 847 | 10,755 | 743 | 24,749 | 22,956 | 4,599 | 19,414 | - | 89 | 72,550 | 83,305 |
| p Wastewater Treatment - Process Engineering | 37 | 2,424 | 699 | 195 | 3,317 | - | - | - | - | - | - | - | - | 3,317 |
| e Maintenance Services | 115 | 7,445 | 2,147 | 700 | 10,292 | 2,352 | - | 122 | 5,783 | - | - | 193 | 8,451 | 18,743 |
| r Water Services | 207 | 12,175 | 3,490 | 1,080 | 16,745 | 1,010 | 80 | 4,239 | 5,564 | - | 31,513 | 180 | 42,586 | 59,331 |
| a Sewer Services | 159 | 10,129 | 2,921 | 900 | 13,950 | 477 | 216 | 3,138 | 3,232 | - | - | 50 | 7,112 | 21,062 |
| t Customer Service | 125 | 8,022 | 2,313 | 240 | 10,576 | 189 | - | 1,608 | 4,151 | - | - | 51 | 5,999 | 16,574 |
| i Water & Sewer Pumping Services | 33 | 2,131 | 614 | 200 | 2,945 | 491 | - | 13 | 1,298 | - | - | 96 | 1,899 | 4,843 |
| o Engineering and Tech. Services | 171 | 13,205 | 3,798 | 680 | 17,683 | 116 | - | 223 | 1,461 | - | - | 19 | 1,818 | 19,501 |
| n Clean Rivers | 10 | 1,015 | 293 | 5 | 1,313 | 15 | - | 5 | 98 | - | - | - | 118 | 1,431 |
| s Permit Operations | 15 | 1,170 | 327 | 11 | 1,508 | 36 | - | 322 | 44 | - | - | - | 402 | 1,909 |
| Subtotal Operations | 980 | 65,445 | 18,780 | 4,858 | 89,083 | 5,429 | 25,045 | 32,625 | 26,229 | 19,414 | 31,513 | 678 | 140,934 | 230,017 |
| A General Manager | 14 | 1,566 | 452 | 10 | 2,027 | 12 | - | 28 | 1,624 | - | - | - | 1,664 | 3,691 |
| d Office of the Board Secretary | 2 | 195 | 56 | 4 | 255 | 18 | - | 5 | 333 | - | - | 1 | 357 | 611 |
| m Internal Audit | - | - | - | - | - | - | - | 2 | 838 | - | - | - | 840 | 840 |
| i General Counsel | 15 | 1,297 | 374 | 2 | 1,673 | 15 | - | 19 | 5,233 | - | - | - | 5,268 | 6,941 |
| n External Affairs | 12 | 1,072 | 309 | 2 | 1,383 | 15 | - | 24 | 808 | - | - | 3 | 850 | 2,233 |
| i Information Technology | 24 | 1,579 | 422 | 20 | 2,021 | 199 | - | 131 | 7,472 | - | - | 147 | 7,948 | 9,969 |
| s Finance and Budget | 46 | 4,266 | 1,230 | 30 | 5,527 | 16 | - | 69 | 2,765 | - | - | 4 | 2,854 | 8,381 |
| t Risk Management | 4 | 317 | 91 | 1 | 409 | 5 | - | 5 | 5,499 | - | - | - | 5,509 | 5,918 |
| r AGM - Support Services | 2 | 234 | 67 | 1 | 302 | 1 | - | 8 | 21 | - | - | - | 30 | 332 |
| a Human Capital Management | 23 | 2,049 | 591 | 5 | 2,645 | 36 | - | 31 | 1,822 | - | - | 2 | 1,891 | 4,536 |
| t Facilities Management and Security | 67 | 4,347 | 1,235 | 200 | 5,781 | 465 | - | 105 | 6,623 | - | - | 73 | 7,266 | 13,048 |
| i Procurement | 38 | 2,777 | 801 | 30 | 3,608 | 39 | - | 58 | 400 | - | - | - | 497 | 4,105 |
| o Occupational Safety and Health | 10 | 906 | 261 | 2 | 1,169 | 53 | - | 24 | 504 | - | - | 10 | 591 | 1,760 |
| n Fleet Management | 6 | 561 | 162 | 1 | 724 | 11 | - | 1,051 | 2,764 | - | - | 75 | 3,901 | 4,625 |
| Subtotal Administration | 263 | 21,166 | 6,051 | 308 | 27,525 | 885 | - | 1,560 | 36,707 | - | - | 315 | 39,466 | 66,991 |
| Subtotal O & M Expenditures | 1,243 | \$ 86,611 | \$ 24,831 | \$ 5,166 | \$ 116,609 | \$ 6,314 | \$ 25,045 | \$ 34,185 | \$ 62,936 | \$ 19,414 | \$ 31,513 | \$ 993 | \$ 180,400 | \$ 297,009 |
| Debt Service | | | | | | | | | | | | | | 121,330 |
| Payment in Lieu of Taxes | | | | | | | | | | | | | | 16,882 |
| Right of Way | | | | | | | | | | | | | | 5,100 |
| Total Operating Expenditures | | | | | | | | | | | | | | 440,321 |
| Personnel Services charged to Capital Projects | | | | | | | | | | | | | | (16,690) |
| Total Net Operating Expenditures | | | | | | | | | | | | | | \$ 423,631 |

**Comparative Operating Expenditures by Department by Category
FY 2014 Approved Budget
(\$000's)**

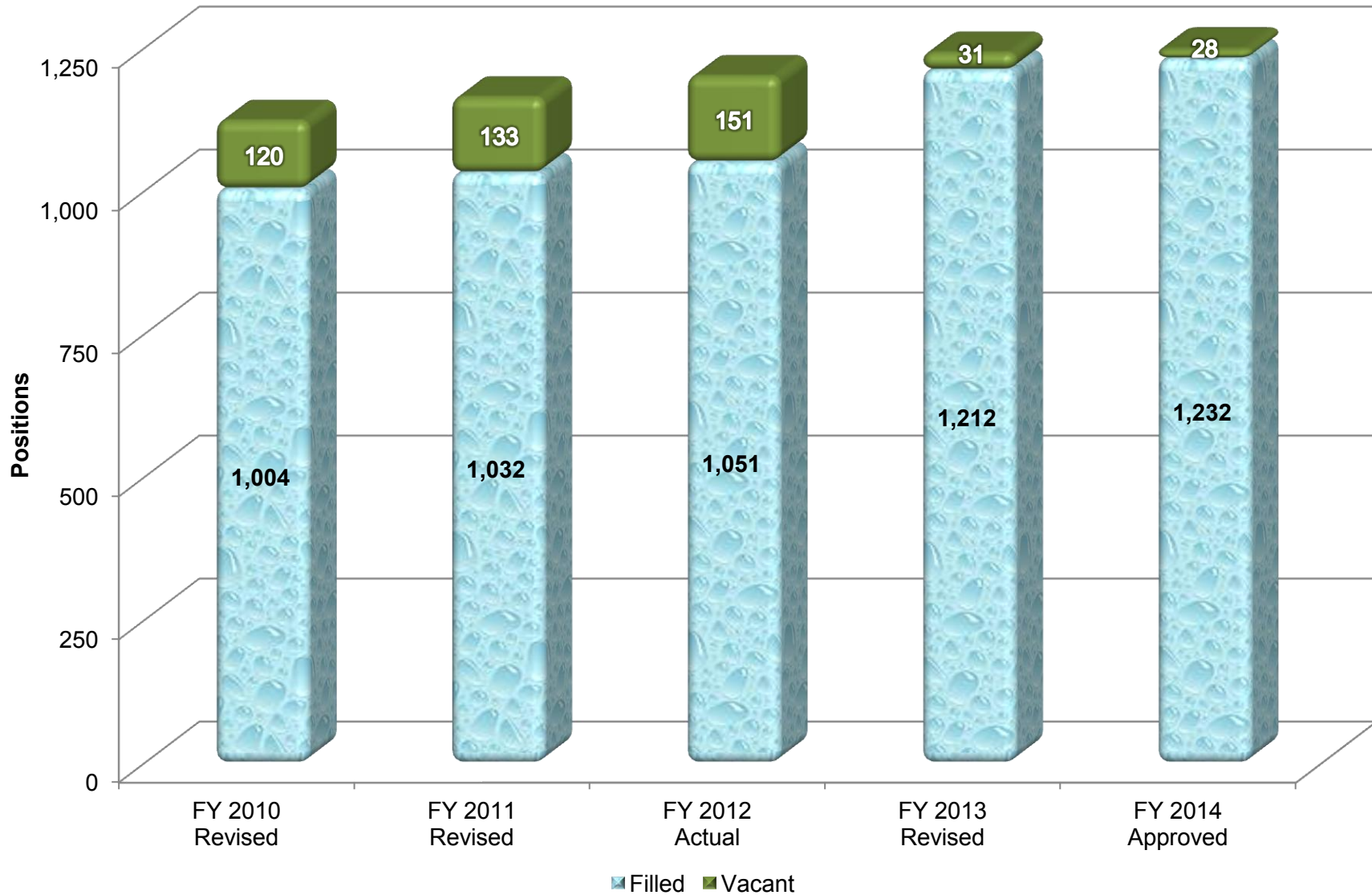
| | Auth Pos | Pay | Fringe | Overtime | Total PS | Supplies | Chemicals | Utilities | Contract | Biosolids | Water Purchases | Small Equipment | Total NPS | TOTAL Dept. |
|---|--------------|------------------|------------------|-----------------|-------------------|-----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|-------------------|-------------------|
| O Wastewater Treatment - Operations | 118 | 8,364 | 2,391 | 913 | 11,668 | 721 | 25,578 | 23,162 | 4,363 | 19,352 | - | 55 | 73,231 | 84,900 |
| p Wastewater Treatment - Process Engineering | 42 | 2,921 | 865 | 270 | 4,055 | 788 | - | 17 | 2,896 | - | - | 59 | 3,761 | 7,816 |
| e Maintenance Services | 117 | 7,667 | 2,270 | 750 | 10,687 | 2,423 | - | 139 | 5,870 | - | - | 193 | 8,625 | 19,312 |
| r Water Services | 207 | 12,036 | 3,539 | 980 | 16,555 | 890 | 50 | 4,100 | 4,355 | - | 31,513 | 140 | 41,048 | 57,603 |
| a Sewer Services | 159 | 10,305 | 3,034 | 900 | 14,239 | 529 | 160 | 3,122 | 3,049 | - | - | 60 | 6,921 | 21,160 |
| t Customer Service | 125 | 8,164 | 2,417 | 240 | 10,821 | 117 | - | 1,086 | 3,923 | - | - | 48 | 5,174 | 15,994 |
| i Water & Sewer Pumping Services | 33 | 2,200 | 651 | 200 | 3,051 | 621 | - | 15 | 1,349 | - | - | 100 | 2,085 | 5,136 |
| o Engineering and Tech. Services | 171 | 12,943 | 3,831 | 780 | 17,554 | 99 | - | 271 | 1,613 | - | - | 29 | 2,011 | 19,566 |
| n Clean Rivers | 10 | 1,160 | 343 | 5 | 1,508 | 15 | - | 22 | 100 | - | - | - | 137 | 1,645 |
| s Permit Operations | 15 | 1,141 | 338 | 11 | 1,490 | 36 | - | 331 | 158 | - | - | - | 525 | 2,015 |
| Subtotal Operations | 997 | 66,901 | 19,679 | 5,049 | 91,629 | 6,238 | 25,788 | 32,266 | 27,676 | 19,352 | 31,513 | 684 | 143,518 | 235,147 |
| A General Manager | 14 | 1,728 | 512 | 10 | 2,250 | 13 | - | 26 | 1,690 | - | - | - | 1,729 | 3,979 |
| d Office of the Board Secretary | 2 | 200 | 59 | 4 | 264 | 18 | - | 7 | 330 | - | - | 1 | 355 | 619 |
| m Internal Audit | - | - | - | - | - | - | - | 8 | 822 | - | - | - | 830 | 830 |
| i General Counsel | 15 | 1,395 | 413 | 2 | 1,810 | 10 | - | 19 | 5,477 | - | - | - | 5,506 | 7,316 |
| n External Affairs | 12 | 1,076 | 319 | 4 | 1,399 | 15 | - | 40 | 745 | - | - | 3 | 803 | 2,202 |
| i Information Technology | 24 | 1,747 | 506 | 20 | 2,273 | 199 | - | 131 | 7,480 | - | - | 147 | 7,956 | 10,229 |
| s Finance and Budget | 46 | 4,453 | 1,318 | 30 | 5,801 | 16 | - | 213 | 2,784 | - | - | 4 | 3,018 | 8,819 |
| t Risk Management | 4 | 326 | 97 | 1 | 424 | 6 | - | 5 | 5,599 | - | - | - | 5,609 | 6,033 |
| r AGM - Support Services | 2 | 240 | 71 | 1 | 313 | 1 | - | 5 | 21 | - | - | - | 27 | 340 |
| a Human Capital Management | 23 | 2,108 | 624 | 5 | 2,738 | 37 | - | 38 | 1,815 | - | - | 2 | 1,892 | 4,630 |
| t Facilities Management and Security | 67 | 4,402 | 1,284 | 200 | 5,886 | 468 | - | 109 | 6,360 | - | - | 57 | 6,993 | 12,879 |
| i Procurement | 38 | 2,794 | 827 | 30 | 3,651 | 39 | - | 63 | 387 | - | - | - | 489 | 4,140 |
| o Occupational Safety and Health | 10 | 977 | 289 | 2 | 1,268 | 50 | - | 25 | 541 | - | - | 10 | 626 | 1,894 |
| n Fleet Management | 6 | 577 | 171 | 1 | 749 | 12 | - | 1,057 | 3,016 | - | - | 85 | 4,169 | 4,918 |
| Subtotal Administration | 263 | 22,025 | 6,490 | 310 | 28,825 | 883 | - | 1,745 | 37,065 | - | - | 309 | 40,001 | 68,827 |
| Subtotal O & M Expenditures | 1,260 | \$ 88,926 | \$ 26,169 | \$ 5,359 | \$ 120,454 | \$ 7,121 | \$ 25,788 | \$ 34,011 | \$ 64,741 | \$ 19,352 | \$ 31,513 | \$ 993 | \$ 183,519 | \$ 303,973 |
| Debt Service | | | | | | | | | | | | | | 150,389 |
| Payment in Lieu of Taxes | | | | | | | | | | | | | | 20,081 |
| Right of Way | | | | | | | | | | | | | | 5,100 |
| Total Operating Expenditures | | | | | | | | | | | | | | 479,543 |
| Personnel Services charged to Capital Projects | | | | | | | | | | | | | | (17,860) |
| Total Net Operating Expenditures | | | | | | | | | | | | | | \$ 461,683 |

Authorized Positions FY 2010 - FY 2014



In FY 2011, DC Water began to increase hiring to perform activities previously undertaken through contracted services. This cost saving strategy is anticipated to save annual operating funds while providing organizational flexibility.

Filled vs. Vacant Positions FY 2010 - FY 2014



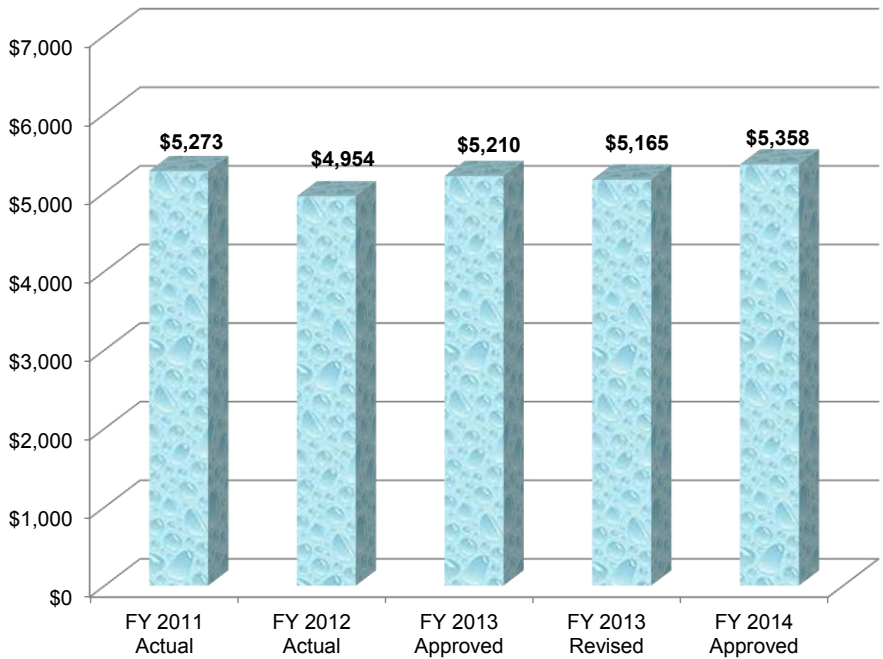
*Filled count represents year-end actual except for FY 2013 and FY 2014 which are budgeted filled numbers

FY 2013 Revised and FY 2014 Approved Positions

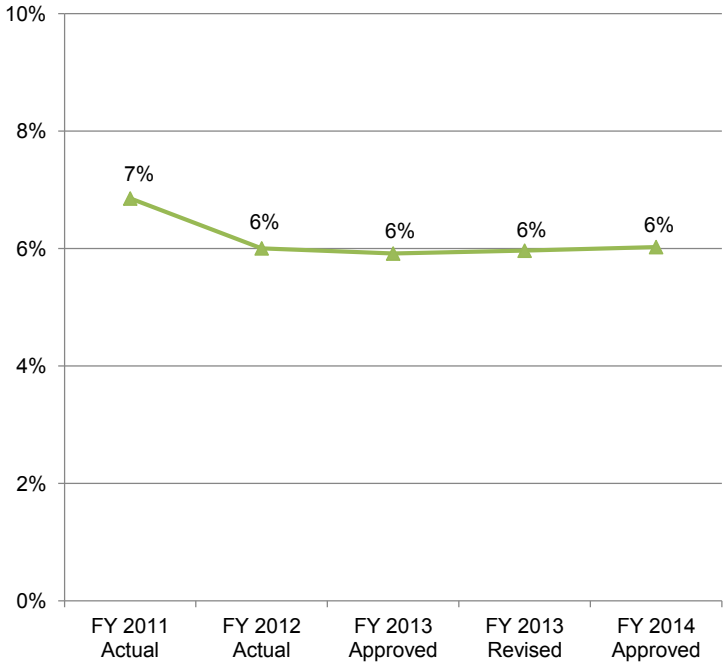
| | Fiscal Year 2011 | | | FY 2011 | Fiscal Year 2012 | | | FY 2012 | Fiscal Year 2013 | | Fiscal Year 2014 |
|--|------------------|----------------|----------------|-----------------|------------------|----------------|----------------|-----------------|------------------|--------------|------------------|
| | Authorized | Average Filled | Average Vacant | Year-End Filled | Authorized | Average Filled | Average Vacant | Year-End Filled | Approved | Revised | Approved |
| Operations | 125 | 107 | 19 | 106 | 121 | 117 | 4 | 121 | 121 | 108 | 118 |
| Wastewater Treatment - Operations | 125 | 107 | 19 | 106 | 121 | 117 | 4 | 121 | 121 | 108 | 118 |
| Wastewater Treatment - Process Engineering | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37 | 42 |
| Maintenance Services | 139 | 125 | 14 | 123 | 139 | 105 | 34 | 97 | 139 | 115 | 117 |
| Water Services | 172 | 160 | 12 | 159 | 184 | 159 | 25 | 158 | 207 | 207 | 207 |
| Sewer Services | 159 | 152 | 7 | 156 | 159 | 151 | 8 | 153 | 159 | 159 | 159 |
| Customer Service | 124 | 113 | 11 | 113 | 124 | 116 | 8 | 118 | 125 | 125 | 125 |
| Water & Sewer Pumping Services | 33 | 26 | 8 | 27 | 33 | 30 | 3 | 30 | 33 | 33 | 33 |
| Engineering and Technical Services | 144 | 110 | 34 | 117 | 156 | 124 | 32 | 135 | 170 | 171 | 171 |
| Clean Rivers | 10 | 2 | 8 | 3 | 10 | 4 | 6 | 5 | 10 | 10 | 10 |
| Permit Operations | 3 | 2 | 1 | 3 | 15 | 11 | 4 | 14 | 15 | 15 | 15 |
| Subtotal | 909 | 798 | 111 | 807 | 941 | 817 | 124 | 831 | 979 | 980 | 997 |
| Administration | 14 | 10 | 4 | 9 | 17 | 10 | 7 | 9 | 15 | 14 | 14 |
| General Manager | 14 | 10 | 4 | 9 | 17 | 10 | 7 | 9 | 15 | 14 | 14 |
| Office of the Board Secretary | 2 | 2 | 0 | 2 | 2 | 2 | 0 | 2 | 2 | 2 | 2 |
| Internal Audit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General Counsel | 14 | 13 | 1 | 13 | 14 | 11 | 3 | 11 | 15 | 15 | 15 |
| External Affairs | 11 | 10 | 1 | 11 | 11 | 11 | 0 | 12 | 12 | 12 | 12 |
| Information Technology | 24 | 12 | 12 | 13 | 24 | 12 | 13 | 11 | 24 | 24 | 24 |
| Finance and Budget | 44 | 42 | 2 | 42 | 46 | 41 | 5 | 42 | 46 | 46 | 46 |
| Risk Management | 4 | 3 | 1 | 3 | 4 | 4 | 0 | 4 | 4 | 4 | 4 |
| Asst. Gen. Mgr. - Support Services | 2 | 1 | 1 | 2 | 2 | 2 | 0 | 2 | 2 | 2 | 2 |
| Human Capital Management | 24 | 21 | 3 | 21 | 23 | 22 | 1 | 23 | 23 | 23 | 23 |
| Facilities Management and Security | 59 | 56 | 3 | 56 | 66 | 61 | 5 | 58 | 67 | 67 | 67 |
| Procurement | 38 | 35 | 3 | 36 | 38 | 35 | 4 | 33 | 38 | 38 | 38 |
| Occupational Safety and Health | 14 | 11 | 3 | 11 | 8 | 8 | 0 | 8 | 10 | 10 | 10 |
| Fleet Management | 6 | 6 | 0 | 6 | 6 | 6 | 0 | 5 | 6 | 6 | 6 |
| Subtotal | 256 | 222 | 34 | 225 | 261 | 224 | 37 | 220 | 264 | 263 | 263 |
| Total Positions | 1,165 | 1,020 | 145 | 1,032 | 1,202 | 1,041 | 161 | 1,051 | 1,243 | 1,243 | 1,260 |

Comparative Overtime FY 2011 - FY 2014

Annual Overtime (\$000's)



Overtime as a % of Regular Pay



OVERTIME BY DEPARTMENT
FY 2011 - FY 2014
(\$000's)

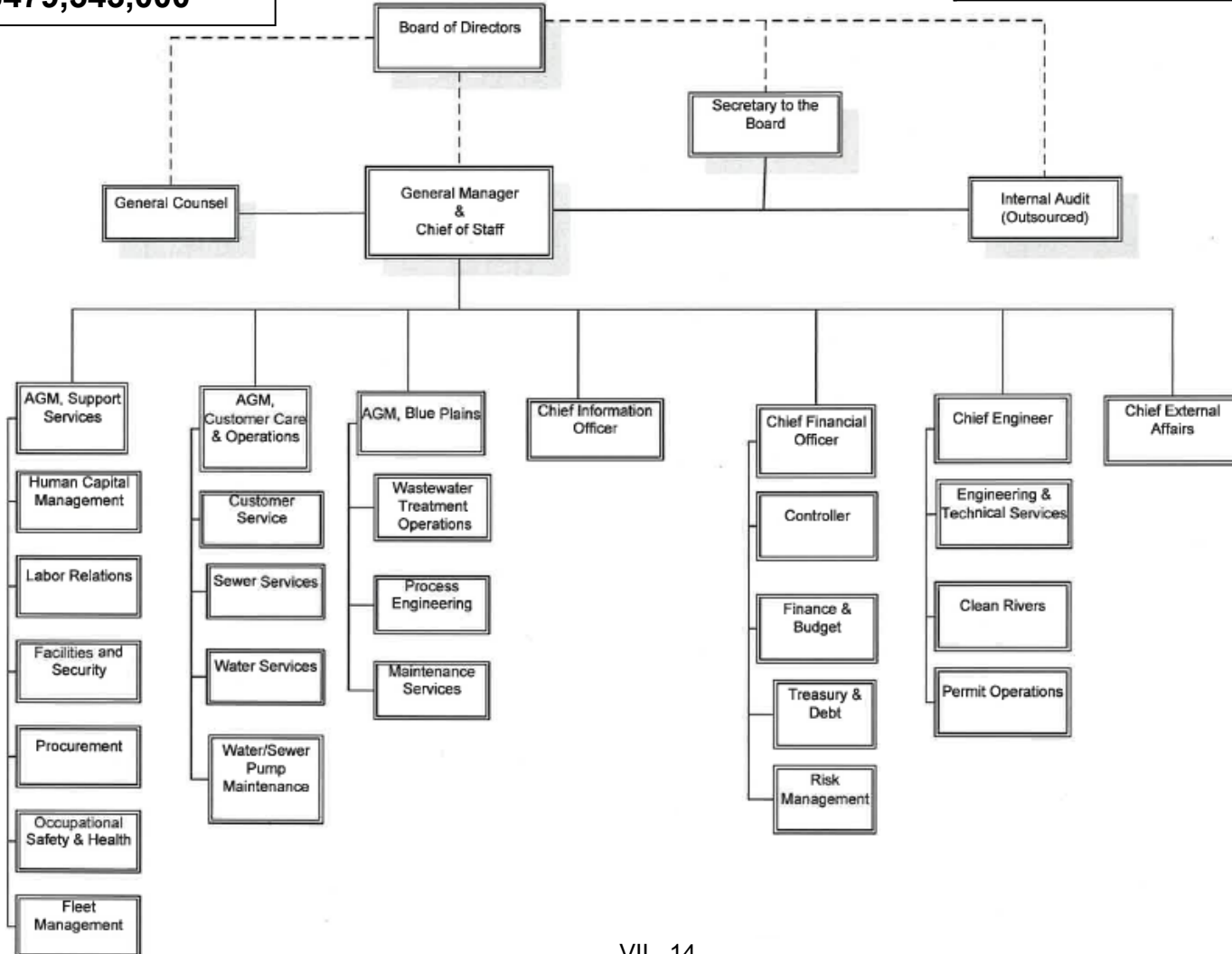
| Department | FY 2011 Actual | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|---------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| Wastewater Treatment - Operations | 1,010 | 1,093 | 986 | 847 | 913 |
| Wastewater Treatment - Process Engineering | - | - | - | 195 | 270 |
| Maintenance Services | 883 | 718 | 800 | 700 | 750 |
| Water Services | 1,175 | 881 | 1,080 | 1,080 | 980 |
| Sewer Services | 901 | 875 | 900 | 900 | 900 |
| Customer Service | 189 | 178 | 240 | 240 | 240 |
| Water/Sewer Pump Maintenance | 113 | 142 | 200 | 200 | 200 |
| Engineering and Technical Services | 720 | 780 | 680 | 680 | 780 |
| Clean Rivers | 4 | 2 | 5 | 5 | 5 |
| Permit Operations | 0 | 2 | 11 | 11 | 11 |
| General Manager | 2 | 1 | 10 | 10 | 10 |
| Secretary to the Board of Directors | 2 | 3 | 4 | 4 | 4 |
| Internal Audit | - | - | - | - | - |
| General Counsel | 1 | 1 | 2 | 2 | 2 |
| External Affairs | 3 | 1 | 2 | 2 | 4 |
| Information Technology | 16 | 23 | 20 | 20 | 20 |
| Finance and Budget | 28 | 19 | 30 | 30 | 30 |
| Risk Management | 0 | 0 | 1 | 1 | 1 |
| Assistant General Manager - Support Services | 1 | 1 | 1 | 1 | 1 |
| Human Capital Management | 3 | 26 | 5 | 5 | 5 |
| Facilities Management and Security | 204 | 190 | 200 | 200 | 200 |
| Procurement | 18 | 16 | 30 | 30 | 30 |
| Occupational Safety and Health | 0 | 1 | 2 | 2 | 2 |
| Fleet Management | 1 | 1 | 1 | 1 | 1 |
| Total | \$ 5,273 | \$ 4,954 | \$ 5,210 | \$ 5,166 | \$ 5,359 |



D. C. Water & Sewer Authority
Organization Chart

**FY 2014
Operating Budget
\$479,543,000**

| POSITIONS | | | | |
|------------------|--------------------------|---------------------------|---------|---------|
| FY 2012 | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 1,202 | 1,041 | 1,051 | 1,243 | 1,260 |



this page intentionally left blank



**ASSISTANT GENERAL
MANAGER
Blue Plains**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 121 | 117 | 121 | 108 | 118 |

**FY 2014 Budget
\$84,900,000**

**WASTEWATER
TREATMENT -
OPERATIONS
2 - Positions**

**Administrative
Support
3 - Positions**

**Wastewater
Treatment
Plant Operations
94 - Positions**

**Residuals Energy &
Nutrient Recycling
6 - Positions**

**Clean Water Quality
& Technology
13 - Positions**

FUNCTIONS

- Treat influent wastewater to remove pollutants and meet National Pollutant Discharge Elimination System Permit (NPDES) requirements
- Condition, thicken, dewater and stabilize biosolids for beneficial use
- Manager 4 shift crews – round the clock
- Manage use of resources – chemicals, energy, and contract support

FUNCTIONS

- Biosolids storage, loading, hauling and utilization/beneficial use

FUNCTIONS

- Physical, chemical and biological analysis of wastewater and biosolids used for process control and permit reporting
- Industrial discharge monitoring
- Treatment process R&D

WASTEWATER TREATMENT - OPERATIONS

MISSION: To treat wastewater delivered to Blue Plains from the collection system of the District of Columbia and surrounding jurisdictions in Maryland and Virginia, ensuring that effluent is in compliance with the Clean Water Act.

BUDGET OVERVIEW: The revised FY 2013 operating budget decreased by \$4.4 million below the approved FY 2013 budget due to the reallocation of 13 FTEs to support the new Process Engineering Department within Wastewater Treatment (Blue Plains), and reduction in utilities (electricity). The approved FY 2014 budget increased by \$1.6 million compared to the revised FY 2013 budget due to anticipated increases in personnel services (including the addition of 10 FTEs to support the Digester Project), chemicals, and utilities (water usage) costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 121 | 121 | 108 | 118 |
| Average number of positions filled | 117 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 12,938 | 11,783 | 10,755 | 11,668 |
| Overtime | 1,093 | 986 | 847 | 913 |
| Non-Personnel Services: | | | | |
| Supplies | 705 | 743 | 743 | 721 |
| Chemicals | 21,174 | 24,749 | 24,749 | 25,578 |
| Utilities | 18,433 | 26,356 | 22,956 | 23,162 |
| Contractual Services, etc. | 3,187 | 4,599 | 4,599 | 4,363 |
| Biosolids | 16,177 | 19,414 | 19,414 | 19,352 |
| Small Equipment | 14 | 89 | 89 | 55 |
| Total Non-Personnel Services | 59,690 | 75,951 | 72,550 | 73,232 |
| Total Operations | 72,628 | 87,735 | 83,305 | 84,900 |
| Capital Equipment | - | 275 | 275 | 100 |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|------------------------|------------------------|------------------------|------------------------|
| Achieve NACWA Award Status | Platinum | Platinum | Platinum | Platinum |
| Compliance with disposal of biosolids regulations (100%) | 100% Compliance | 100% Compliance | 100% Compliance | 100% Compliance |
| Inspection and Sampling of Pretreatment Permittees (100%) | 100% Complete | 100% Complete | 100% Complete | 100% Complete |
| Obtain 90% acceptable results on discharge monitoring report quality assurance samples | 90% Acceptable results | 90% Acceptable results | 90% Acceptable results | 90% Acceptable results |

Note: EPA 503 (i.e., Title 40 of the Code of Federal Regulations, Part 503) regulates the use or disposal of sewage sludge or biosolids EPA DMR QA (i.e., Discharge Monitoring Report Quality Assurance) is conducted on wastewater samples used for permit compliance reports. Achieving acceptable results for at least 90% of samples will minimize the potential for EPA to audit the laboratory.

WASTEWATER TREATMENT - OPERATIONS

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Maintain full compliance with the National Pollutant Discharge Elimination Systems (NPDES) permit
- Continue to support implementation of CIP projects including Enhanced Nitrogen Removal (ENR), Biosolids Management Program (BMP), and Long Term Control Plan (LTCP)
- Continue implementation of Safety and Operator Cross Training and Incentive Programs
- Continue implementation of High Priority Rehabilitation Program to ensure critical process equipment remains in service
- Continue implementation of an Asset Management Program to operate and maintain the facilities at Blue Plains at the desired level of service and the lowest life cycle cost
- Continue to work with surrounding jurisdictions (Maryland and Virginia) on regulatory requirements for biosolids and land applications
- Continue to conduct wastewater treatment process research and development in various areas including:
 - Kinetics and Stoichiometry Assessment for In-Plant Processes
 - Molecular methods to determine process kinetics and stoichiometry
 - Model development of wastewater treatment processes
 - Decision analysis for design and operation
 - Water quality research

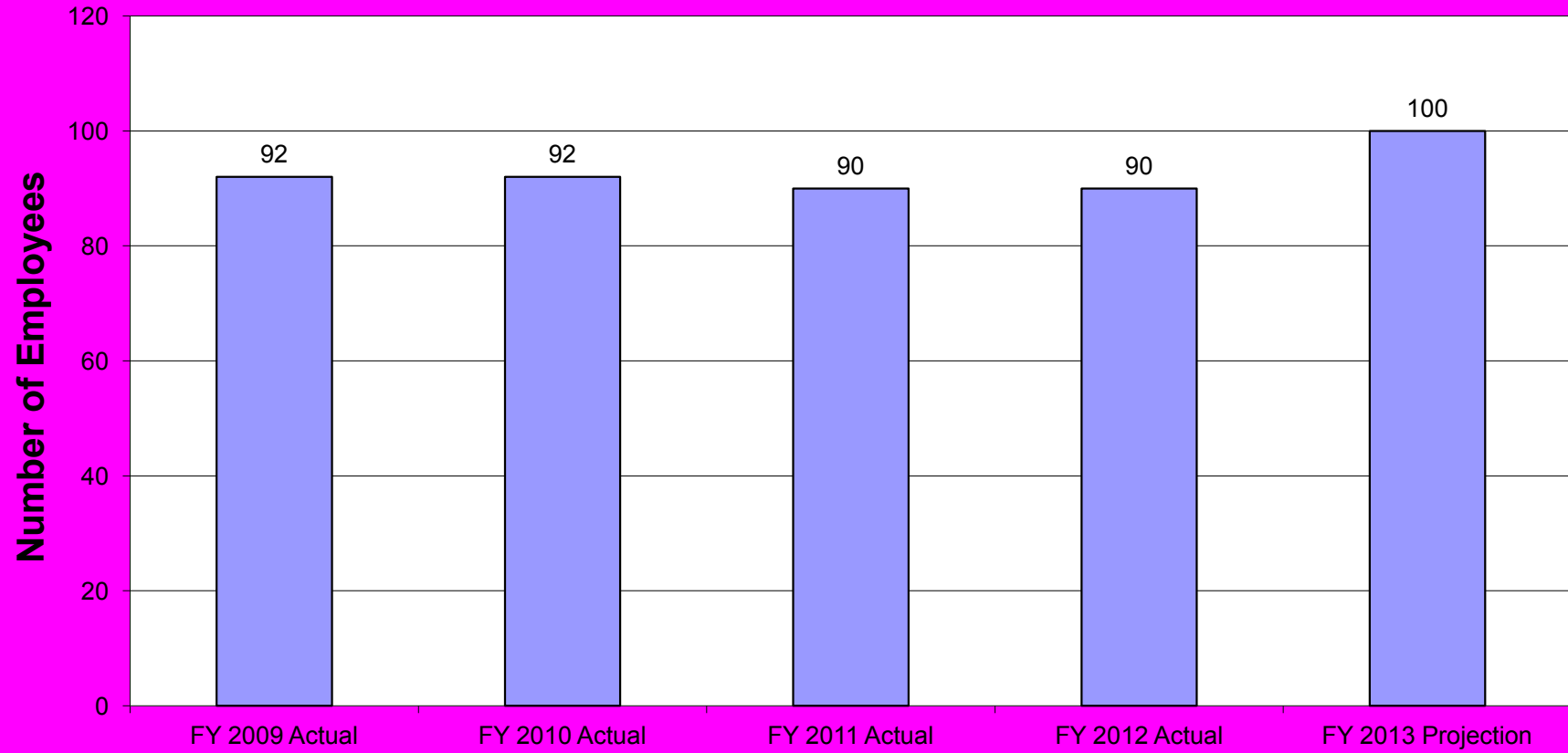
FY 2014 Major Recommended Activities and Changes

- Continue to implement the Internal Improvement Plan (IIP) recommendations to improve Plant efficiency and effectiveness
- Continue to conduct wastewater treatment process research and development

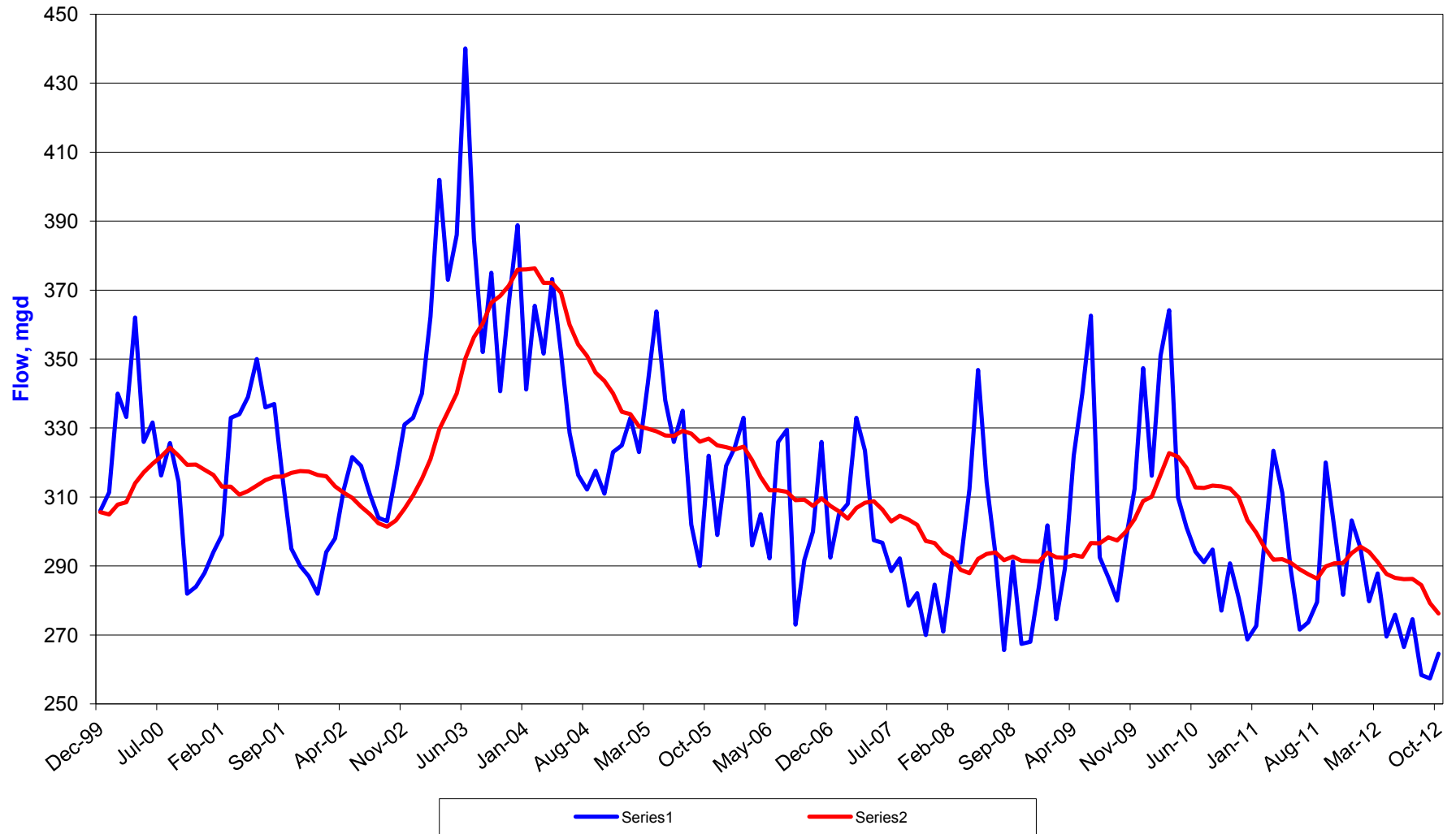
Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- The fine bubble aeration and mixing equipment upgrade in the Biological Nutrient Removal (BNR) Facilities will continue to enhance aeration process efficiency and reduce energy consumption. Additionally, the Digester Project would reduce the quantity of biosolids production, which would reduce hauling costs

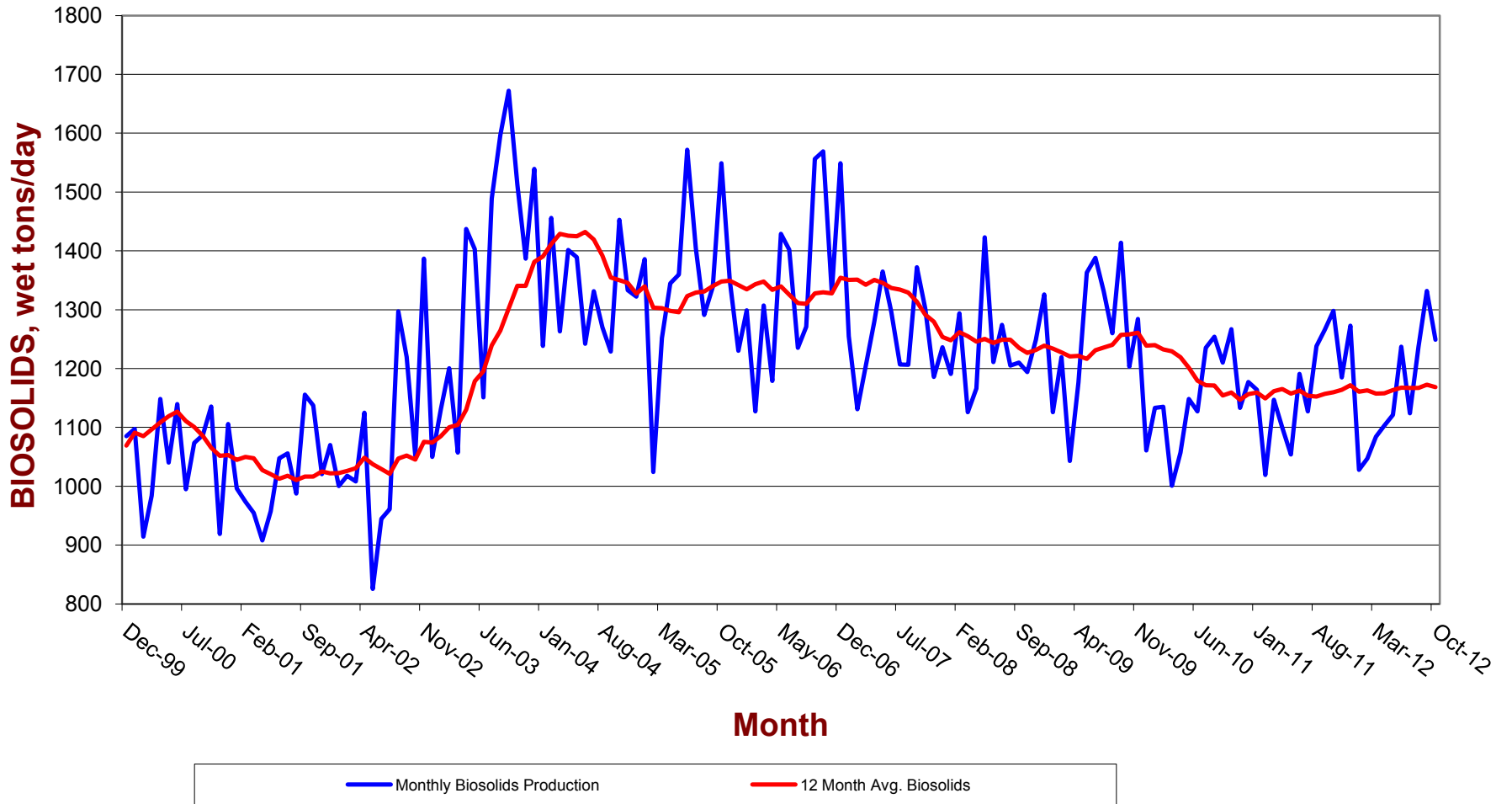
Wastewater Treatment Certified Operators FY 2009 - FY 2013



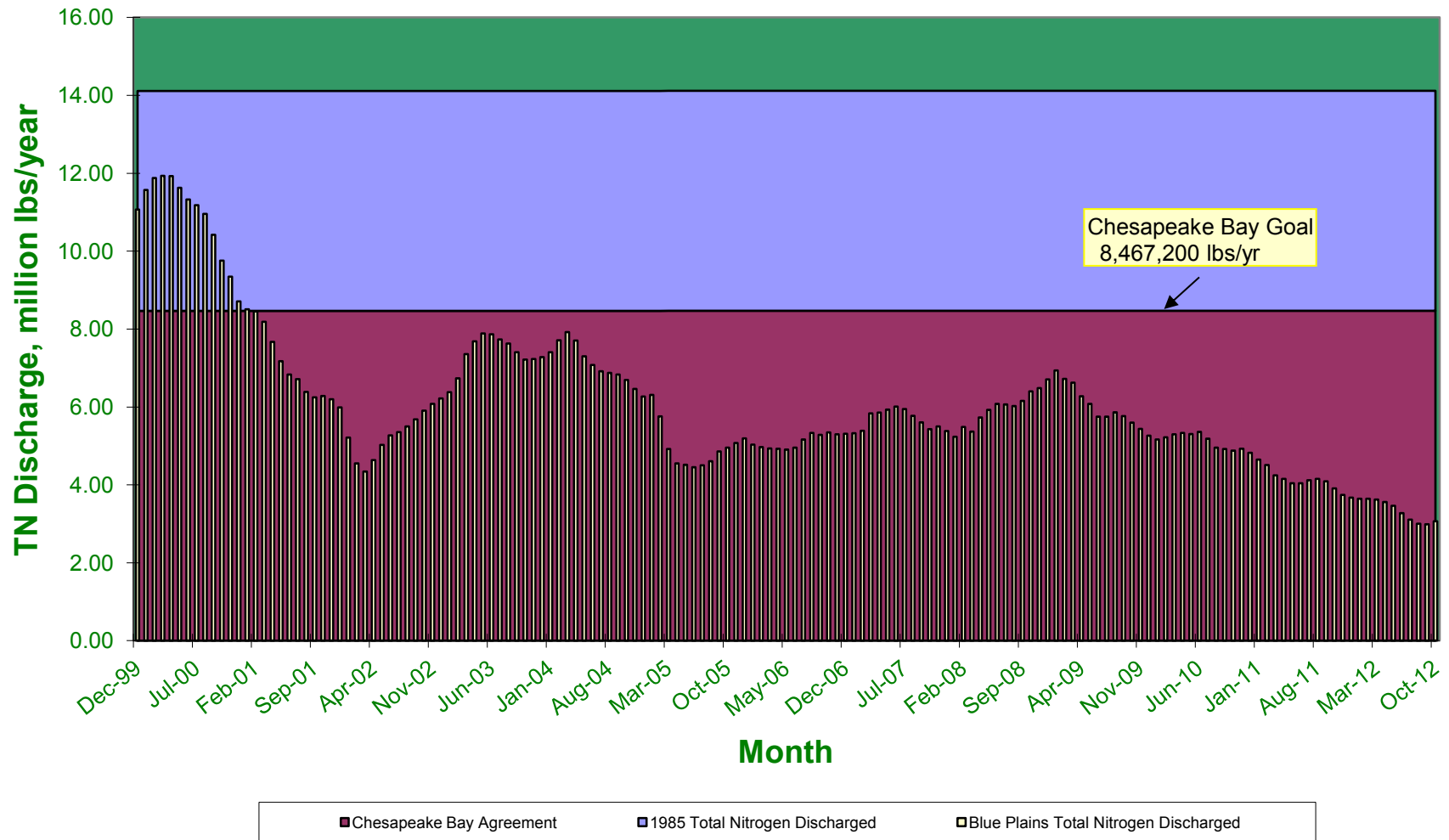
**BLUE PLAINS WASTEWATER TREATMENT
PLANT EFFLUENT FLOW
DECEMBER 2009 - OCTOBER 2012**



BLUE PLAINS WASTEWATER TREATMENT PLANT BIOSOLIDS PRODUCTION DECEMBER 2009 - OCTOBER 2012



BLUE PLAINS WASTEWATER TREATMENT PLANT ANNUAL TOTAL NITROGEN LOAD DECEMBER 1999 - OCTOBER 2012



this page intentionally left blank



**ASSISTANT GENERAL
MANAGER
Blue Plains**

| | | POSITIONS | |
|------------|--------------------------|---------------------------|---------|
| | | CURRENT | |
| Authorized | Average Positions Filled | Year-End Positions Filled | |
| | | | FY 2013 |
| | | | FY 2014 |
| | | | 37 |
| | | | 42 |

**FY 2014 Budget
\$7,816,000**

**WASTEWATER
TREATMENT -
PROCESS
ENGINEERING
1 - Position**

**Process
Control
Systems
5 - Positions**

**Process
Engineering
9 - Positions**

**Process
Control
Maintenance
27 - Positions**

FUNCTIONS

- Maintain Process Control System (PCS) for Blue Plains Advanced Wastewater Treatment Plant
- Provide Design and Construction interface to PCS
- Manage PCS hardware, software, maintenance, and support services
- Troubleshoot PCS issues and train Process and Instrumentation staff

FUNCTIONS

- Establish Process Control operating targets for Blue Plains
- Optimize process, chemical, and power use at the plant
- Provide design comments and support during construction of capital projects
- Troubleshoot process performance problems

FUNCTIONS

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance
- Maintain electronic process control systems, flow measurement, metering and recording equipment for the Blue Plains Advanced Wastewater Treatment Plant

WASTEWATER TREATMENT - PROCESS ENGINEERING

MISSION: To economically maintain DC Water's process equipment and facilities at the Blue Plains Plant, ensuring that the operational and customer service objectives of the Authority are achieved.

BUDGET OVERVIEW: This new department was established after the FY 2013 budget was approved. The approved FY 2014 budget increased by approximately \$4.5 million over the revised FY 2013 budget due to anticipated increases in personnel services (including the addition of five FTEs to support the Digester Project), and funding for various non-personnel services line items (supplies, utilities, contractual services and small equipment).

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | | | 37 | 42 |
| Average number of positions filled | | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | | | 3,317 | 4,055 |
| Overtime | | | 195 | 270 |
| Non-Personnel Services: | | | | |
| Supplies | | | | 788 |
| Occupancy | | | | 17 |
| Contractual | | | | 2,896 |
| Equipment | | | | 59 |
| Total Non-Personnel Services | | | 0 | 3,761 |
| Total Operations & Maintenance | | | 3,317 | 7,816 |
| Capital Equipment | | | 385 | 1,616 |
| Targeted Performance Measures | | | | |
| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Critical Equipment Availability (97%) | | | 98% | 98% |

WASTEWATER TREATMENT - PROCESS ENGINEERING

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Provide guidance on set points and Plant operations
- Provide Process Engineering reviews on new Capital Projects in Planning
- Provide Process Engineering reviews on new Capital Projects in Design
- Continue to assist with Construction Project Commissioning phases
- Manage the Process Control System (PCS)
- Continue the Equipment Reliability Program (predictive maintenance/condition monitoring)
- Continue the Critical Spare Parts Inventory for process control equipment
- Continue the major critical equipment maintenance initiative across the plant
- Continue the Unit Shelf Replacement (spares) Program

FY 2014 Major Recommended Activities and Changes

- Continue to build on planned activities of FY 2013
- Startup and training for new capital projects – MPT (Main Process Train), ENRF (Enhanced Nitrogen Removal Facility), and FDF (Final Dewatering Facility, which is a part of the Digester Project)
- Develop and deploy Key Performance Indicators in each group
- Re-organize Process Engineering roles, responsibilities, and reporting structure

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Increased effort for training and commissioning of new facilities – ENRF, MPT, and FDF in FY 2013 and FY 2014
- Increased labor and material for maintenance of new facilities in FY 2014

this page intentionally left blank



**ASSISTANT GENERAL
MANAGER
Blue Plains**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 139 | 105 | 97 | 115 | 117 |

**FY 2014 Budget
\$19,312,000**

**MAINTENANCE
SERVICES**

**Electrical
Maintenance
39 - Positions**

**Mechanical
Maintenance
65 - Positions**

**Maintenance
Management
13 - Positions**

FUNCTIONS

- Maintain electrical process control systems, equipment, and components for Blue Plains Advanced Wastewater Treatment Plant
- Operate and maintain electrical power distribution system from 69kv to 5kv, electrical control systems for all process equipment and all DC Water facilities
- Inspect and maintain cranes for all DC Water facilities

FUNCTIONS

- Maintain mechanical process systems and equipment for the Blue Plains Advanced Wastewater Treatment Plant
- Plan, schedule, and perform condition monitoring for all process equipment at all DC Water facilities

FUNCTIONS

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance
- Plan & operate support systems to manage maintenance by planning, estimating, inspecting, and scheduling maintenance activities
- Coordinate work through operations and engineering
- Provide administrative support

MAINTENANCE SERVICES

MISSION: To economically maintain DC Water's process equipment and facilities at the Blue Plains Plant, ensuring that the operational and customer service objectives of the Authority are achieved.

BUDGET OVERVIEW: The revised FY 2013 budget decreased by approximately \$2.5 million below the approved FY 2013 budget due to the reallocation of 24 FTEs to establish a new Process Engineering Department within Wastewater Treatment (Blue Plains). The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.6 million due to anticipated increases in personnel services costs (including the addition of two FTEs to support the Digester Project), increased parts purchase for preventive maintenance, and maintenance costs for new facilities.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 139 | 139 | 115 | 117 |
| Average number of positions filled | 105 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 10,456 | 12,767 | 10,292 | 10,687 |
| Overtime | 718 | 800 | 700 | 750 |
| Non-Personnel Services: | | | | |
| Supplies | 1,756 | 2,352 | 2,352 | 2,423 |
| Utilities | 107 | 122 | 122 | 139 |
| Contractual Services, etc. | 5,336 | 5,783 | 5,783 | 5,870 |
| Small Equipment | 538 | 193 | 193 | 193 |
| Total Non-Personnel Services | 7,736 | 8,451 | 8,451 | 8,625 |
| Total Operations & Maintenance | 18,192 | 21,217 | 18,743 | 19,312 |
| Capital Equipment | 1,689 | 900 | 4,047 | 3,146 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Critical Equipment Availability (97%) | 98% | 98% | 98% | 98% |

MAINTENANCE SERVICES

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue to perform preventive, corrective and predictive maintenance services in all treatment process area equipment to improve reliability, reduce down time and maximize asset life
- Continue critical equipment scoring and implementation in Maximo
- Continue critical spare parts inventory evaluation process and develop the part "Item Master" in Maximo
- Capture and record all material purchases from both Lawson and P-Cards on Maximo work orders written against assets
- Track, report, and analyze asset failures by cost to identify "poor performers"
- Continue Preventive Maintenance Validation Team's improvement program
- Continue Diver Services Program as needed
- Continue the High Priority Rehabilitation Program
- Continue to support the new Process Computer Control System (PCCS) group
- Continue to build equipment reliability program (predictive maintenance/condition monitoring)
- Continue Unit Shelf Replacement (spares) Program
- Continue lubrication technician program within the equipment reliability group
- Continue to provide high voltage, predictive maintenance, and crane maintenance support for Water & Sewer Pumping Maintenance (Customer Care and Operations outside Blue Plains)
- Continue to increase safety awareness by enhancing equipment LOTO (lockout/tag-out) procedure

FY 2014 Major Recommended Activities and Changes

- Continue building upon the Planned Activities of FY 2013
- Fully implement work order planning and process
- Develop and deploy new Key Performance Indicators to measure maintenance efficiency and productivity
- Re-organize maintenance roles, responsibilities and reporting structure

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Increased maintenance support for various facilities as they come online within the next year: (1) New Main Process Plant including Cambi Thermal Hydrolysis and Digester Process; (2) Enhanced Nitrogen Removal Facility; and (3) the Methanol Facility commissioned

this page intentionally left blank

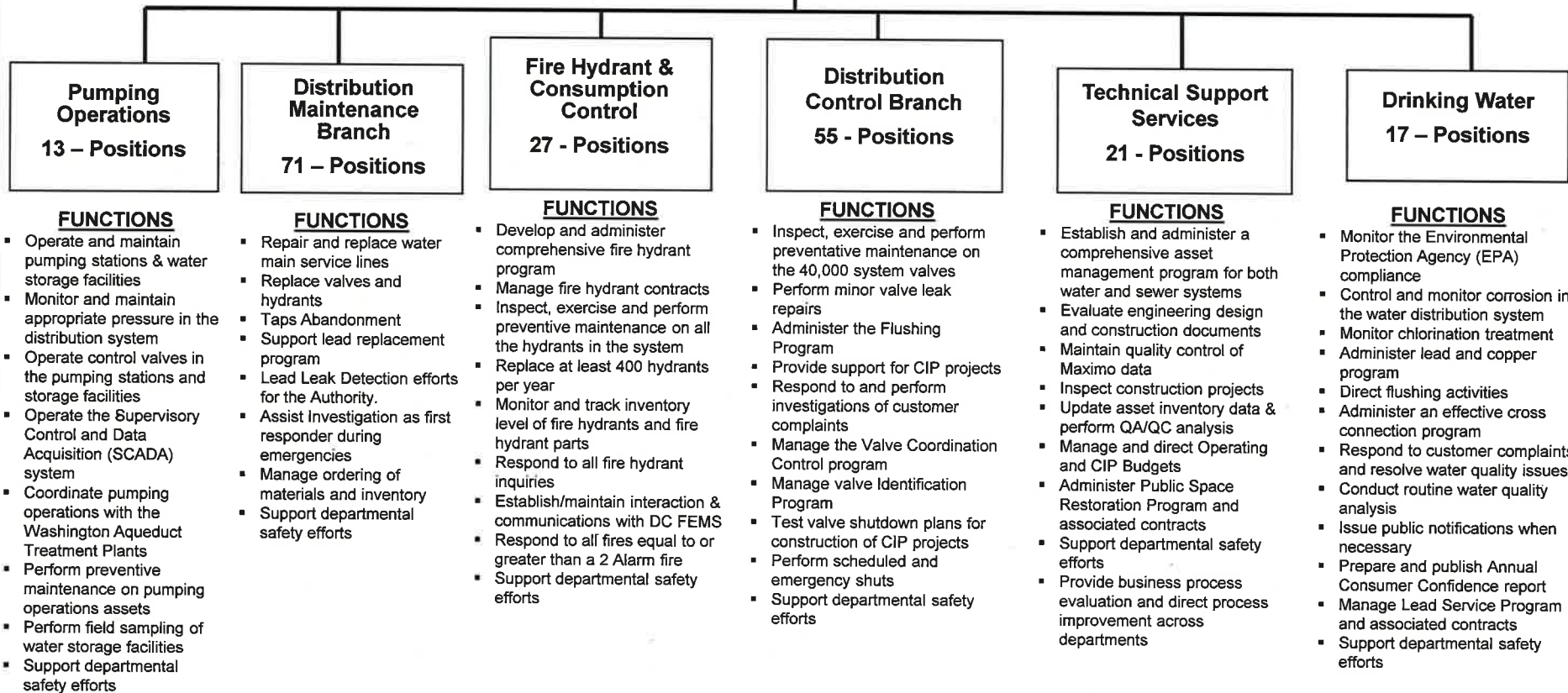


**ASSISTANT GENERAL
MANAGER
CUSTOMER CARE &
OPERATIONS**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| | | | CURRENT | |
| Authorized | Average Positions Filled | Year-End Positions Filled | FY 2013 | FY 2014 |
| 184 | 159 | 158 | 207 | 207 |

**FY 2014 Budget
\$57,603,000**

**WATER
SERVICES
3 - Positions**



WATER SERVICES

MISSION: To operate and maintain a potable water transmission and distribution system, which delivers safe drinking water to DC Water's customers. Water Services will ensure that water distribution meets or exceeds the applicable water quality regulations promulgated by the Safe Drinking Water Act and is provided in a reliable manner.

BUDGET OVERVIEW: The revised FY 2013 operating budget is approximately \$1.9 million lower compared to the approved FY 2013 operating budget. This change is primarily due to decreased funding in personnel services, contractual services, and water purchases. The \$1.7 million decrease in the approved FY 2014 budget reflects decreased contractual services cost as the department continues to transition to in-house operations.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 184 | 207 | 207 | 207 |
| Average number of positions filled | 159 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 14,926 | 17,364 | 16,745 | 16,555 |
| Overtime | 881 | 1,080 | 1,080 | 980 |
| Non-personnel Services: | | | | |
| Supplies | 833 | 1,010 | 1,010 | 890 |
| Chemicals | 138 | 80 | 80 | 50 |
| Utilities | 2,567 | 4,487 | 4,239 | 4,100 |
| Contractual Services, etc. | 3,277 | 5,564 | 5,564 | 4,355 |
| Water Purchases | 28,389 | 32,523 | 31,513 | 31,513 |
| Small Equipment | 130 | 180 | 180 | 140 |
| Total Non-Personnel Services | 35,334 | 43,844 | 42,586 | 41,048 |
| Total Operations & Maintenance | 50,260 | 61,207 | 59,331 | 57,603 |
| Capital Equipment | 530 | 785 | 485 | 485 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Maintain full compliance with Safe Drinking Water Act standards for positive coliform results (less than 5%) | <5% | <5% | <5% | <5% |
| Flush at least 50% of the 1,300 miles of pipe in the distribution system annually | 50% | 50% | 50% | 50% |
| Exercise 18,000 - 23,000 valves annually | 25,000 | 25,000 | 25,000 | 25,000 |
| Maintain a 99% fire hydrant operational rate | 99% | 99% | 99% | 99% |
| Respond to 95% of all emergency service orders in less than 45 minutes | 97% | 97% | 97% | 97% |
| Repair 90% of reported main leaks within 10 days | 90% | 90% | 90% | 90% |

WATER SERVICES

OVERVIEW

FY 2013 Major Recommended Activities and Changes

- Continue current contract routine for cleaning and disinfection of reservoirs and elevated storage tanks
- Continue to ensure the Pumping Facilities meet or exceed the MS4 permit requirements that support DC Water's Storm Water Pollution Prevention Plan
- Work with Department of Engineering and Technical Services (DETS) to launch the following projects:
 - Lead abatement and painting at Bryant Street
 - Fort Reno improvements contract which has been awarded and is about to start construction
 - Remote pressure site installation.
 - Discharge Piping at Bryant Street
- Continue recommended improvements to those reservoirs and tanks identified within EPA's Sanitary Survey
- Inspect, exercise and perform preventative maintenance on the 40,000 system valves
- Flush at least 50% of the water distribution system
- Develop requirements for Asset Management Program in Water Services
- Coordinate fire suppression needs with and for DC Fire and Emergency Management Services (DC Fire and EMS)
- Co-develop Public Space Restoration activities and permit requirements and costs with the District Department of Transportation (DDOT) for public and private occupancy by providing crews and contractors with permits on-site with the work order.
- Administer Flow Test program and Improve response (turn around) time for flow test as well as flow test 1,500 fire hydrants per year

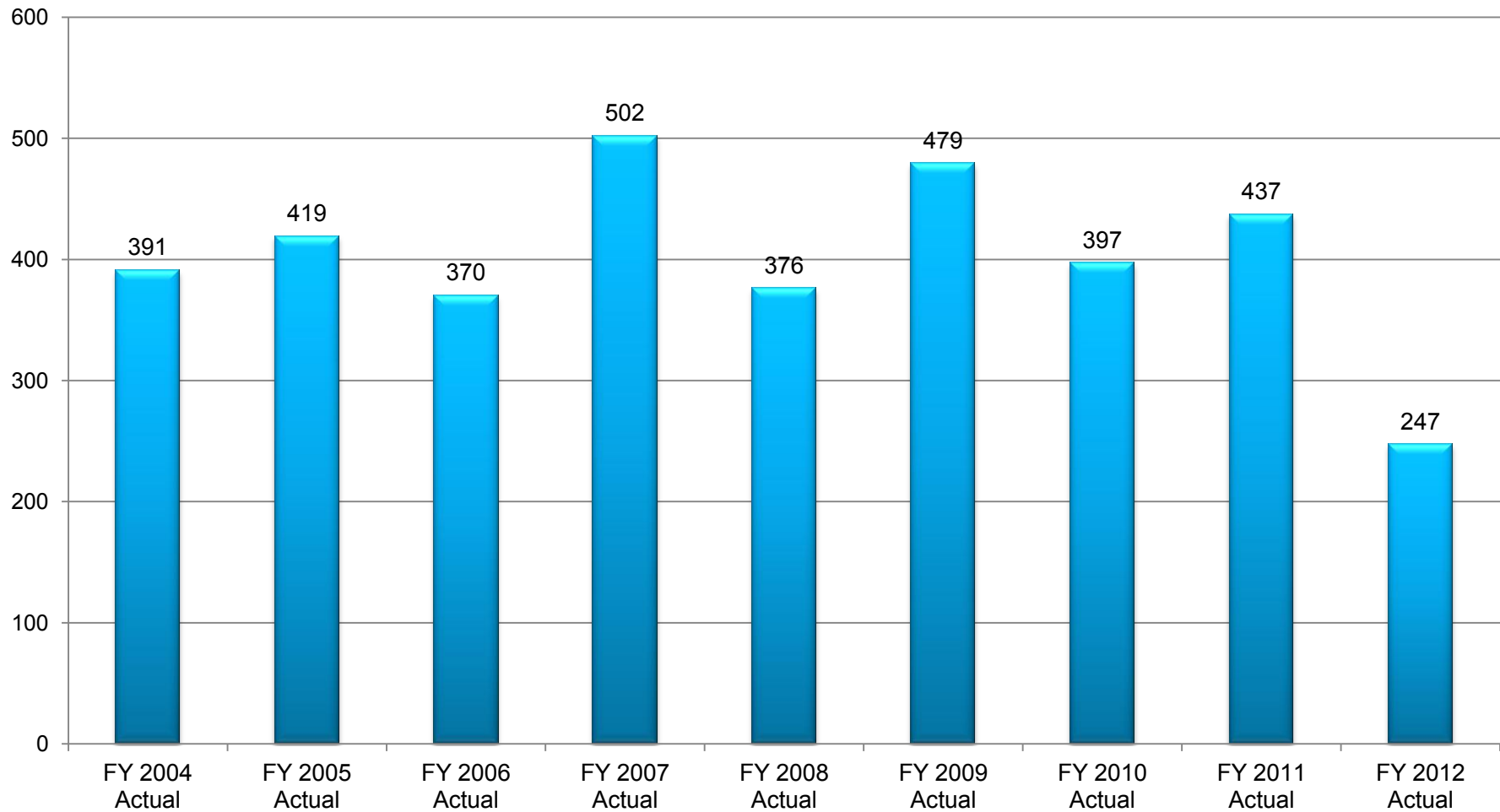
FY 2014 Major Recommended Activities and Changes

- Continue with our strategic fire hydrant upgrade and replacement plans, replacing at least 400 fire hydrants in FY 2013 and beyond.
- Continue our target to inspect all public fire hydrants at least once a year and perform required repairs in a timely fashion.
- Continue with our target to flow test 1,500 hydrants per year. Flow tests are performed to meet the requirements of the MOU with DC Fire and EMS, as well as respond to new service connection requests from developers, while meeting operational needs.
- Exercise critical valves every year and non-critical valves are scheduled to be exercised every two years.
- Improve our inventory control and asset management systems
- Accelerate quality control / quality assurance measures for critical programs and assets (pump stations, valves, hydrants, mains and service lines).
- Continue employee certification program for all the personnel in the Pumping Division
- Continue the development of requirements for Asset Management Program in Water Services
- Implement critical guidelines and control operating procedures for all facilities
- Continue recommended improvements to those reservoirs and tanks identified within EPA's Sanitary Survey
- Establish and administer a comprehensive project management program for restoration of public space.
- Establish an Enforcement Task Force Team to protect the Water and Sewer Distribution system from illegal activities such as Cross Connection contamination, unlawful dumping of Fats, Oils, and Grease (F.O.G), unauthorized fire hydrant use, and illegal connections into the water and sewer system.

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

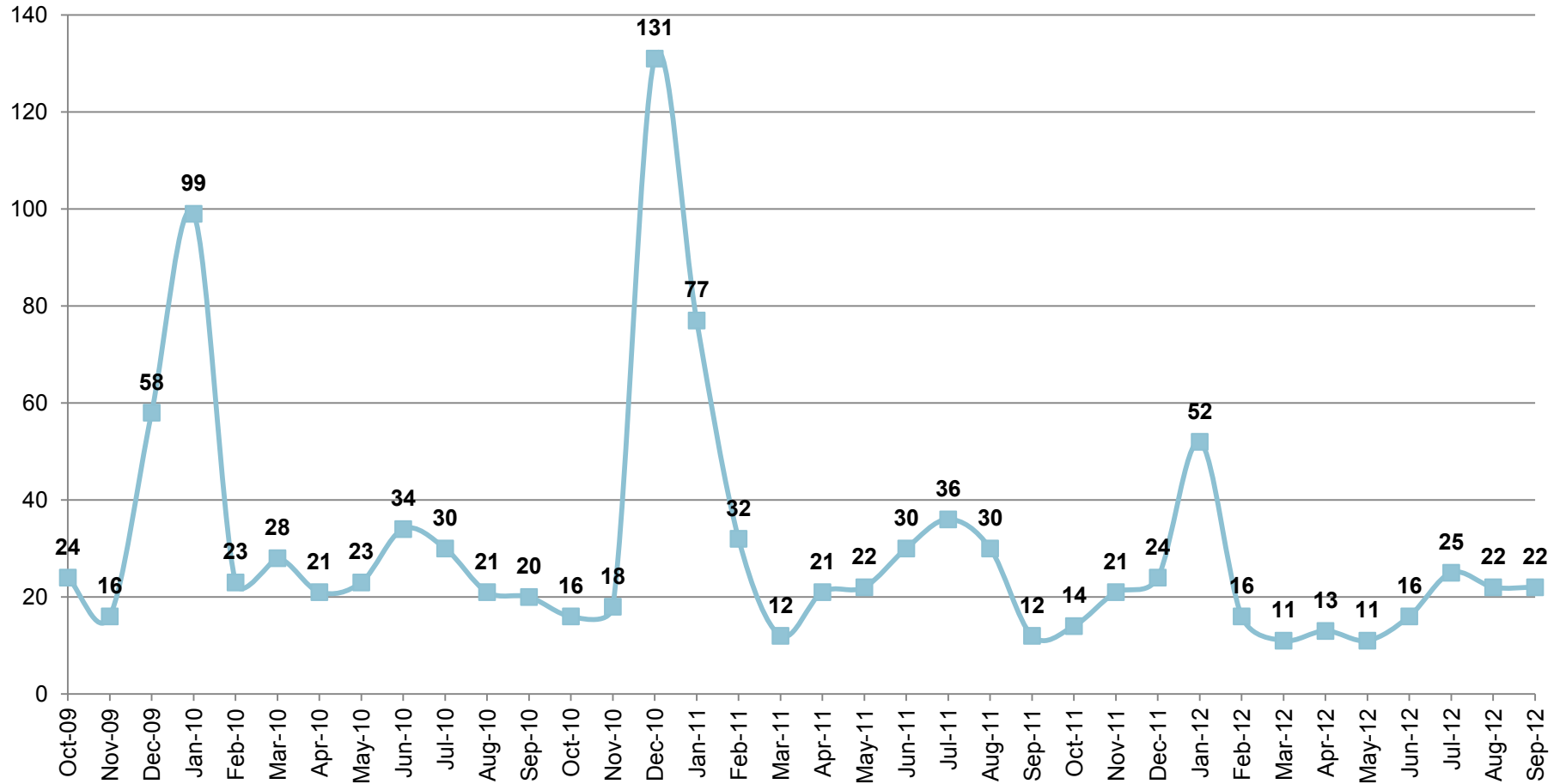
- No major items identified

Historical Annual Water Main Breaks FY 2004 - FY 2012



HISTORICAL MONTHLY WATER MAIN BREAKS

October 2009 thru September 2012



this page intentionally left blank



**ASSISTANT GENERAL
MANAGER
CUSTOMER CARE &
OPERATIONS**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 159 | 151 | 153 | 159 | 159 |

**FY 2014 Budget
\$21,160,000**

**SEWER SERVICES
2 - Positions**

**Sewage Pumping
35 - Positions**

FUNCTIONS

- Operate Sanitary and Stormwater Pumping Stations
- Operate Combined Sewer System Controls
 - Swirl Concentrator
 - Fabridams

**Inspection & Maintenance
66 - Positions**

FUNCTIONS

- Inspect public sewers
- Inspect sewer laterals
- Clean sewers and inlet /outlet structures
- Operate and maintain sewer regulator structures
- Clean catch basins
- Remove floatable debris
- Monitor & Control Operations
- Enforcement of FOG

**Construction & Repair
52 - Positions**

FUNCTIONS

- Install and repair sewer mains
- Replace and repair sewer laterals
- Manage construction contracts
- Install and repair catch basins
- Manage CIP projects
- Manage and inspect in-house projects
- Coordinate work orders

**Potomac Interceptor
4 - Positions**

FUNCTIONS

- Operate & Maintain Potomac Interceptor (PI) Sewer
- Operate and maintain PI Flow Meters
- Perform Manhole Inspection
- Operate and Maintain related Odor control facilities and manholes
- Right-of-Way maintenance and Surveillance

SEWER SERVICES

MISSION: To provide for the operation and maintenance of the sewer system which collects and transports wastewater and stormwater flows to treatment and authorized discharge points.

BUDGET OVERVIEW: The revised FY 2013 budget decreased by approximately \$0.15 million compared to the approved FY 2013 budget primarily due to projected decrease in electricity cost attributed to favorable contract rate. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.10 million due to anticipated increases in personnel services costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 159 | 159 | 159 | 159 |
| Average number of positions filled | 151 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 13,524 | 13,942 | 13,950 | 14,239 |
| Overtime | 875 | 900 | 900 | 900 |
| Non-Personnel Services: | | | | |
| Supplies | 560 | 477 | 477 | 529 |
| Chemicals | 98 | 216 | 216 | 160 |
| Utilities | 2,600 | 3,297 | 3,138 | 3,122 |
| Contractual Services, etc. | 2,328 | 3,232 | 3,232 | 3,049 |
| Small Equipment | 118 | 50 | 50 | 60 |
| Total Non-Personnel Services | 5,703 | 7,271 | 7,112 | 6,921 |
| Total Operations & Maintenance | 19,228 | 21,213 | 21,062 | 21,160 |
| Capital Equipment/Projects: | 278 | 433 | 438 | 775 |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|---|----------------|------------------|-----------------|------------------|
| Catch basins cleaned annually | 27,500 | 27,500 | 27,500 | 27,500 |
| Laterals investigated/relieved annually | 2,000 | 2,000 | 2,000 | 2,000 |
| Floatable debris tonnage removed from rivers | 400 | 400 | 400 | 400 |
| Sewer laterals repaired/replaced annually | 350 | 350 | 350 | 350 |
| Sewer main and lining footage repaired/replaced annually | 1,000 | 1,000 | 1,000 | 1,000 |
| Number of inspections completed on Potomac Interceptor meters | 400 | 400 | 400 | 400 |

SEWER SERVICES

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Begin replacement of sewer laterals using trenchless technologies
- Implement Phase III Close Circuit Television (CCTV)/Sonar internal inspection of the PI
- Implement Interim Chemical Odor Control to reduce objectionable odors in Virginia on the PI
 - Start implementation of construction for the rehabilitation of various structures
 - Design Supervisory Control and Data Acquisition (SCADA) graphs for the PI Odor Control Facilities located in D.C. and Montgomery County, MD
 - Initiate operational maintenance (O&M) and safety training; and conduct environmental testing for control facilities located in D.C. and Montgomery County, MD
- Complete construction of the Potomac Interceptor Operation Clean Air for facilities located in Fairfax and Loudoun Counties, VA
- Start permitting for critical access roads improvements along the PI where storms have created erosion issues
- Implement PI yearly interim carbon/gel neutralizer odor control to reduce objectionable odors
- Begin Erosion Control Study for the Potomac Interceptor where significant erosion has occurred along the C&O Canal

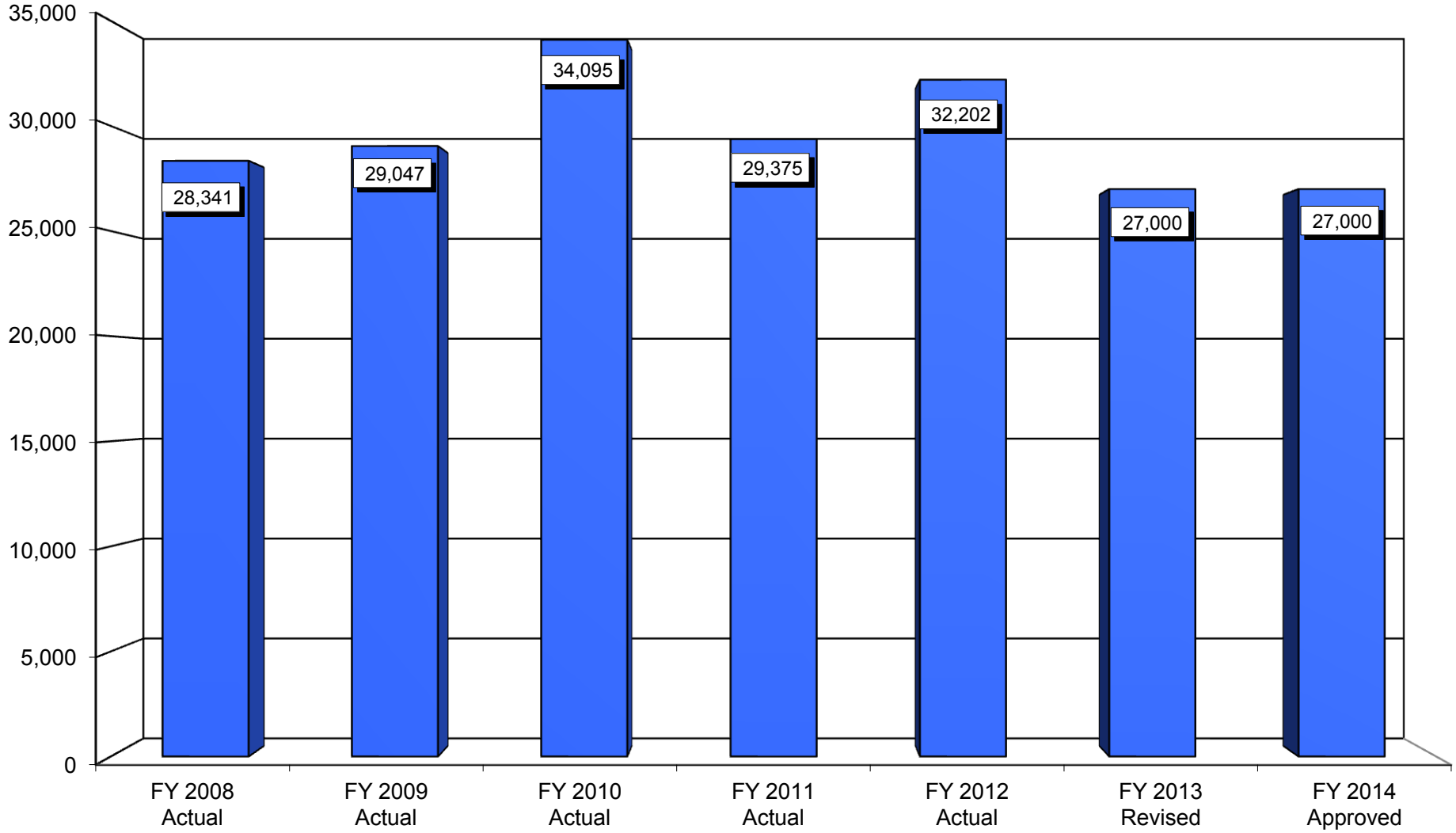
FY 2014 Major Recommended Activities and Changes

- Begin construction improvements at Poplar Point, Main, O Street, and Potomac Pumping Stations
- Integrate rainfall prediction into SCADA
- Continue to coordinate efforts with DC Clean Rivers Program and Pumping Operations for construction activities
- Continue working with DETS to rehabilitate deficient areas on the Potomac Interceptor Sewer
- Continue Implementation of Potomac Interceptor Long-Term Odor Abatement Program (Operation Clean Air) for the Virginia facilities.

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- As pumping stations are rehabilitated, there is a potential requirement for additional screenings that will increase costs associated with disposal of debris.
- The rehabilitated pumping stations will have odor scrubbers that utilize carbon canisters. The canisters useful life is less than a year, thus the department of Sewer Services will potential face increasing cost for chemicals.
- The fats, oils, and grease (FOG) management program is intended to reduce odors, sewer backups, corrosion in pipes and excessive wear on pumps.

FY 2008 - FY 2014 Catch Basins Cleaned





**FY 2014 Budget
\$15,994,000**

**ASSISTANT GENERAL
MANAGER
CUSTOMER CARE &
OPERATIONS**

**CUSTOMER
SERVICE
Office of the
Director
7 - Positions**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 124 | 116 | 118 | 125 | 125 |

**Customer Care
44 - Positions**

FUNCTIONS

- Respond to customer calls, correspondence and internet requests
- Assist customers in Business Office

**Credit and
Collections
11 - Positions**

FUNCTIONS

- Manage receivables and collections process on delinquent accounts, including multi-family service termination, property lien filing, dunning process and receivership
- Manage Customer Assistance Program

**Billing Services
and Control
19 - Positions**

FUNCTIONS

- Manage billing process and improvement of customer information and billing system
- Monitor and assist large accounts
- Provide planning and project management for future systems implementations

**Meter and Field
Services
44 - Positions**

FUNCTIONS

- Maintain, install, test, repair and replace meters
- Manage meter replacement/automated meter reading project
- Perform interior inspections
- Perform terminations of service for non-payment of bills

CUSTOMER SERVICE

MISSION: To provide superior, equitable and responsive customer service to the diverse community that we serve.

BUDGET OVERVIEW: The revised FY 2013 operating budget decreased by approximately \$0.03 million compared to the approved FY 2012 budget due to projected decreases in office rental expense as a result of relocation. The FY 2014 approved budget is lower than the revised FY 2013 budget by \$0.58 million due primarily to savings on office rental expenditures.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 124 | 125 | 125 | 125 |
| Average number of positions filled | 118 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 9,950 | 10,403 | 10,576 | 10,821 |
| Overtime | 178 | 240 | 240 | 240 |
| Non-personnel Services: | | | | |
| Supplies | 122 | 189 | 189 | 117 |
| Utilities | 1,383 | 1,808 | 1,608 | 1,086 |
| Contractual Services, etc. | 3,814 | 4,151 | 4,151 | 3,923 |
| Small Equipment | 61 | 51 | 51 | 48 |
| Total Non-Personnel Services | 5,379 | 6,199 | 5,999 | 5,174 |
| Total Operations & Maintenance | 15,329 | 16,602 | 16,574 | 15,994 |
| Capital Equipment | 532 | 325 | - | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Calls answered within 40 seconds | 85% | 85% | 85% | 85% |
| Percentage of AMR Meters Read | 95% | 95% | 95% | 95% |
| Sustained Retail 90-day receivable balance (not including IAC) | \$5.7 Million | \$5.7 Million | \$5.8 Million | \$5.9 Million |
| Top 100 Accounts Billed as Scheduled | 98% | 98% | 98% | 98% |

CUSTOMER SERVICE

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Implement an inspector program to investigate services without meters or with malfunctioning meters to recover revenue
- Begin needs assessment of Automated Meter Reading (AMR) program for FY 2015 and beyond (current AMR devices had 20 year expected service life, and will be at 13 years of service life in FY 2013)
- Work with water services and sewer services on planned enforcement department to look for code violations, unmetered services, grease traps and other areas where enforcement of improper use of DC Water's distribution system can be corrected and perpetrators fined to deter future similar actions
- Implement different document imaging options to reduce need for paper record storage

FY 2014 Major Recommended Activities and Changes

- Pending funding and feasibility reviews, implement a different Customer Information System (CIS) and related interfaces
- Send RFP to begin AMR replacements in FY 2015
- Work with IT and External Affairs to redesign current bill and customer self-service options concurrent with CIS changes

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Implementation of proposed CIS system will reduce operating costs for our current hosted system by approximately \$1.3 million per year

this page intentionally left blank

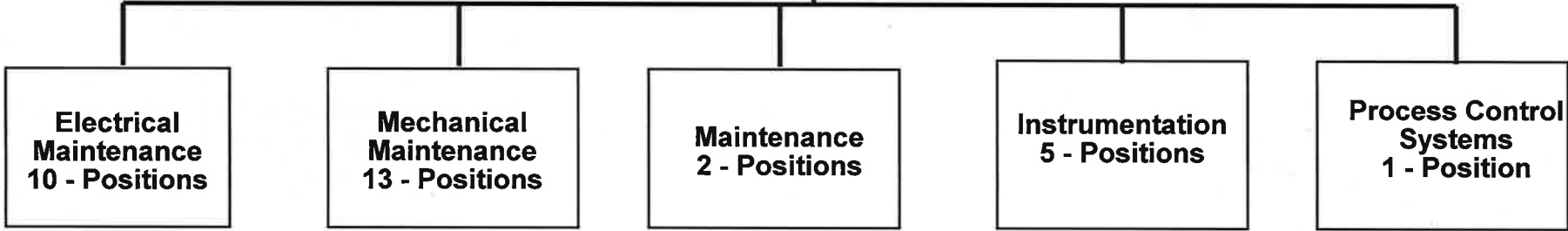


**ASSISTANT GENERAL
MANAGER
CUSTOMER CARE &
OPERATIONS**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 33 | 30 | 30 | 33 | 33 |

**FY 2014 Budget
\$5,136,000**

**WATER/SEWER
PUMPING
MAINTENANCE
2 - Position**



FUNCTIONS

- Maintain electrical process control systems, equipment, and components for the Water and Sewer Services Departments
- Operate and maintain electrical power distribution system from 69kv to 5kv, electrical control systems for process equipment and facilities

FUNCTIONS

- Maintain mechanical process systems and equipment for the Water and Sewer Services Departments

FUNCTIONS

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance
- Plan & operate support systems to manage maintenance by planning, estimating, inspecting, and scheduling maintenance activities
- Coordinate work through operations and engineering
- Plan, schedule, and perform condition monitoring for process equipment

FUNCTIONS

- Maintain electronic process control systems, flow measurement, metering and recording equipment for the Water and Sewer Services departments

FUNCTIONS

- Maintain automated process control networking systems, flow, measurement, metering and recording equipment for the Water and Sewer Services departments

WATER/SEWER PUMPING MAINTENANCE

MISSION: To economically maintain DC Water's process equipment and facilities external to Blue Plains, ensuring that the operational and customer service objectives of the Authority are achieved.

BUDGET OVERVIEW: The revised FY 2013 operating budget is higher than the approved FY 2013 budget by \$0.2 million. This increase is linked to revised vacancy assumptions within personnel services budget. The approved FY 2014 operating budget increases by \$0.3 million due to increased cost for maintenance of Stormwater facilities.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 33 | 33 | 33 | 33 |
| Average number of positions filled | 30 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 3,037 | 2,793 | 2,945 | 3,051 |
| Overtime | 142 | 200 | 200 | 200 |
| Non-Personnel Services: | | | | |
| Supplies | 380 | 491 | 491 | 621 |
| Utilities | 13 | 13 | 13 | 15 |
| Contractual Services, etc. | 1,450 | 1,298 | 1,298 | 1,349 |
| Small Equipment | 64 | 96 | 96 | 100 |
| Total Non-Personnel Services | 1,907 | 1,899 | 1,899 | 2,085 |
| Total Operations & Maintenance | 4,944 | 4,691 | 4,843 | 5,136 |
| Capital Equipment | - | 100 | 100 | 100 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Critical Equipment Availability (98%) | 98% | 98% | 98% | 98% |

WATER/SEWER PUMPING MAINTENANCE

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Support Asset Management and Maintenance Project Team initiatives
- Support Materials Management Project Team's parts and logistical analysis initiative
- Support Water & Sewer remote hydraulic data reporting program
- Support upgrades and Supervisory Control and Data Acquisition (SCADA) monitoring for all storm & sanitary pumping stations
- Continue maintenance on the pumping station and storage facilities
- Continue maintenance training and certification program
- Continue the High Priority Rehabilitation Program DC Water-wide
- Continue to work with Sewer Services in coordinating maintenance support for the SCADA system
- Continue predictive maintenance program/condition monitoring program to improve equipment reliability
- Continue to establish critical spare parts inventory for process equipment
- Support Water & Sewer pumping stations upgrades
- Continue emergency generator critical services program

FY 2014 Major Recommended Activities and Changes

- Increase the department's approved FTE's through the proposed reorganization of Water Pumping and Sewer Pumping Operations
- Establish 2nd shift within WSPM to improve service level while reducing potential for unscheduled overtime
- Support compliance with the Municipal Separate Storm Sewer System (MS4) Permit through the funded rehabilitation of storm water facilities
- Continue FY 2013 Major Planned Activities
- Provide Centralized oversight of mobile emergency pump procurement and deployment for water and sewer pumping
- Continue support of maintenance associated with SCADA for storm, sanitary, and potable water pumping stations

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Minimal impact to overtime and parts/materials budgets (in the event emergency repair is required for major pumps and mechanical climber screens associated with critical capital equipment).

this page intentionally left blank



CHIEF ENGINEER

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 156 | 124 | 135 | 171 | 171 |

**FY 2014 Budget
\$19,566,000**

**ENGINEERING
and TECHNICAL
SERVICES
6 - Positions**

**Program
Management
Branch
5 - Positions**

**Design
Branch
53 - Positions**

**Engineering
Management
Services Branch
21 - Positions**

**Planning
Branch
14 - Positions**

**Water and
Sewer
Construction
Branch
64 - Positions**

**Blue Plains
Project
Branch
8 - Positions**

FUNCTIONS

- Develop and maintain long-term facility planning process
- Generate bid documents for construction and rehabilitation projects
- Provide engineering data for production of the Capital Improvement Plan (CIP)
- Provide staff support for environmental policy issues affecting DC Water
- Technical and policy coordination with other jurisdictions and federal agencies
- Manage outside professional engineering firms
- Provide coordination and other related services in support of the District of Columbia's storm water permit and in conjunction with the Departments of Health, Public Works, and Transportation

FUNCTIONS

- Review, create and maintain standards to ensure technical adequacy
- Accomplish water and sewer pipeline design and facility design
- Maintain engineering records of the water and sewer system and provide for customer access
- Review and issue permits for all new sewer and water connections and other construction affecting DC Water facilities
- Provide technical engineering expertise to support operating departments
- Perform sewer and water system capacity and conditional assessments and manage resultant CIP projects

FUNCTIONS

- Develop and maintain contract specifications and solicitations
- Ensure DETS contract documents comply with DC Water and EPA Procurement Regulations
- Recommend all contract awards
- Ensure DC Water design consultants and construction contractors comply with LSDBE and MBE/WBE requirements
- Manage and track the CIP
- Manage and track EPA Grants
- Develop, prepare and coordinate DETS operating budget
- Manage DETS engineering systems hardware/software

FUNCTIONS

- Perform system planning and facilitate planning for the water, sewer, and stormwater systems

FUNCTIONS

- Administer contracts for new construction, major repairs, and modifications to water and sewer systems
- Inspect construction of DC Water facilities by contractors, other District agencies and private developers

FUNCTIONS

- Administer contracts for construction management, new construction, major repairs, modifications and start-up to the Blue Plains Advanced Wastewater Treatment Plant
- Perform design reviews and coordinate construction work with other departments at Blue Plains

ENGINEERING AND TECHNICAL SERVICES

MISSION: To perform engineering planning, design, and construction management necessary to execute the DC Water's capital improvement program (CIP); to provide assistance and advice to operating departments and management on engineering aspects of the Authority's operation and facilities, also develop and maintain engineering documentation of the Authority's facilities and systems.

BUDGET OVERVIEW: The revised FY 2013 budget decreased by approximately \$0.3 million below the approved FY 2013 budget due to projected vacancy rate. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.07 million due primarily to software maintenance costs as DC Water is taking ownership of its operating software previously owned by consultants.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|---|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 157 | 170 | 171 | 171 |
| Average number of positions filled | 124 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 15,667 | 18,011 | 17,683 | 17,554 |
| Overtime | 780 | 680 | 680 | 780 |
| Non-Personnel Services: | | | | |
| Supplies | 85 | 116 | 116 | 99 |
| Utilities | 192 | 223 | 223 | 271 |
| Contractual Services, etc. | 1,169 | 1,461 | 1,461 | 1,613 |
| Small Equipment | 9 | 19 | 19 | 29 |
| Total Non-Personnel Services | 1,454 | 1,818 | 1,818 | 2,011 |
| Total Operations & Maintenance | 17,121 | 19,829 | 19,501 | 19,566 |
| Capital Equipment | 265 | - | - | - |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Percentage of KPI's Completed | 80% | 80% | 80% | 80% |
| Use 100% of Clean Water Act grant funds | 100% | 100% | 100% | 100% |
| Use 100% of Safe Drinking Water Act grant funds | 100% | 100% | 100% | 100% |

ENGINEERING & TECHNICAL SERVICES

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Lead, manage timely, and ensure in-budget implementation of the Capital Improvement Program (CIP)
- Maintain GIS with in-house staff, develop GIS applications
- Continue implementation of the projects resulting from the sewer system condition assessment program
- Continue implementation of Enhanced Nitrogen Removal (ENR) Project at Blue Plains
- Ensure EPA Fair Share Objectives are met or exceeded
- Continue implementation of Biosolids Management Plan projects
- Ensure all grant funding is obligated in accordance with grant requirements
- Meet all required American Recovery and Reinvestment Act (ARRA) stimulus project requirements
- Continue to develop in-house survey capability
- Continue to grow in-house design capability
- Continue to grow increased in-house construction management capability

FY 2014 Major Recommended Activities and Changes

- Continue to lead, manage timely, and ensure in-budget implementation of the Capital Improvement Program (CIP)
- Maintain GIS with in-house staff, develop GIS applications
- Continue implementation of the projects resulting from the sewer system condition assessment program
- Continue implementation of TN project at Blue Plains
- Continue implementation of Biosolids Management Plan projects
- Continue to grow in-house design capability
- Continue to grow increased in-house construction management capability

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Additional staffing to support implementation of the \$3.8 billion CIP for FY 2012 - 2021

this page intentionally left blank



CHIEF ENGINEER

**CLEAN RIVERS
(CSO - LTCP)**

2 - Positions

**DCCR Planning and
Design Branch
4 - Positions**

**DCCR Construction
Branch
4 - Positions**

**FY 2014 Budget
\$1,645,000**

| POSITIONS | | | | |
|-------------------|---|--|----------------|----------------|
| Authorized | CURRENT | | FY 2013 | FY 2014 |
| | Average Positions Filled | Year-End Positions Filled | | |
| 10 | 4 | 5 | 10 | 10 |

FUNCTIONS

- Manage and oversee the planning and design phase of the 20 year Clean Rivers Project
- Oversee the program consultants' management of design contracts, consent decree driven schedules, budgets and program planning
- Develop the Green Infrastructure Program in support of CSO reduction
- Ensure adherence to all design related consent decree milestones
- Oversee and guide value engineering efforts to improve the quality and cost effectiveness of designs
- Coordinate the interaction between the DCCR Department and other departments within DC Water
- Review, oversee and ensure compliance with quality assurance/quality control procedures
- Develop risk mitigation strategies for all Clean Rivers projects, with emphasis on bringing quality projects online, on time and within budget

FUNCTIONS

- Manage and oversee the construction phase of the 20 year of Clean Rivers Projects
- Ensure adherence to all construction related consent decree requirements
- Guide constructability review efforts
- Identify and mitigate potential sources of project delay and scope growth
- Develop risk mitigation strategies for all Clean Rivers Projects
- Inspect tunnel construction and other CSO abatement facilities
- Review, oversee and ensure compliance with quality assurance/quality control procedures

CLEAN RIVERS (CSO LTCP)

MISSION: To develop, design, construct and implement the Authority's 20-year Clean Rivers Project (aka Combined Sewer Overflow Long-Term Control Plan) that includes federally enforceable consent decree driven milestones.

BUDGET OVERVIEW: The revised FY 2013 increased slightly over the approved FY 2013 budget by \$0.04 million due to projected personnel services cost adjustments. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.2 million primarily due to anticipated increases in personnel services costs and telecommunication costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 10 | 10 | 10 | 10 |
| Average number of positions filled | 4 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 415 | 1,276 | 1,313 | 1,508 |
| Overtime | 2 | 5 | 5 | 5 |
| Non-Personnel Services: | | | | |
| Supplies | 6 | 15 | 15 | 15 |
| Utilities | - | 5 | 5 | 22 |
| Contractual Services, etc. | 55 | 98 | 98 | 100 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 61 | 118 | 118 | 137 |
| Total Operations & Maintenance | 475 | 1,394 | 1,431 | 1,645 |
| Capital Equipment | | | | |
| | | | | |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Meet all CSO LTCP consent decree milestones | 100% | 100% | 100% | 100% |

CLEAN RIVERS (CSO LTCP)

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue design and implementation of the 20-year DC Clean Rivers Project
- Complete procurement process for securing engineering and construction services for the Anacostia River Tunnel through design-build service delivery
- Complete construction of new CSO (Combined Sewer Overflow) 19 Outfall structure near RFK stadium to handle excess flow from the new North East Boundary Tunnel
- Complete construction of CSO 007 facilities including diversion chamber and sewer to convey combined sewer overflow to the tunnel.
- Continue design of Main Pumping Station CSO diversion facilities
- Continue design of Poplar Point Pumping Station Replacement
- Continue construction of CSO diversions at M Street near the Navy Yard area and Southside of the Anacostia River
- Continue construction of the Blue Plains Tunnel that is approximately 4 miles long and 23 feet inside diameter
- Begin design of Green Infrastructure demonstration projects

FY 2014 Major Recommended Activities and Changes

- Continue design and implementation of the 20-year DC Clean Rivers Project
- Complete construction of CSO diversions at M Street
- Complete construction of CSO diversions on Tingey St
- Continue design of Joint Base Anacostia-Bolling (JBAB) Overflow facilities
- Continue design of Poplar Point Pumping Station Replacement
- Begin construction of Main Pumping Station CSO diversion facilities
- Continue construction of Anacostia River Tunnel
- Continue construction of Blue Plains Tunnel

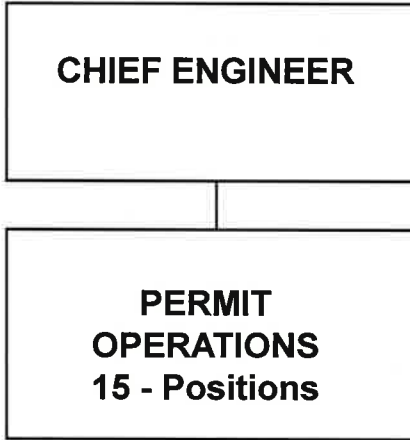
Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Ramp up of capital program requires an increase in operating expenditures as positions are filled

this page intentionally left blank



**FY 2014 Budget
\$2,015,000**



| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| Authorized | CURRENT | | FY 2013 | FY 2014 |
| | Average Positions Filled | Year-End Positions Filled | | |
| 15 | 11 | 14 | 15 | 15 |

FUNCTIONS

- Manage DC Water’s permit functions
- Perform engineering review of major development projects from conception to construction
- Coordinate with various D.C. agencies (DCRA, DDOT and DDOE) in support of the District’s permit operations
- Collaborate with DETS on modifications to the design standards
- Review and approve plans, issue water and sewer availability certificates
- Update and/or create Premise numbers for customer services
- Coordinate on construction issues with DETS Water and Sewer Construction Branch
- Estimate and collect fees for permit and inspection services
- Initiate Maximo records and inspection work orders
- Forward as-designed plans to GIS updating system

PERMIT OPERATIONS

MISSION: To manage DC Water's development and permit services.

BUDGET OVERVIEW: The revised FY 2013 increased by approximately \$0.4 million over the approved FY 2013 budget due to projected personnel services cost adjustments. The approved FY 2014 operating budget is higher than the revised FY 2013 budget by \$0.1 million primarily due higher contractual costs related to Maximo integration of project status with the District's sister agency programs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 15 | 15 | 15 | 15 |
| Average number of positions filled | 11 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 1,043 | 1,120 | 1,508 | 1,490 |
| Overtime | 2 | 11 | 11 | 11 |
| Non-Personnel Services: | | | | |
| Supplies | 5 | 36 | 36 | 36 |
| Utilities | 204 | 322 | 322 | 331 |
| Contractual Services, etc. | 12 | 44 | 44 | 158 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 222 | 402 | 402 | 525 |
| Total Operations & Maintenance | 1,266 | 1,522 | 1,909 | 2,015 |
| Capital Equipment | | - | - | - |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Process all permit applications in accordance with the service level agreement timeframe (85%) | 85% | 85% | 85% | 85% |

PERMIT OPERATIONS

OVERVIEW

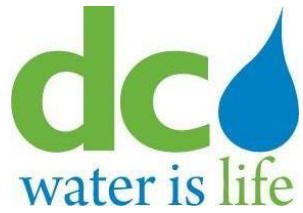
FY 2013 Major Planned Activities and Changes

- Add field inspection/validation of site plans during the project review process
- Develop photographic/video graphic materials for applicants showing standard details and select construction practices

FY 2014 Major Recommended Activities and Changes

- Maximo integration of project status with sister agency programs (Project Docs, Transportation Online Permitting System (TOPS), and Accela
- Develop an easement/covenant tracking/research tool that integrates available data from the District's databases in Survey, Recorder of Deeds and Office of Tax and Revenue

this page intentionally left blank



**BOARD
OF
DIRECTORS**

**OFFICE of the
GENERAL
MANAGER
14 - Positions**

**FY 2014 Budget
\$3,979,000**

| | | | <u>POSITIONS</u> | |
|----------------|--------------------------------|---------------------------------|------------------|---------|
| <u>CURRENT</u> | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 17 | 10 | 9 | 14 | 14 |

FUNCTIONS

The General Manager's Office provides overall operational and policy direction in support of the Board of Director's Strategic Plan

- Organize, plan and direct all operations of the Authority
- Organizational Development theory and best practices to ensure development and implementation of improvement processes to increase operational efficiencies

GENERAL MANAGER

MISSION: The General Manager's Office administers, plans, organizes and directs the operations of DC Water.

BUDGET OVERVIEW: The revised FY 2013 budget is lower than the approved FY 2013 budget by approximately \$0.3 million primarily due to 1 FTE transferred to DETS and other personnel cost adjustments. The approved FY 2014 budget is higher than the revised FY 2013 budget by approximately \$0.3 million primarily due to projected increases in personnel services and higher contractual services costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 14 | 15 | 14 | 14 |
| Average number of positions filled | 10 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 1,681 | 2,261 | 2,027 | 2,250 |
| Overtime | 2 | 10 | 10 | 10 |
| Non-Personnel Services: | | | | |
| Supplies | 6 | 12 | 12 | 13 |
| Utilities | 21 | 28 | 28 | 26 |
| Contractual Services, etc. | 890 | 1,684 | 1,624 | 1,690 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 917 | 1,724 | 1,664 | 1,729 |
| Total Operations & Maintenance | 2,598 | 3,985 | 3,691 | 3,979 |
| Capital Equipment | - | - | 275 | 375 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Implement all policies and directives of the Board of Directors. | | | | |

GENERAL MANAGER

OVERVIEW

FY 2013 Major Planned Activities and Changes

Continue:

- The Office of the General Manager (OGM) supports the development and implementation of strategic objectives to advance the General Manager's vision for the organization: to establish for DC Water a work culture oriented toward a constant and systematic pursuit of superlative business practices supporting the enterprise's core mission
- DC Water will incorporate and develop best practices in prioritized operational areas through an inclusive decision-making process and a culture of teamwork. The Team Blue Project, promotion of individual innovations, enhanced inter- and intra-departmental communications and other initiatives will support this objective
- Support the Team Blue effort to create the best utility in the world, including improving employee work life and broadening employee involvement in work practice development. Creation and support of up to five additional Team Blue Project Teams.
- Improvements to the management of DC Water assets and the safety program as strategic priorities

FY 2014 Major Recommended Activities and Changes

- Continue the major planned activities listed above, utilizing Positive Attitude, Accountability, Communication and Team Work (PACT) in addition to the Team Blue Project to bring about cultural change and operational improvements

this page intentionally left blank



**BOARD
OF
DIRECTORS**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| Authorized | CURRENT | | FY 2013 | FY 2014 |
| | Average Positions Filled | Year-End Positions Filled | | |
| 2 | 2 | 2 | 2 | 2 |

**FY 2014 Budget
\$619,000**

**OFFICE OF
THE
SECRETARY (BOARD)
2 - Positions**

**GENERAL
MANAGER**

FUNCTIONS

- Manage logistics for Board of Directors and Committee meetings, Public Hearings, Workshops, Strategic Planning Process and all other business activities of the Board
- Manage and oversee the day-to-day operations of the Board of Directors
- Coordinate logistics for Board's strategic planning process
- Maintain custodian of all books, records and official documents of the Board
- Administer the subpoena process for the Authority
- Provide Notary Service for the Authority

OFFICE OF THE SECRETARY

MISSION: To support the Board of Directors in developing and reviewing the DC Water's strategic goals, providing executive level assistance in planning, coordinating and executing assignments, and ensuring that the Board's business and activities are effectively managed.

BUDGET OVERVIEW: The revised FY 2013 as compared to the approved FY 2013 operating budget, is relatively flat. The approved FY 2014 operating budget is slightly higher than the revised FY 2013 by approximately \$0.009 million primarily due to increases in personnel costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 2 | 2 | 2 | 2 |
| Average number of positions filled | 2 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 236 | 241 | 255 | 264 |
| Overtime | 3 | 4 | 4 | 4 |
| Non-Personnel Services: | | | | |
| Chemicals and Supplies | 8 | 18 | 18 | 18 |
| Utilities | 4 | 6 | 5 | 7 |
| Contractual Services, etc. | 357 | 333 | 333 | 330 |
| Small Equipment | - | 1 | 1 | 1 |
| Total Non-Personnel Services | 369 | 357 | 357 | 355 |
| Total Operations & Maintenance | 604 | 599 | 611 | 619 |
| Capital Equipment | - | - | - | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Provide timely and accurate Board and Committee agendas, reports and minutes | 100% | 100% | 100% | 100% |
| Follow-up and complete Board actions | 100% | 100% | 100% | 100% |

BOARD SECRETARY

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue to draft and submit notices and agendas for all Board and Committee meetings and Public Hearings for publication in the DC Register as required by the Open Meetings Act of 2010
- Continue to publish all Board and Committee meeting agendas, meeting material and meeting minutes on DC Water's website as required by the Open Meetings Act of 2010
- Continue to coordinate logistics for the Board's Strategic Planning Session
- Continue to coordinate the process to fill the expired and/or vacant Board appointments
- Continue to effectively monitor follow-up requests from the Board and Committees to ensure timely responses
- Continue to enhance data dissemination process for the Board, DC Water employees, the general public, and stakeholders by use of state-of-the-art technology that supports the Board's strategic plan

FY 2014 Major Recommended Activities and Changes

- No major activities and/or changes expected in FY 2014

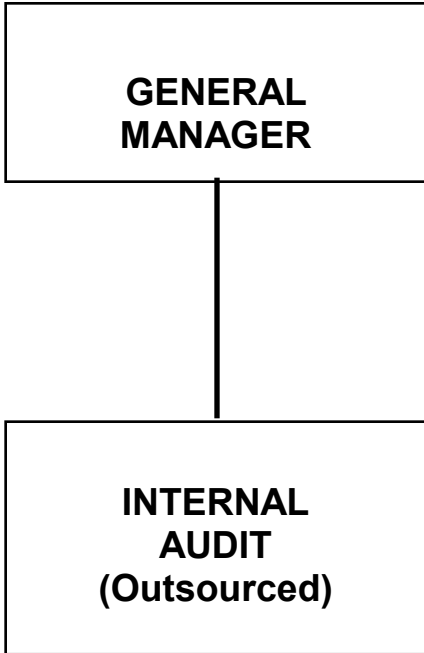
Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- No direct impact envisaged at this time

this page intentionally left blank



**FY 2014 Budget
\$830,000**



| | | | <u>POSITIONS</u> | |
|----------------|--------------------------|---------------------------|------------------|---------|
| <u>CURRENT</u> | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 0 | 0 | 0 | 0 | 0 |

FUNCTIONS

Oversight:

- Conduct periodical audits
- Conduct audits requested by the Board of Directors and/or the General Manager
- Review of corporate governance

FUNCTIONS

Insight:

- Assess programs and policies
- Share best practices and benchmarking information
- Provide ongoing feedback for re-engineering management practices and policies

FUNCTIONS

Foresight:

- Identify trends and challenges before they become crises
- Identify risks and opportunities
- Risk based auditing

INTERNAL AUDIT

MISSION: The mission of Internal Audit is to provide independent, objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of DC Water. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes.

BUDGET OVERVIEW: The revised FY 2013 budget is relatively flat compared to the approved FY 2013 budget. The approved FY 2014 budget is lower than the revised FY 2013 budget by \$0.01 million increase in the Internal Audit outsourced contractual agreement offset by lower anticipated additional Board approved hours.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | - | - | - | - |
| Average number of positions filled | | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | - | - | - | - |
| Overtime | | | | - |
| Non-Personnel Services: | | | | |
| Supplies | - | - | - | |
| Utilities | 5 | 2 | 2 | 8 |
| Contractual Services, etc. | 697 | 838 | 838 | 822 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 702 | 840 | 840 | 830 |
| Total Operations & Maintenance | 702 | 840 | 840 | 830 |
| Capital Equipment | | - | - | - |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Internal Audit Work Planned | 12 | 12 | 14 | 12 |

INTERNAL AUDIT

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Implement Board approved audit plan

FY 2014 Major Recommended Activities and Changes

- No major changes anticipated

this page intentionally left blank



**GENERAL
MANAGER**

**GENERAL
COUNSEL
15 - Positions**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 15 | 11 | 11 | 15 | 15 |

**FY 2014 Budget
\$7,316,000**

Litigation

**Administrative
Law**

FUNCTIONS

- Appellate
- Bankruptcy
- Contract
- Construction
- Environmental
- Procurement
- Tort
- Receivership
- Employment
- Foreclosure

FUNCTIONS

- Board of Directors support
- Contract review and advise
- Clean Water Act compliance
- Clean Air Act compliance
- Construction claims
- Safe Drinking Water Act compliance
- Employment law matters
- Intra-governmental and Inter-jurisdictional agreements
- Legislation review and support
- Municipal law matters
- Pretreatment enforcement support
- Procurement protests, claims and internal appeals
- Real property matters
- Regulatory compliance support
- Draft and review Authority Policies

GENERAL COUNSEL

MISSION: To support the DC Water's mission by providing legal advice and services to the Board of Directors, the General Manager and the DC Water's departments.

BUDGET OVERVIEW: The revised FY 2013 decreased by approximately \$0.09 million below the approved FY 2013 budget due to projected personnel services cost adjustments. The approved FY 2014 operating budget is higher than the revised FY 2013 budget by \$0.4 million primarily due to higher projected cost increases in personnel costs, higher legal Energy and Construction costs, offset by decreased Labor Matters and Environmental Matters.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 15 | 15 | 15 | 15 |
| Average number of positions filled | 11 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 1,498 | 1,766 | 1,674 | 1,810 |
| Overtime | 1 | 2 | 2 | 2 |
| Non-personnel Services: | | | | |
| Supplies | 5 | 15 | 15 | 10 |
| Utilities | 12 | 19 | 19 | 19 |
| Contractual Services, etc. | 3,299 | 5,233 | 5,233 | 5,477 |
| Small Equipment | - | | | - |
| Total Non-Personnel Services | 3,316 | 5,268 | 5,268 | 5,506 |
| Total Operations & Maintenance | 4,814 | 7,033 | 6,941 | 7,316 |
| Capital Equipment | 575 | - | 600 | 550 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Hours of employee time spent on direct work 1,400 | 1,800 | 1,800 | 1,800 | 1,800 |

GENERAL COUNSEL

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Provide assistance in environmental compliance
- Increase in-house litigation
- Management of major litigation
- Provide support in management of consent decrees and the Clean Rivers Project

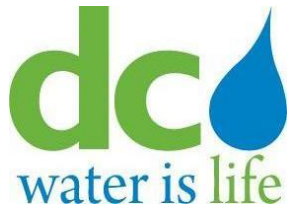
FY 2014 Major Recommended Activities and Changes

- Increased compliance monitoring
- Provide assistance in obtaining environmental operating permits
- Increased assistance in contract review and analysis
- Increase in-house litigation
- Management of major litigation
- Provide support in management of consent decrees, Clean Rivers project, Biosolids project, and green initiative efforts
- Increase support of collection activities

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Continue providing support in construction management of biosolids project, Clean Rivers Project, and enhanced nitrogen removal facility.
- Provide assistance in obtaining environmental construction and operating permits.
- Increased assistance in procurement, contract review and compliance.

this page intentionally left blank



**GENERAL
MANAGER**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| Authorized | CURRENT | | FY 2013 | FY 2014 |
| | Average Positions Filled | Year-End Positions Filled | | |
| 12 | 11 | 12 | 12 | 12 |

**FY 2014 Budget
\$2,202,000**

**EXTERNAL
AFFAIRS
Office of the Chief
2 - Positions**

**Communications
3 - Positions**

**Production
3 - Positions**

**Community
Outreach
3 - Positions**

**Government
Relations
1 - Position**

FUNCTIONS

- Prepare speeches, editorials, special reports and stakeholder presentations
- Produce articles for community and weekly newspapers
- Produce press releases
- Produce newsletters and brochures materials, DC Water exhibits, etc.
- Provide editing/design support for other departmental communications projects
- Produce special high-profile project communications materials and exhibits
- Respond to local/national media inquiries
- Manage website content
- Produce live and archived webcasts of Board meetings

FUNCTIONS

- Facilitate communications training for employees (e.g. media, speakers bureau, focus group)
- Manage the production of the Annual Report, Water Quality Report and marketing materials
- Produce Public Service Announcements, Commercials and Videos
- Budget and financial planning to include:
 - Short and long-range financial planning
 - Prepare and monitor operating budget
 - Revenue forecasting and monitoring process
- Manage Speakers Bureau
- Issues management

FUNCTIONS

- Partner on specific project/programs with neighborhood commissions, business, civic and environmental groups and organizations, and schools
- Prepare exhibits
- Develop and coordinate community service and customer outreach activities
- Coordinate stakeholder presentations and community Plant tours
- Conduct Sewer Science and other public school programs

FUNCTIONS

- Track and strategically influence relevant policy proposals
- Pursue state and federal government funding opportunities
- Establish and enhance working relationship with elected and appointed officials

EXTERNAL AFFAIRS

MISSION: To provide information about DC Water services and programs and to raise awareness about DC Water's efforts and achievements to improve the quality of life in the region by protecting the environment in which it operates and supporting the community it serves.

BUDGET OVERVIEW: The change between the approved FY 2013 and the revised FY 2013 budgets is relatively flat. The approved FY 2014 budget is lower than the revised FY 2013 budget by \$0.03 million primarily due to decreases in contractual services.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 12 | 12 | 12 | 12 |
| Average number of positions filled | 11 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 1,386 | 1,423 | 1,383 | 1,399 |
| Overtime | 1 | 2 | 2 | 4 |
| Non-Personnel Services: | | | | |
| Chemical and Supplies | 13 | 15 | 15 | 15 |
| Utilities | 19 | 24 | 24 | 40 |
| Contractual Services, etc. | 381 | 748 | 808 | 745 |
| Small Equipment | 3 | 3 | 3 | 3 |
| Total Non-Personnel Services | 415 | 790 | 850 | 803 |
| Total Operations & Maintenance | 1,801 | 2,213 | 2,233 | 2,202 |
| Capital Equipment | - | - | - | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Publication of DC Water's Annual Report | 1 | 1 | 1 | 1 |
| Publication of Customer Newsletter | 10 | 10 | 10 | 10 |
| Publication of Clean River's Update | 2 | 2 | 2 | 2 |
| Publication of Employee Newsletter | 6 | 6 | 6 | 12 |
| Publication of Water Quality Report | 1 | 1 | 1 | 1 |
| Senior speech and presentation development | 8 | 8 | 8 | 10 |
| Community meetings/outreach re: lead, rates, CSO/CIP projects, etc | 65 | 65 | 65 | 100 |

EXTERNAL AFFAIRS

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Expand communications and marketing around tap water, with emphasis on partnerships with the business community, universities and civic/neighborhood groups
- Ongoing tap water promotion and distribution at large festivals - H Street Festival; DC Vegetable Fest; and Pride Festival
- Expand DC Water's internal (employee) outreach, working closely with Human Capital Management, the Office of the General Manager and other departments
- Ramp up Clean Rivers outreach with a sustained public education campaign to inform all stakeholders about the benefits of the program
- Enhance our social media strategies
- Ongoing rebranding efforts
- Continuing to expand and enhance our relationships with local media, community bloggers and trade press

FY 2014 Major Recommended Activities and Changes

- No major changes anticipated

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- No direct impact

this page intentionally left blank

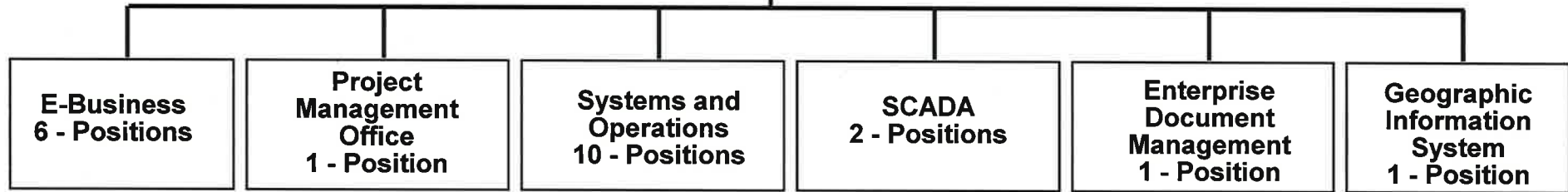


**GENERAL
MANAGER**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 24 | 12 | 11 | 24 | 24 |

**FY 2014 Budget
\$10,229,000**

**INFORMATION
TECHNOLOGY
Office of the
Chief Information Officer
3 - Positions**



FUNCTIONS

- Integrate and provide product support for the financial, payroll, maintenance and customer information and billing systems
- Design and maintain DC Water's website to allow customers access to e-business activities
- Database administration
- Develop and support DC Water's intranet

FUNCTIONS

- Ensure successful project implementations
- Manage project prioritization process
- Support project planning, management, and implementation
- Business Process Improvement
- Develop and provide standards for System Architecture/Integration
- Independent Verification and Validation (IVAV)

FUNCTIONS

- Manage daily operations of central and remote systems sites
- Maintain DC Water's technology standards
- Manage the Solutions Center (help desk)
- Install, operate, maintain and support new and existing Network, Data Center, telecommunication infrastructure and equipment
- Implement and support radio systems

FUNCTIONS

- Project Management/Implement upgrade Distribution & Collection (D&C) SCADA system
- Provide support for SCADA and other D&C related automated system
- Maintain and Support Programmable Logic Controllers (PLC) hardware and Software
- Manage/support SCADA Communication and Control Networks including PLC Programming
- Provide development and Programming Support to end-users
- Responsible for configuration and Change Management

FUNCTIONS

- Provide enterprise content, document, and record management system support
- Business process integration
- Application development
- System administration

FUNCTIONS

- Provide geographical information systems and impervious area billing support
- System administration
- Application development

INFORMATION TECHNOLOGY

MISSION: To ensure that the DC Water's mission is supported by state-of-the-art technology with an infrastructure capable of accommodating all traffic and connectivity demands, and a computing environment that encourages development of efficient business.

BUDGET OVERVIEW: The revised FY 2013 decreased by approximately \$0.30 million below the approved FY 2013 budget due to projected personnel services cost adjustments. The approved FY 2014 operating budget is higher than the revised FY 2013 budget by \$0.3 million primarily due to projected personnel services cost adjustments.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|---|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 24 | 24 | 24 | 24 |
| Average number of positions filled | 12 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 1,622 | 2,313 | 2,021 | 2,273 |
| Overtime | 23 | 20 | 20 | 20 |
| Non-personnel Services: | | | | |
| Supplies | 192 | 199 | 199 | 199 |
| Utilities | 88 | 131 | 131 | 131 |
| Contractual Services, etc. | 5,385 | 7,472 | 7,472 | 7,480 |
| Small Equipment | 114 | 147 | 147 | 147 |
| Total Non-Personnel Services | 5,778 | 7,948 | 7,948 | 7,956 |
| Total Operations & Maintenance | 7,400 | 10,261 | 9,969 | 10,229 |
| Capital Equipment | 5,795 | 7,893 | 3,895 | 3,236 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| 98% Network uptime during peak hours | 99.8% | 99.8% | 99.8% | 99.8% |
| 95% Network uptime during non-peak hours | 99.8% | 99.8% | 99.8% | 99.8% |
| 96% of all high priority tickets completed within 4 hours | 96.0% | 96.0% | 96.0% | 96.0% |

INFORMATION TECHNOLOGY

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue with new Customer Information System (CIS) selection and development of implementation strategy
- Continue with system support & implementation of Asset Management system
- Assume operation support of the following key projects:
 - Enterprise Document Management
 - Redundant Data Center
 - Field Service Management
- Continue to ensure IT infrastructure reliability and upgrades consistent with Authority Technology Life-cycle:
 - Network infrastructure
 - SCADA communication & control systems
 - Redundant Data Center
 - Telephone system
 - Personal computers
 - Field Service Management system
 - Radio System-Plant

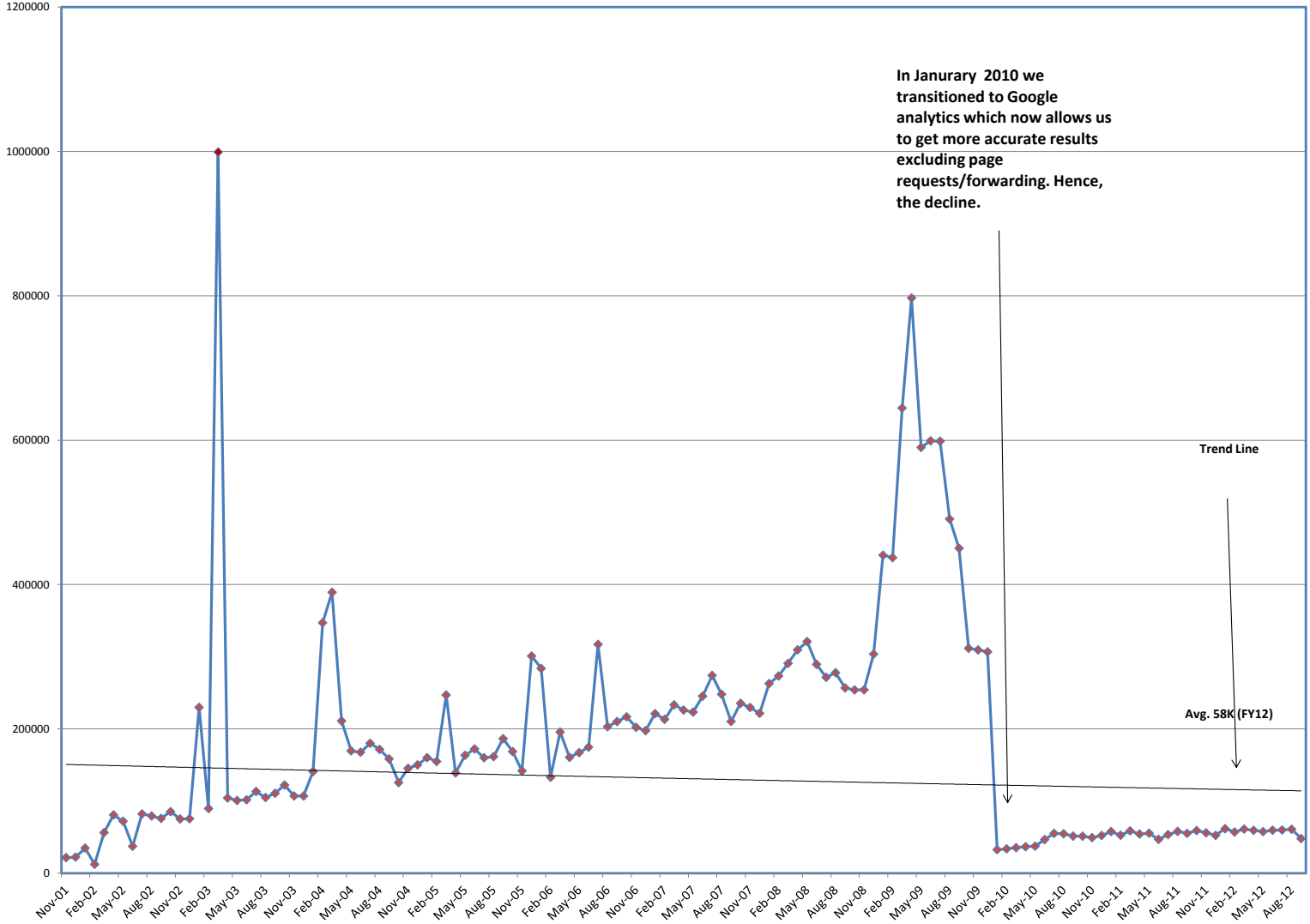
FY 2014 Major Recommended Activities and Changes

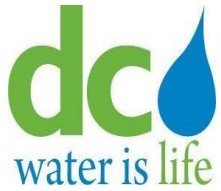
- Continue with system support & implementation of Asset Management system
- Improve and develop Lawson Financial support
- Increase support of GIS application and Field Service Management systems
- Continue with new CIS selection, development, and implementation strategy with Customer Service Department
- Improve Internal DC Water Communication Avenues
- Assume operation support of key projects of Enterprise Document Management
- Continue to ensure IT infrastructure reliability and upgrades consistent with Authority Technology Life-cycle:
 - Network infrastructure
 - SCADA communication & control systems
 - Redundant Data Center
 - Telephone system
 - Personal computers, laptops, cell phones, and tablet devices
- Continue with upgrade selections, development, and implementation strategy of the Radio System (city-wide and plant wide)

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Assumption of IT Operational support for: ECIS Customer Information System, Lawson and Maximo Asset Management System development and support, Cyber security, Document Management, GIS/Document Management, and SCADA integration, Telephone System, Impervious Area Billing (IAB), Unified Communications, Field Services Management System, internal DC Water communication, Radio System upgrades and selections
- Operating maintenance costs for software and hardware purchases

**VISITORS TO DC WATER'S WEBSITE (WWW.DCWATER.COM)
OCTOBER 2002 - SEPTEMBER 2012**





CHIEF FINANCIAL OFFICER

**FINANCE AND BUDGET
2 - Positions**

**FY 2014 Budget
\$8,819,000**

| | | | <u>POSITIONS</u> | |
|----------------|--------------------------|---------------------------|------------------|---------|
| <u>CURRENT</u> | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 46 | 41 | 42 | 46 | 46 |

**Office of the Controller
22 - Positions**

**Treasury and Debt
7 - Positions**

**Finance and Budget
15 - Positions**

FUNCTIONS

Manage accounting and financial reporting functions of the organization to include:

- Prepare Comprehensive Annual Financial Report (CAFR)
 - Record and report financial transactions
 - Maintain financial records and an effective internal control structure
 - Establish accounting and reporting policies
- Vendor payment operations
- Payroll operations
- Grants and county billing operations
- Financial aspects of Inter-Municipal Agreement (IMA)
- Asset management finance and accountability

FUNCTIONS

Manage and oversee Treasury and Debt function of the organization to include:

- Debt portfolio
- Investment portfolio
- Banking services operations
- Financial security and risk assessment
- Liquidity risks
- Business Office – Cashiering operations

FUNCTIONS

Manage the budget and financial planning activities of the organization to include:

- Short and long-range financial planning
- Prepare and monitor operating and capital budgets
- Board Committees' reporting process
- Revenue forecasting and monitoring process
- Rate-setting processes
- Financial relationship with the Washington Aqueduct
- Assistance on special projects, e.g., federal billing issues

FINANCE AND BUDGET

MISSION: Manage all of DC Water's financial activities to maintain sound financial condition; and, to ensure performance that meets the expectations of the Board, stakeholders and the broader financial community.

BUDGET OVERVIEW: The revised FY 2013 operating budget increased by approximately \$0.2 million as compared to the approved FY 2013 operating budget mainly due to funding an Overhead Review Program. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.438 million due to anticipated personnel service costs escalations and increases in contractual services funding including the transfer of rental costs from Customer Service to Finance and Budget.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 46 | 46 | 46 | 46 |
| Average number of positions filled | 41 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 5,073 | 5,579 | 5,527 | 5,801 |
| Overtime | 18 | 30 | 30 | 30 |
| Non-Personnel Services: | | | | |
| Chemical and Supplies | 18 | 16 | 16 | 16 |
| Utilities | 51 | 69 | 69 | 213 |
| Contractual Services, etc. | 2,072 | 2,515 | 2,765 | 2,784 |
| Small Equipment | 5 | 4 | 4 | 4 |
| Total Non-Personnel Services | 2,147 | 2,604 | 2,854 | 3,018 |
| Total Operations & Maintenance | 7,220 | 8,184 | 8,381 | 8,819 |
| Capital Equipment | 103 | 230 | 1,255 | 435 |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Manage DC Water's financial operations to ensure revenue is within 99% of projections and expenditures are within budget | Revenue - 99.5% Expenditures - 93% | Revenue - 99% Expenditures - 93% | Revenue - 99% Expenditures - 93% | Revenue - 99% Expenditures - 93% |
| Comply with the Board's investment policy and strategy | | | | |
| Benchmarks: Short-Term Funds - ML 3 months US T-Bill Index and Core Funds - ML 1 - 3 year | 37 basis points 87 basis points | 20 basis points 20 basis points | 25 basis points 50 basis points | 25 basis points 65 basis points |
| Manage DC Water's financial operations to ensure 140% senior debt service coverage | 360% | 278% | 325% | 253% |
| Meet or exceed the 120 day operating and maintenance expense with the objective of maintaining at least \$125.5 million in operating reserves as set by Board policy | 140.3 million | 125.5 million | 125.5 million | 125.5 million |
| Issue Comprehensive Annual Financial Report (CAFR) in February | February | February | February | February |
| Pay 97% of all undisputed invoices within 30 days | 94% | 97% | 97% | 97% |

FINANCE & BUDGET

OVERVIEW

FY 2013 Major Planned Activities and Changes

Office of the Controller:

- Internal Control Improvements
 - Control Activities Documentation
 - Internal Control and Assessment Monitoring Program
 - Internal Control Framework Integration
 - Fraud Awareness Training
 - Overhead Rate Review Program
- Study/develop efficiencies of paperless environment in AP
- Payroll
 - Implement employee pay card program
 - Time & Attendance & Self-Service Training
- Ensure a clean external audit opinion
- Grants/IMA
 - Complete FY 2012 operating settlement for wholesale customer cost
 - Develop work plan for implementation of automated Grants Management System
- Revise bank reconciliation processes

Finance and Budget:

Ensure operational efficiency:

- Ongoing financial management of critical programs
 - Continue monitoring of key financial performance targets
 - Document business procedures for new budget processes
- Continue Water Balance monitoring
- Develop Clean Rivers and Impervious Area Charge (IAC) incentive program

Review revenues and rate structure for opportunities to improve rates:

- Complete FY 2012 Cost of Service Study
- Continue to monitor economic conditions and affordability
- Monitoring of consumption trends and regional economic indicators
- Review process of PILOT with DCFO, if appropriate

Aggressively pursue billing dispute with Soldier's Home

FINANCE & BUDGET

Treasury/Debt

- Administer post compliance program for all outstanding debt including Build America Bonds (BABs)
- Continue to evaluate investment portfolio strategy, performance and reporting
- Issue new bonds / commercial paper in support of capital improvement program (Est. \$300M, July 2013)
- Develop Debt Policy Manual
- Reevaluate internal control procedures
- Continue pilot program to ACH accounts payable payments

FY 2014 Major Recommended Activities and Changes

- Revise and update reporting and budgeting process
- Look for revenue generating activities
- New bond issuance
- Continue with FY 2013 major activities

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- There is \$1,085,000 and \$435,000 in the FY 2013 and FY 2014 operating budgets respectively for Financial Management and Payroll/HR Systems update. This involves re-engineering of on-line forms, and updates and enhancements to the systems that would result in operating efficiencies and overall costs savings
- Additionally, there are other miscellaneous IT projects that would either directly or indirectly impact this department's operating expenditures



CHIEF FINANCIAL OFFICER

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| Authorized | CURRENT | | FY 2013 | FY 2014 |
| | Average Positions Filled | Year-End Positions Filled | | |
| 4 | 4 | 4 | 4 | 4 |

**FY 2014 Budget
\$6,033,000**

**RISK MANAGEMENT
4 - Positions**

Risk Management

- Administer all aspects of insurance and risk management, including: securing company wide insurance policies, managing insurance claims and loss control, maintaining databases of losses/claims and insurance procedures, and assisting senior management with enterprise risk management
- Ensure compliance with legislation, industry practice and market requirements
- Monitor the receipt of insurance binders, policies and endorsements. Manage the safekeeping of original insurance policies
- Organize underwriting data requests, complete insurance applications and create underwriting submissions for all major DC Water insurance renewals

Claims Management

- Manage all claims, including workers compensation and tort claims for DC Water's Operations
- Manage all claims, including workers compensation and tort claims for DC Water's Rolling Owner Controlled Insurance Program (ROCIP)
- Ensure adequate insurance reserve levels
- Coordinate communication and investigation activities between various departments and the insurance administrator
- Manage subrogation and negotiate settlements
- Conduct internal investigations for general liability claims

Loss Prevention/Risk Mitigation

- Identify and evaluate risks
- Perform ongoing risk assessments of operations
- Assist with the coordination and facilitation of addressing loss prevention recommendations from DC Water's insurance carrier
- Perform loss analysis and issue reports to management
- Identify trends and work with our third party administrator, DC Water's Safety Department and others to create solutions for improvement on a consistent basis

RISK MANAGEMENT

MISSION: To manage and coordinate all risk management programs to reduce and cost effectively transfer DC Water's financial risk, protect its assets and reduce financial loss.

BUDGET OVERVIEW: The revised FY 2013 budget is lower than the approved FY 2013 budget primarily due to reduction in both premiums and claims costs. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.1 million due to higher contractual services related to premiums and projected claims cost.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 4 | 4 | 4 | 4 |
| Average number of positions filled | 4 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 386 | 435 | 409 | 424 |
| Overtime | 0 | 1 | 1 | 1 |
| Non-personnel Services: | | | | |
| Chemicals and Supplies | 4 | 5 | 5 | 6 |
| Utilities | 3 | 5 | 5 | 5 |
| Contractual Services, etc. | 4,864 | 5,749 | 5,499 | 5,599 |
| Small Equipment | | - | - | - |
| Total Non-Personnel Services | 4,871 | 5,759 | 5,509 | 5,609 |
| Total Operations & Maintenance | 5,258 | 6,194 | 5,918 | 6,033 |
| Capital Equipment | - | - | - | - |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Reduction of workers compensatio cost by 10% | 5% | 5% | 5% | 5% |
| Meet workers compensation filing requirements within 14 days | 14 | 14 | 14 | 14 |

RISK MANAGEMENT

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Implement ROCIP III program renewal with continued ROCIP I & II project and claims management/oversight for capital projects
- Continue to improve methods for capturing operational and ROCIP claims data in order to better evaluate claims trends, opportunities for cost recovery and ensure accurate and timely Medicaid/Medicare reporting

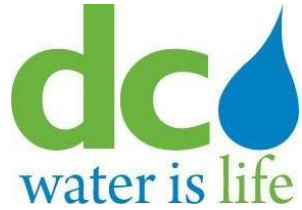
FY 2014 Major Recommended Activities and Changes

- Expand utilization of the Risk and Safety Management Information System for the purpose of capturing operational safety, claims, litigation, fleet and property data to allow trending of data by exposure bases and help facilitate insurance renewal data-gathering
- Continued management of ROCIP II and III programs for capital projects

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Increased Risk Management staff for better management and oversight of the ROCIP I and II programs
- ROCIP - increased traffic (construction contractors) at Blue Plains may impact or increase our accident exposures

this page intentionally left blank

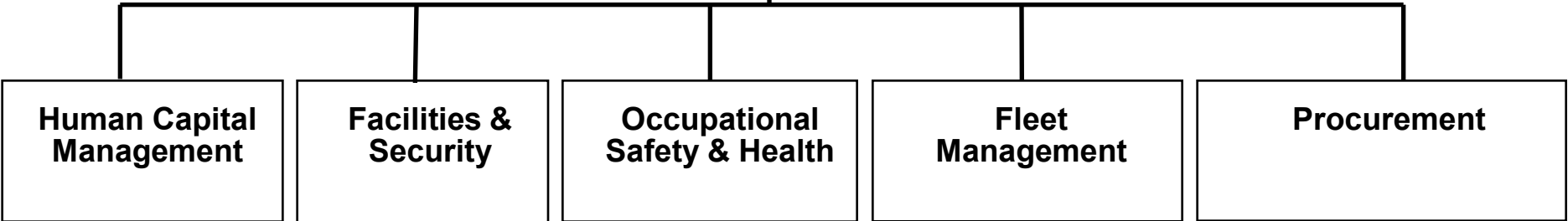


**FY 2014 Budget
\$340,000**

**GENERAL
MANAGER**

**ASSISTANT
GENERAL
MANAGER
Support Services
2 - Positions**

| POSITIONS | | | | |
|-------------------|---|--|----------------|----------------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 2 | 2 | 2 | 2 | 2 |



FUNCTIONS

- Develop and direct the strategic objectives of the Authority's support services divisions
- Oversee and direct the Departments of Human Capital Management, Facilities & Security, Occupational Safety & Health, Fleet Management, and Procurement

ASSISTANT GENERAL MANAGER - SUPPORT SERVICES

MISSION: To oversee and direct the management of administrative and support services provided by the departments of Human Capital Management, Facilities and Security Management, Fleet Management, Occupational Safety and Health and Procurement and Materiel Management.

BUDGET OVERVIEW: The revised FY 2013 operating budget is relatively flat in comparison to the approved FY 2013 budget. The approved FY 2014 budget is also relatively flat compared to the revised FY 2013 operating budget.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 2 | 2 | 2 | 2 |
| Average number of positions filled | 2 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 315 | 300 | 302 | 313 |
| Overtime | 1 | 1 | 1 | 1 |
| Non-Personnel Services: | | | | |
| Supplies | - | 1 | 1 | 1 |
| Utilities | 5 | 8 | 8 | 5 |
| Contractual Services, etc. | 4 | 21 | 21 | 21 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 9 | 30 | 30 | 27 |
| Total Operations & Maintenance | 324 | 330 | 332 | 340 |

| | | | | |
|--------------------------|--|--|--|--|
| Capital Equipment | | | | |
|--------------------------|--|--|--|--|

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Planning Meetings with directors of supporting departments: | | | | |
| Facilities Management | 4 | 4 | 4 | 4 |
| Fleet Management | 4 | 4 | 4 | 4 |
| Human Resources | 4 | 4 | 4 | 4 |
| Procurement Services | 4 | 4 | 4 | 4 |
| Safety & Security | 4 | 4 | 4 | 4 |

ASSISTANT GENERAL MANAGER – SUPPORT SERVICES

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue to utilize administrative techniques that will enhance sustainable efficiency in the Fleet Management, Occupational Safety and Health, Human Capital Management, Facilities and Security Management, and Procurement departments
- Develop and implement a new safety training program
- Continue to finalize all union collective bargaining negotiations
- Develop and implement a new performance management system for DC Water employees

FY 2014 Major Recommended Activities and Changes

- Develop and implement a skills-based compensation system
- Roll-out managers and supervisors training of the changes with the new collective bargaining agreements, negotiated in FY 2013
- Implement a voluntary benefits program that will allow employees to choose from a wide variety of benefits supported by a comprehensive service platform
- Continue to enhance the safety training program for all DC Water employees

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Support Human Capital Management initiatives to provide Asset Management Training throughout the Enterprise, which will impact the FY 2013 and FY 2014 Capital Budgets

this page intentionally left blank



**ASSISTANT
GENERAL
MANAGER
Support Services**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| CURRENT | | | FY 2012 | FY 2013 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 23 | 22 | 23 | 23 | 23 |

**FY 2014 Budget
\$4,630,000**

**HUMAN CAPITAL
MANAGEMENT
2 - Positions**

**Talent
Management
4 - Positions**

**Compensation
Management
3 - Positions**

**Benefits
3 - Positions**

**Labor Relations
5 - Positions**

**Learning &
Development
3 - Positions**

**HCM Systems
3 - Positions**

FUNCTIONS

- Recruitment and hiring
- Employment forecasting and planning
- Unemployment compensation
- Skills assessment and testing
- Employee Referral Program

FUNCTIONS

- Compensation Program
- Job Evaluation Program
- Pay Incentive Programs
- Performance management
- Market Analysis
- Position Control

FUNCTIONS

- Health and Welfare Benefits Administration
- Pension Benefits Administration
- Employee Assistance Program
- Drug and Alcohol Testing
- Wellness Program
- Fit for Duty
- Leave administration

FUNCTIONS

- Labor Relations
- Employee counseling
- Employee grievances and complaints
- Employee Relations
- Affirmative Action Program
- EEO complaint investigation and responses
- Disciplinary actions
- Arbitration
- Americans with Disability Act
- Age Discrimination in Employment Act

FUNCTIONS

- Management training
- Employee training
- Internship Program
- Education reimbursement
- Succession Planning and Knowledge Capture
- Employee Recognition Awards
- Employee Leadership Skills Assessment

FUNCTIONS

- Data Integrity in all HCM systems
- Records management
- Coordination of security & configuration changes to all HCM systems
- Primary liaison between HCM, IT, and Payroll
- Conducts needs assessments & analysis for all HCM branches
- Employment Verifications

HUMAN CAPITAL MANAGEMENT

MISSION: To deliver high quality, innovative, valued and timely human capital management services that are responsive to the needs of DC Water employees and departments, in order to help facilitate employees to achieve their individual and organizational goals.

BUDGET OVERVIEW: The revised FY 2013 operating budget is slightly higher than the approved FY 2013 budget by \$0.07 million primarily due to adjustments in personnel services costs. The approved FY 2014 budget is also higher than the revised FY 2013 budget by approximately \$0.09 million due to anticipated increases in personnel services costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 23 | 23 | 23 | 23 |
| Average number of positions filled | 22 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 2,699 | 2,580 | 2,645 | 2,738 |
| Overtime | 26 | 5 | 5 | 5 |
| Non-personnel Services: | | | | |
| Supplies | 36 | 36 | 36 | 37 |
| Utilities | 26 | 31 | 31 | 38 |
| Contractual Services, etc. | 1,524 | 1,822 | - | 45 |
| Small Equipment | - | 2 | - | - |
| Total Non-Personnel Services | 1,586 | 1,891 | 67 | 120 |
| Total Operations & Maintenance | 4,284 | 4,470 | 2,712 | 2,857 |
| Capital Equipment | - | - | - | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|---|----------------|------------------|-----------------|------------------|
| 120 days from job posting to hire | 120 | 120 | 120 | 120 |
| 10 days to initiate disciplinary action | 7 | 7 | 7 | 7 |
| 14-days, new hire benefit set-up | 14 | 14 | 14 | 14 |
| 22.5 Average number training hours per FTE | 22.5 | 22.5 | 22.5 | 22.5 |
| Comparison DC Water Employees Compensation (100%) | 100% | 100% | 100% | 100% |

HUMAN CAPITAL MANAGEMENT

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Monitor HCM operational performance improvements achieved from implementing new Ceridian module to support benefits administration in FY 2013. Move the administration of the following programs from Payflex to Ceridian: 1) Health Care FSA; 2) Dependent Care FSA; and 3) [Consolidated Omnibus Reconciliation Act](#) (COBRA)
- Ensure top management and technical talent are in place for all key positions and achieve local and national reputation as an employer of choice and one of the best places to work
- Continue to support DC Water's performance measurement initiatives – monitor performance of the support provided senior management in meeting strategic objectives outlined for DC Water's compensation and performance management functions; post the process changes implemented in FY 2013
- Continue to support and offer learning & development opportunities for DC Water employees – through offering a diverse menu of soft and technical skill classes, creating blended learning environments that will accommodate the diversified DC Water employee pool, ensure that critical skills are being developed and maintained, track training, and provide sustainable solutions for career development and succession planning. Two major initiatives will be launched in FY 2013: (1) the Leadership Academy; and (2) Mandatory Safety Training. Continued support will be required for the Learning Management System
- Continue to finalize all union collective bargaining negotiations
- Implement a Green Job Interview System to conduct virtual interviews
- Begin the solicitation process to find a new (Recruitment Solution) vendor to replace the existing eRecruit system, which is part of the Ceridian HR/Payroll system
- Implement new Tuition Assistance Program for employees

FY 2014 Major Recommended Activities and Changes

- Implement a voluntary benefits program that would allow employees to choose from a wide variety of benefits supported by a comprehensive delivery service platform
- Roll-out managers and supervisors training of the changes with the new collective bargaining agreements, negotiated in FY 2013
- Implement new Recruitment/Applicant Tracking Solution

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Providing Asset Management Training throughout the Enterprise will impact the FY 2013 and FY 2014 Capital Budgets

FY 2013 AND FY 2014 LEARNING AND DEVELOPMENT PLAN

LEARNING AND DEVELOPMENT OVERVIEW

Learning involves acquiring new skills and knowledge in relation to current roles. Development relates to a person's potential to acquire wider capabilities. DC Water uses both to support its mission and to benefit the Authority, its team members, and customers. By positing ourselves to take a more strategic approach to developing employees through using formalized job roles with core competencies as the map, we purposely create a well-trained **world class** workforce. An added byproduct is a robust long-term succession plan to develop the future leaders of DC Water. Our leadership team, present and future, need to be able to demonstrate a wide range of behaviors and technical skills. They are responsible for:

- Leadership – leading their teams at each level
- Celebrating achievements and managing under-performance, supporting improvement where needed
- Setting goals and priorities by responding to change and spotting opportunities
- Coaching and mentoring team members
- Being a role model for P.A.C.T. – an approach whereby all team members are engaged and involved in improving business – through modeling behavior that supports the four attributes: Positive Attitude, Accountability, Communication, and Teamwork.

A FY 2012 focus has been to approach learning and development through a more systematic method of assessments, blended learning, and effective evaluations against core competencies. This provides a strong foundation to meet the Authority's current and future training needs. We are moving away from one-size-fit-all training to developing programs that support the individual needs of employees. By promoting and supporting learning at all levels and offering various channels to cultivate development, we empower our team members to focus on "being their best" and growing with the company. In this way, everyone in DC Water has the opportunity to deliver the highest standards of service to meet the Authority's mission and reach its strategic goals.

Categories of training classes offered at DC Water are as follows:

Contractual Training – primarily technical classes that support our performance improvement program. This training also includes classes on occupational safety and security and the installation, operation of new equipment and processes and general instruction on standard software applications

In-House Training – classes and courses designed and implemented by DC Water's training personnel and periodic outsourced support. In-house training focuses on providing non-technical mandatory courses, basic skills development, skill enhancement courses and literacy. These courses involve all or a large number of our employees.

Outside Training – classes and programs that support individual employee training and development needs and requirements,

not implemented by DC Water's training personnel. This is an effective means of providing highly specialized or special focus training to individuals or a small group of employees. DC Water's education reimbursement program is included in this category.

On-Line Training - web-based courses offered by colleges, universities and professional organizations.

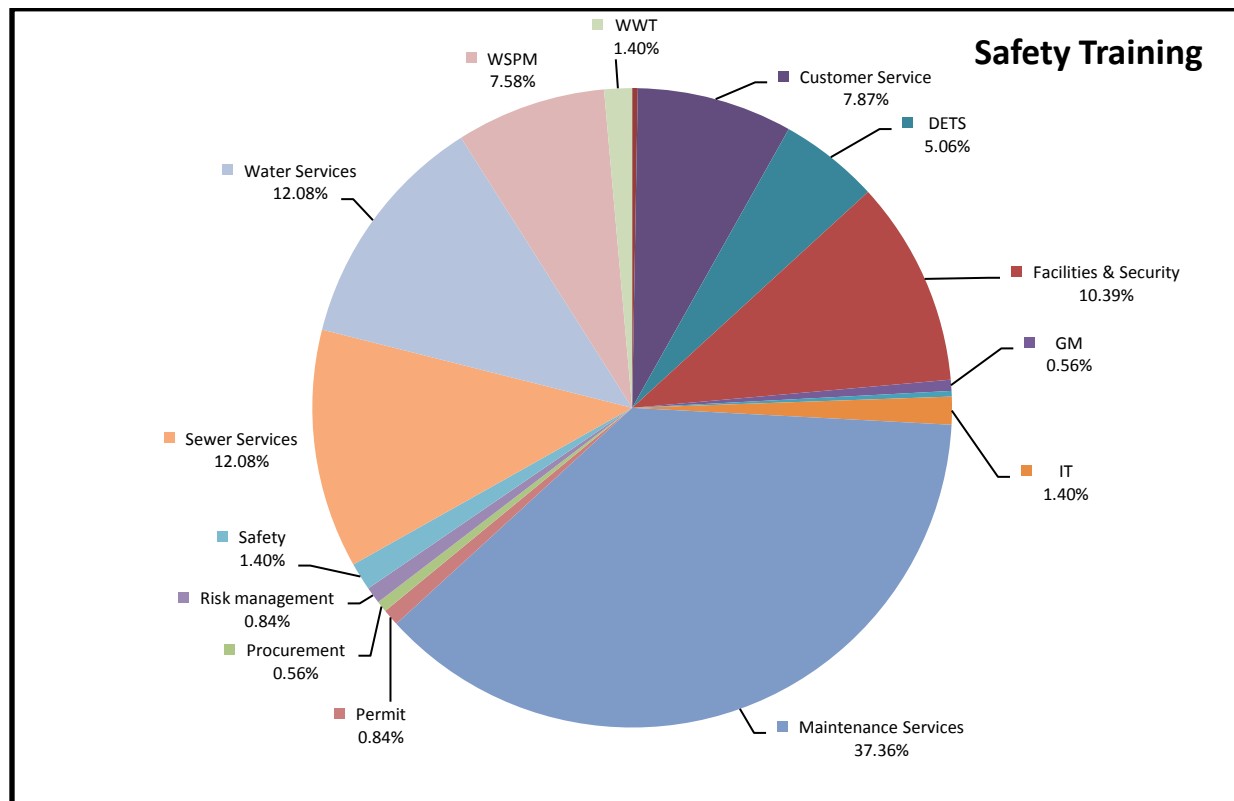
FY 2012 ACCOMPLISHMENTS

In FY 2012, the DC Water Board and executive team communicated the vision for DC Water to become a “*world-class utility*”. This translated into model best practices for leadership through the unveiling of the *Team Blue P.A.C.T. Pledge*. In collaboration with the Office of the General Manager and the PACT Program Managers, Learning and Development crafted the framework for an in-house management training program, “The Leadership Academy.” The implementation of the Academy will be the vehicle by which leaders within the Authority are given the opportunity to receive vital training that is tied directly to prescribed leadership competencies. DC Water has partnered with renowned organizations such as Franklin Covey, Kirkpatrick Partners, Partners in Leadership, and National Seminars, all proven in the field of leadership development, to bring relevant well-rounded programs that make a significant impact towards sustainable change.

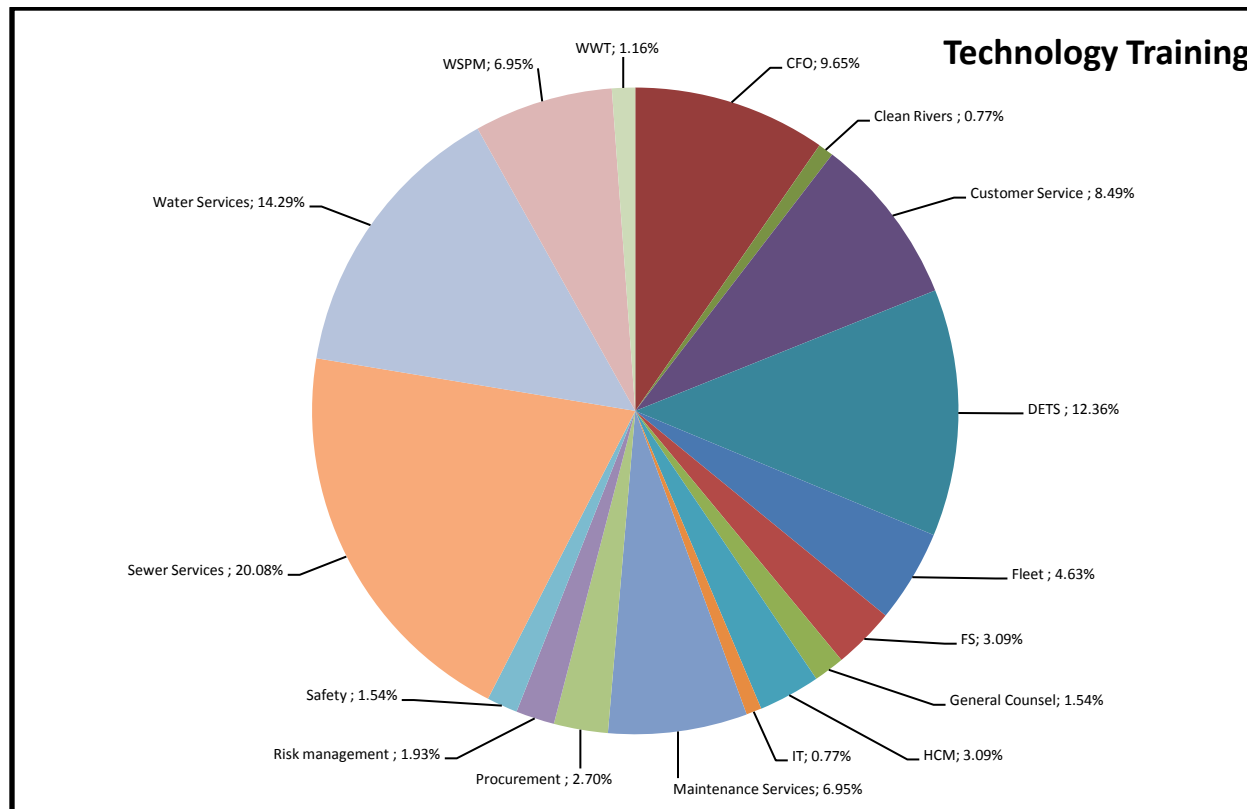
During FY 2012 our Executive Team and Human Capital Management, in collaboration with Learning and Development, continued to drive the importance of properly training and developing our team members in order to be strategically prepared to become a *World Class Utility*. Laying the groundwork for the myriad of new initiatives such as the Leadership Academy, implementation and evaluation of competency assessments, PACT training programs, asset management training, and the Safety Certification Program challenged the Learning and Development Division to possess a technology infrastructure to efficiently support the administration, design, delivery, management, tracking, and reporting of these programs. To that end, the services of Cornerstone on Demand were procured to support a Learning Management System (LMS) which will help to ensure the investment that DC Water makes in learning and development is realized through sustained Return on Investment (ROI). The cost of the LMS, allocated from the capital budget, was \$80,000. With the aid of a robust LMS, Learning and Development can meet the industry standard of offering a blended learning environment that moves away from the current traditional classroom-only style of instruction. Web-based events, as well as e-learning programs, can be offered. Instantly, we become empowered to facilitate informal and social learning across the Authority with the aid of imbedded social learning tools. In addition, we have the autonomy to create a custom learning content site where our learning curriculums can be hosted and accessed by all DC Water employees. As an immediate ROL (Return on Learning) we are able to extend the reach of our learning programs to meet employee needs without regard to timing or physical location. An LMS helps to provide a solution to the ongoing challenge and complexity of offering courses during swing-shift hours at our various locations. Another important long-term benefit of an LMS is that it supports the process of moving HCM (human Capital Management) to formalize job roles with core competencies. This data will tieback to relevant training options and forecasting for succession planning and talent management.

During FY 2012, the budgeted amount for training was \$1,822,000 or an average of approximately \$1,727 per employee. This training included regulatory, safety, technical, basic and interpersonal skills, and literacy classes. All training supported DC Water’s safety succession planning and literacy programs as well as new equipment and technology requirements.

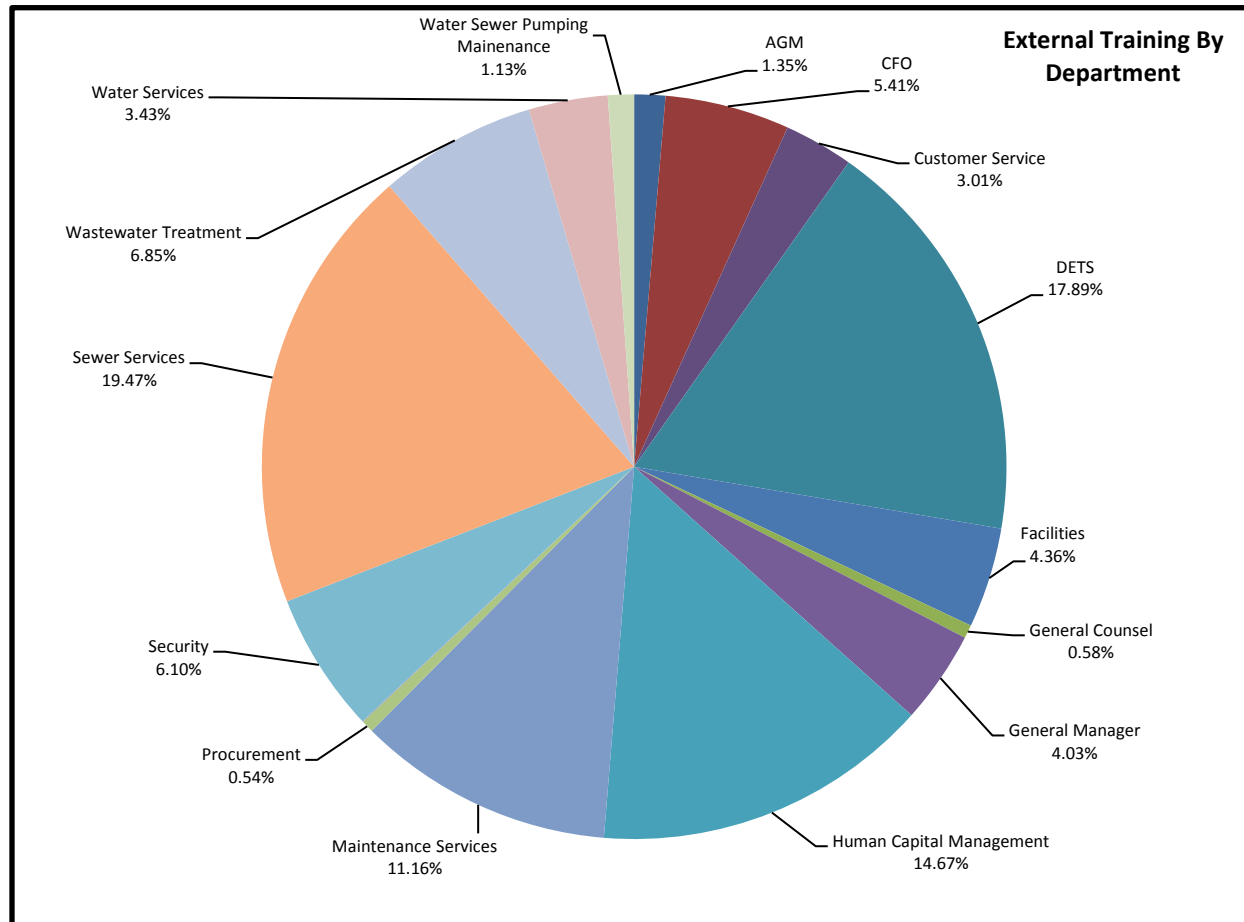
In support of DC Water’s comprehensive safety program, 37 different training topics were explored to meet regulatory and job-specific needs. Recognizing that the safety and wellbeing of our employees is a priority for DC Water, Learning and Development collaborated with the Department of Occupational Safety and Health to perform a gap analysis identifying the safety requirements for each position in every department. The report reflected the Authority’s current safety training compliance percentages and the estimated cost to meet OSHA (Occupational Safety and Health Act) regulated standards. During FY 2012 a total of \$36,570 was spent on this training. Utilizing both internal and external training resources, significant efforts were made to provide safety classes such as Confined Space, HazCom, CPR/First Aid, Forklift, Overhead Crane, and Excavation and Trenching. The Occupational Safety and Health Department also added new classes to the safety program like Lone/Unknown Shooter, Miss Utility, and the Hydrogen Sulfide (H2S) Symposium. The following graph provides a breakdown of safety training by department, taken through Learning and Development.



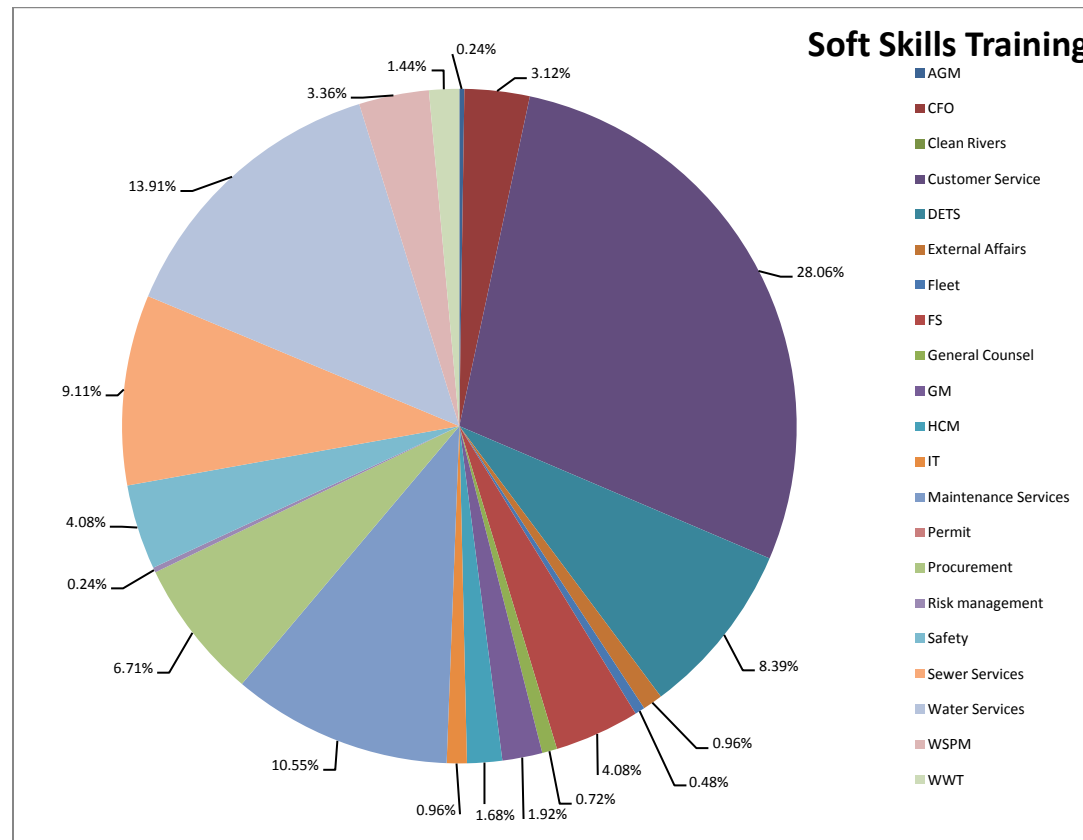
A total of \$10,842.50 was spent on IT training for DC Water team members in FY 2012. By leveraging partnerships with the Information Technology (IT) Department and external vendors, intact Windows and keyboarding classes were facilitated to employees representing the Department of Water Services (DWS) System Repair, DWS-Investigations, Department of Sewer Services (DSS)-Investigations and Customer Service's (CS)-Meter Operations. This training was created to enhance the computer skill set of employees required to work on laptops installed in service vehicles. Employees also learned how to "Navigate DC Water Technology", an in-house learning and development class designed to ensure that all employees understood they have immediate access to information via the intranet, Ceridian self-service, electronic paystub, and remote email access. Windows 7 classes were also offered DC Water wide to support the learning curve created by the FY 2012 software upgrade. Standard course offerings continued for Excel, Access, Word, and PowerPoint. The following graph provides a breakdown of IT training taken through Learning and Development per department.



DC Water sees external training as an opportunity to keep employees on the cutting edge of knowledge and practice for unique skill sets within the organization. In FY 2012, a total of \$192,139.08 was spent for 220 employees to attend outside training at an average cost of \$873 per employee. Examples of classes attended by employees include: Implementing Payroll Best Practices, Surveying, AutoCAD, OSHA Compliance Series, NACE Corrosion Conference, Job Safety Analysis, and Fundamentals of Industrial Hygiene. The following graph provides a breakdown of external training by department.



DC Water understands technical skills are vital to the day-to-day operations of the Authority. That said, attention is also given to the importance of developing people or “soft” skills for the efficient and effective function of the organization. Work ethic, attitude, communication skills, emotional intelligence and a whole host of other personal attributes are the soft skills that are essential for workplace success. Problem solving, delegating, motivating, and team building are all much easier if employees possess these soft skills. Knowing how to get along with people – and displaying a positive attitude – is crucial. During FY 2012 DC Water invested approximately \$75,000 in “soft” skill training programs. Professional development training classes were also offered to employees. Those classes included grammar and business writing, resume writing and interviewing skills, and Spanish with \$20,000 dedicated to those programs. The following graph provides a breakdown of internal soft skills training by department.



To support employees' educational and career goals, DC Water continued to offer the education reimbursement program and Skills for Workplace Success (formally DC Water Reads). In FY 2012 DC Water provided \$58,054.04, in education reimbursement expenses. This is an approximate 30% increase over FY2011 education reimbursement expenses of \$17,047. A significant number of employees are pursuing advanced degrees as part of their career development efforts. This noted increase has promoted DC Water to re-examine the current tuition reimbursement policy and make efforts to bring it in-line with industry standards. There are plans to launch the new tuition assistance program in FY 2013.

DC Water has developed a robust and competitive Summer Internship Program that has been in existence for 10 years. FY 2012 Summer Internship Program consisted of 45 interns from 26 different colleges and universities. The diverse group of students were from local areas such as Maryland, Virginia, and the District of Columbia and as far away as Texas, Alabama, California, Pennsylvania, Thailand, Nigeria, and China. This year a sponsor workshop was held prior to the selection process with the participating departments. Program logistics were discussed and expectations of accountability and engagement were also explained. The interns completed specialized projects that related to their academic choices and participated in professional development classes on resume writing and interviewing skills and techniques. They took field trips that focused on team building, the richness of the Anacostia, and topics of ecology and water chemistry. Additionally, the interns participated in a tree maintenance community service event in partnership with the Anacostia Watershed Society. For the first time the intern tour was more comprehensive, allowing for visits to the Washington Aqueduct, Bryant Street Pumping Station, O Street Pumping Station, and Blue Plains WWT facilities. A total of 5 students continued in the year-round program. These students will conduct independent research and are expected to work on complex technical projects.

Motivational Speaker and Author Willie Jolley was brought on board to help DC Water in our efforts to transform our corporate culture. Mr. Jolley conducted focus groups consisting of all levels of employees to determine the organization's current stature and its need to develop and sustain our "best in class" status. With input from the groups of approximately 20 participants each, Mr. Jolley was able to develop and deliver a customized message provided to all employees either in person, live stream, by telephone or on DVD. Mr. Jolley's inspiring message focused on leadership, change management, team building, customer service and attitude.

In FY 2012, DC Water supported the Safe Driving Program to reduce DC Water's liability for preventable accidents and to ensure that employees who drive vehicles as a primary job responsibility learn best practices. Learning and Development partnered with Smith Driving to train three new internal instructors to facilitate the hands-on safe driving program.

Ten (10) executive assistants were sent to the Administrative Assistants Conference hosted by National Seminars. at the Georgetown Holiday Inn in Washington, DC. Nationally acclaimed speakers hosted two-days of informative sessions focusing on topics such as communication, accountability, professional image, vendors and contracts, and maximizing Windows Outlook. Time was spent with other administrative professionals creating the opportunity to share stories and trade tips on best practices. An added benefit of the conference registration is each employee received unlimited access to training programs hosted by National Seminars for an entire year.

Mandatory training on DC Water policy topics such as Drug and Alcohol Prevention and Workplace Sensitivity and Diversity were addressed DC Water wide during FY 2012. The effort was made to expose the entire workforce to pertinent information relating to these issues. Other Human Capital Management specific courses were offered for Sexual Harassment, Effective-two Communication (supervisors and employees), Collective Bargaining Agreements, Performance Management, and Managing Discipline of Union Employees.

FY 2013 AND FY 2014 TRAINING BUDGETS

The revised FY 2013 and proposed FY 2014 training budgets are summarized in the table below:

| Training Type | FY 2013 | | FY 2014 | |
|--|--------------|-----------------------------|--------------|-----------------------------|
| | Budget | Percent of Total Budget (%) | Budget | Percent of Total Budget (%) |
| In-house | 509 | 34 | 554 | 34 |
| Contractual training – <i>by department</i> | 919 | 61 | 983 | 60 |
| Safety Training | 100 | 5 | 100 | 6 |
| Total | 1,528 | 100 | 1,637 | 100 |

A concerted effort will be made to create synergy between Human Capital Management and the various departments within the Authority to take a more structured approach at universal training resources. The purpose is to ensure that all resources, not only 34%, are being maximized to deliver quantifiable ROI. Evaluation of training programs will be structured with the learner in mind; keeping stakeholder expectations around desired results which impact critical behaviors at the forefront of all curriculum design.

In FY 2013, learning and development will focus on the need to train beyond the initial job qualifications. Attention will be given to professional and trade certifications as well as center on regulatory and safety, technical, Authority policy, skills improvement courses and programs, and soft skills classes. Regulatory and safety training will focus on OSHA and the District of Columbia Regulatory Agency mandated requirements, Homeland Security Emergency Response initiatives, the Center for Disease Control pandemic emergency efforts, and an in-house Safety Certification Program. The launch of the new Tuition Assistance Policy will benefit the Authority by enhancing the ability to attract and retain talented skilled employees. Human capital is crucial to success and tuition assistance and reimbursement is a proven tool that increases the knowledge, skills and abilities of the workforce.

New initiatives such as competency assessments, the Leadership Academy, asset management training, coaching and mentoring programs, Lunch and Learns, and succession planning will begin to come to fruition. Implementation of the Learning Management System will be paramount in the shift in culture for learning and development. More specialized small group intact learning and development programs will occur as proactive measures are taken to address identified areas of opportunity within workgroups. The Career Development Program and Skills for Workplace Success will also continue.

this page intentionally left blank



**ASSISTANT
GENERAL
MANAGER
Support Services**

**FACILITIES
MANAGEMENT &
SECURITY
Office of the Director
5 - Positions**

| | | <u>POSITIONS</u> | | | |
|------------|--------------------------|---------------------------|----|---------|---------|
| | | <u>CURRENT</u> | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | | |
| 66 | 61 | 58 | 67 | 67 | |

**FY 2014 Budget
\$12,879,000**

**Security
6 - Positions**

**Office Services
6 - Positions**

**Facilities
Operations
39 - Positions**

**Mechanical
Services
11 - Positions**

FUNCTIONS

- Provide physical security for DC Water employees and property
- Respond to safety and security emergency situations
- Investigate theft, incidents, illegal entries and other security concerns
- Oversee contract guard services
- Parking and Key Control
- DC Emergency Management Agency (EMA) Liaison

FUNCTIONS

- Mail, courier and freight services
- Motor pool services
- Manage DC Water's recycling program (paper, cans, bottles)
- Facilities work order requests and surveys
- Vendor Management
- Manage DC Water's copy services

FUNCTIONS

- Building operations/maintenance
- Coordinate workspace assignments and moves
- Janitorial Service
- Landscaping
- Trash removal
- Procure and assign furniture
- Adequate ground direction and building signage
- Manage cafeteria operations
- Pest control
- Repair fences and rollup doors

FUNCTIONS

- Predictive/preventive maintenance
- Adequate indoor air quality
- Elevator maintenance
- Engage in major construction and renovation projects
- HVAC systems maintenance
- Fire suppression and detection
- Project management

FACILITIES MANAGEMENT & SECURITY

MISSION: Support the operations of the Authority through routine maintenance, custodial services, repair and improvement of its facilities, buildings, grounds and roadways for DC Water's operations. Provide Security services and management throughout DC Water.

BUDGET OVERVIEW: The revised FY 2013 budget is slightly higher than the approved FY 2013 budget with the increase primarily for projected personnel services costs. The approved FY 2014 budget is approximately \$0.2 million below the revised FY 2013 budget due to decreases in contractual services cost for security services construction.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-----------------------|-------------------------|------------------------|-------------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 66 | 67 | 67 | 67 |
| Average number of positions filled | 61 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 5,240 | 5,723 | 5,781 | 5,886 |
| Overtime | 190 | 200 | 200 | 200 |
| Non-Personnel Services: | | | | |
| Supplies | 497 | 465 | 465 | 468 |
| Utilities | 77 | 105 | 105 | 109 |
| Contractual Services, etc. | 5,531 | 6,623 | 6,623 | 6,360 |
| Small Equipment | 49 | 73 | 73 | 57 |
| Total Non-Personnel Services | 6,154 | 7,266 | 7,266 | 6,993 |
| Total Operations & Maintenance | 11,394 | 12,989 | 13,048 | 12,879 |
| Capital Equipment | 1,333 | 1,463 | 1,750 | 1,500 |
| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
| Annual work orders closed | 2,500 | 2,500 | 3,000 | 3,000 |

FACILITIES MANAGEMENT & SECURITY

OVERVIEW

FY 2013 Major Recommended Activities and Changes

- Complete Central Maintenance Facility (CMF) Atrium window replacement
- Complete Central Operations Facility (COF) Entrance Improvements and Hardening
- Complete CMF 1st Floor lobby upgrade
- CMF HVAC existing boiler upgrades
- CMF Air Handler Replacement
- Complete IT Data Center expansion to include HVAC
- Complete 125 O St. Complex, Fleet, Asbestos Abatement
- Term Services Contract – Rollup doors
- CMF Chiller Upgrades and Redundancy
- CMF ADA Bathroom Renovations
- Upgrade/remodel COF Cafeteria
- Remodel COF 4th Floor offices
- Fleet bathroom renovations
- HVAC/VAV (Variable Air Volume) upgrades, Floors 3-4, COF
- General Counsel Office Remodeling
- New roofs for Nitrification Blower and Information Technology Buildings
- Continue Security Enhancements DC Water-wide
- Historical restoration of Ft. Reno

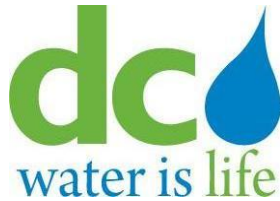
FY 2014 Major Recommended Activities and Changes

- Bryant Street Pumping Station Gutter/Roof Repairs
- 125 O St Complex, Fleet Building Electrical Upgrades
- 125 O St Complex, Fleet Building HVAC Upgrades
- Continue Security Enhancements DC Water-wide
- Building Information Management PM program

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Increased follow-up maintenance during construction, primarily cleaning of streets, roads, interiors will increase some maintenance costs
- Continued improvement of CMF systems and building will reduce overall maintenance efforts, improve space usage and public image
- Continued improvement of 125 O St. systems and buildings will reduce overall maintenance, improve space usage, improve public image
- Mega-projects require significant security upgrades and enhancements which will require increased manning to fully support

this page intentionally left blank

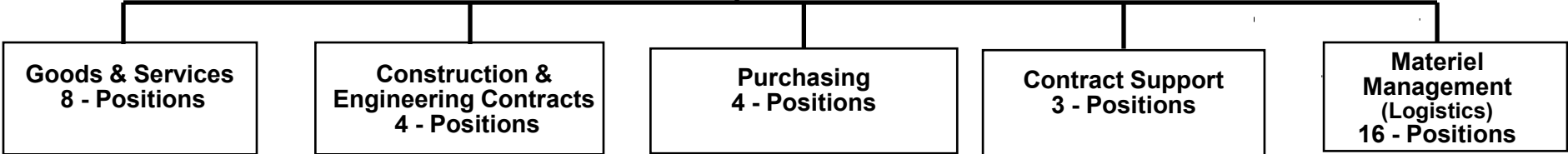


**ASSISTANT
GENERAL
MANAGER
Support Services**

| | | | POSITIONS | |
|------------|--------------------------|---------------------------|-----------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 38 | 35 | 33 | 38 | 38 |

**FY 2014 Budget
\$4,140,000**

**PROCUREMENT
Office of the Director
3 - Positions**



FUNCTIONS

- Manage DC Water's procurement process for large purchases
- Manage DC Water's Cooperative Program contracts
- Manage the post-awards administration of contracts
- Provide administrative support for goods and services procurements
- Provide direction and guidance on procurement policies and procedures

FUNCTIONS

- Manage DC Water's procurement process for large purchases
- Manage DC Water's Cooperative Program contracts
- Manage the post-award administration of contracts
- Provide administrative support for construction and engineering contract services
- Provide direction and guidance on procurement policies and procedures

FUNCTIONS

- Manage DC Water's procurement process for small purchases
- Process all requisitions for large procurements
- Prepare small purchase statistical reports
- Liaison with Finance and IT for improvements to the Lawson Financial Management System

FUNCTIONS

- Manage DC Water's business development program
- Manage the contract compliance program
- Maintain the department's web page
- Maintain Procurement Manual
- Manage DC Water's purchase and travel card programs
- Provide direction and guidance on compliance policies and procedures

FUNCTIONS

- Manage the warehouse and associated functions
- Administer the material control system and associated functions
- Provide direction and guidance on inventory policies and procedures
- Conduct spot, cycle and annual physical inventory
- Manage disposal of excess and obsolete inventory
- Manage Fixed Asset Program

PROCUREMENT

MISSION: To procure the best value products and services, with the highest degree of procurement integrity, utilizing efficient and cost-effective procurement methods, with a continuing focus on LSDBE contracting participation.

BUDGET OVERVIEW: The revised FY 2013 budget decreased by approximately \$0.3 million primarily due to projected personnel services costs. The approved FY 2014 budget is relatively flat compared to the revised FY 2013 budget.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 38 | 38 | 38 | 38 |
| Average number of positions filled | 35 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 3,415 | 3,865 | 3,608 | 3,651 |
| Overtime | 16 | 30 | 30 | 30 |
| Non-Personnel Services: | | | | |
| Supplies | 24 | 39 | 39 | 39 |
| Utilities | 51 | 58 | 58 | 63 |
| Contractual Services, etc. | 365 | 400 | 400 | 387 |
| Small Equipment | - | - | - | - |
| Total Non-Personnel Services | 440 | 497 | 497 | 489 |
| Total Operations & Maintenance | 3,856 | 4,362 | 4,105 | 4,140 |
| Capital Equipment | 233 | 200 | 950 | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|---|----------------|------------------|-----------------|------------------|
| Timely processing small purchases within 10 working days | 90% | 90% | 90% | 95% |
| Issue Invitation for Bid (IFB) and award contracts within 90 calendar days | 90% | 90% | 90% | 95% |
| Issue Requests for Proposal (RFP) and award contracts within 120 calendar days | 90% | 90% | 90% | 95% |
| Complete Purchase Card authorization process within 30 working days | 80% | 90% | 90% | 95% |
| Ensure applicable contractors submit the EPA monthly reports by the 25th of the month | 70% | 75% | 75% | 80% |
| Issue Procurement request for inventory restock within one (1) business day of approval | 90% | 90% | 90% | 95% |
| System review of warehouse stock deliveries within one (1) business day of truck delivery | 90% | 90% | 90% | 95% |
| System and physical issue of all stock request within same day of authorized request | 80% | 80% | 80% | 95% |

PROCUREMENT

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Automate PCard reconciliation process
- Complete conducting business development, contract compliance and employment roundtable sessions with external agencies
- Continue automation of Procurement and Logistics Business Processes
- Complete developing Procurement and Logistics Policies and Procedures
- Complete updating Contract Terms and Conditions

FY 2014 Major Recommended Activities and Changes

- Complete automation of compliance monitoring and reporting (implementation)
- Complete automation of Procurement business processes
- Reorganize Procurement staff
- Train procurement staff and end users in new business processes and procedures

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Reduces personnel costs for materials management and procurement
- Decrease in number of FTEs in materials management and procurement

this page intentionally left blank



**FY 2014 Budget
\$1,894,000**

**ASSISTANT
GENERAL
MANAGER**

**OCCUPATIONAL SAFETY
AND HEALTH**

**Emergency Response
and Planning Program
1 - Position**

**Occupational Safety and
Health Program
8 - Positions**

**Environmental Safety
Program
1- Position**

| POSITIONS | | | | |
|------------|--------------------------|---------------------------|---------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 8 | 8 | 8 | 10 | 10 |

Functions

- Coordinate the emergency response and planning activities for all DC Water operations
- Coordinate implementation of the National Incident Management System (NIMS)
- Coordinate DC Water response activities with the District and Regional Authorities
- Develop guidelines for training, conducting drills and updating emergency response plans

Functions

- Maintain an effective Accident Prevention Safety Awareness Program
- Conduct safety inspections of all DC Water facilities
- Develop and analyze safety statistics
- Investigate, evaluate and review all accident, injuries and incidents for effective preventive measures
- Maintain effective safety training guidelines and assistance to ensure DC Water compliance with mandated safety requirements
- Provide safety oversight of the Comprehensive Construction Safety Program and the Rolling Owner Controlled Insurance Program (ROCIP)

Functions

- Ensure DC Water's compliance with environmental safety regulations
- Provide oversight and guidance of DC Water's Hazardous Waste Program
- Generate and provide required safety reports to regulatory agencies
- Provide oversight and management of aboveground and underground storage tanks

OCCUPATIONAL SAFETY AND HEALTH

MISSION: To provide technical services and support that ensures a safe and healthy work environment for all DC Water employees.

BUDGET OVERVIEW: The revised FY 2013 budget increased by approximately \$0.03 million above the approved FY 2013 budget due to personnel services adjustments. The approved FY 2014 budget is higher than the revised FY 2013 budget by \$0.13 million due to anticipated increases in personnel services and contractual services costs.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 8 | 10 | 10 | 10 |
| Average number of positions filled | 8 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 997 | 1,142 | 1,169 | 1,268 |
| Overtime | 1 | 2 | 2 | 2 |
| Non-Personnel Services: | | | | |
| Supplies | 9 | 10 | 53 | 50 |
| Utilities | 17 | 24 | 24 | 25 |
| Contractual Services, etc. | 280 | 504 | 504 | 541 |
| Small Equipment | - | 10 | 10 | 10 |
| Total Non-Personnel Services | 306 | 591 | 591 | 626 |
| Total Operations & Maintenance | 1,303 | 1,733 | 1,760 | 1,894 |
| Capital Equipment | - | - | 100 | - |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Reportable accidents per hours worked (Reduce 10%) Target = 9.0 | 6.6 | 6.6 | 6.6 | 6.6 |
| Lost time due to non-fatal accidents. Target = 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| No of time work stopped due to unplanned unsafe conditions. Target = 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| No of formally raised safety related employee concerns (reduce 20%) | 9 | 9 | 9 | 9 |
| No. of Workplace Violence Incidents | 0 | 0 | 0 | 0 |
| % of investigations closed out in 45 days. Target = 100% | 100% | 100% | 100% | 100% |
| No. of Vehicle Accidents (Prev). Target = 15 | 15 | 15 | 15 | 15 |

OCCUPATIONAL SAFETY AND HEALTH

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Begin teaching ten-hour OSHA course to all employees. New hires will receive the training prior to reporting to work location, current employees will receive the training; employees working in high hazard areas will be trained first
- Partner with the Office of the General Counsel in support of the Environmental, Health, and Safety Compliance Program
- Continue implementation of the Safety Software System
- Execute a curriculum intended to prepare supervisors to take the Safety Trained Supervisor certification examination with the Board of Certified Safety Professionals

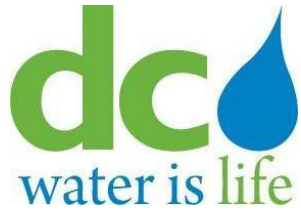
FY 2014 Major Recommended Activities and Changes

- Work in partnership with the operating departments to address the vulnerability assessments conducted in 2012 and 2013
- Implement strategy developed around the vulnerability assessments conducted in 2012 to strengthen emergency response program
- Provide funding oversight for a kinesiology program intended to improve core body strength, flexibility, and coordination of employees in an effort to reduce the number of slips, trips, falls, strains, and sprains

Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Two additional positions were approved in FY 2013 to enhance the ROCIP program through increased safety monitoring and oversight of multiple construction projects recently initiated at Blue Plains

this page intentionally left blank



**ASSISTANT
GENERAL
MANAGER
Support Services**

| | | | POSITIONS | |
|----------------|--------------------------|---------------------------|------------------|---------|
| CURRENT | | | FY 2013 | FY 2014 |
| Authorized | Average Positions Filled | Year-End Positions Filled | | |
| 6 | 6 | 5 | 6 | 6 |

**FY 2014 Budget
\$4,918,000**

**FLEET
MANAGEMENT**

**Maintenance
2 - Positions**

**Administrative
3 - Positions**

**Acquisition
1 - Position**

FUNCTIONS

- Preventive and repair maintenance
- Management of vehicles, equipment and parts
- Manage fleet maintenance contractor and vendors
- Manage the DC Water loaner pool program

FUNCTIONS

- Fleet Rightsizing – Process Improvements
- Contract monitoring
- Budget Management
- Performance Measurements - percent of uptime/availability
- Monitor fuel usage

FUNCTIONS

- Acquisition/Disposition of vehicles/equipment
- Inventory control
- Integration and retrofitting of vehicles

FLEET MANAGEMENT

MISSION: To provide safe, reliable and cost effective vehicles and equipment to DC Water for use by all departments in performance of their missions.

BUDGET OVERVIEW: The revised FY 2013 budget increased by approximately \$0.2 million over the approved FY 2013 budget mainly for fuel expenditures. The approved FY 2014 budget increase of \$0.3 million above the revised FY 2013 budget is primarily due to projected vehicle maintenance and repairs costs under contractual services.

| | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Positions: (FTE's) | | | | |
| Number of authorized positions | 6 | 6 | 6 | 6 |
| Average number of positions filled | 6 | | | |
| Operating Expenses | | | | |
| Personnel Services including Overtime | 830 | 710 | 724 | 749 |
| Overtime | 1 | 1 | 1 | 1 |
| Non-personnel Services: | | | | |
| Supplies | 7 | 11 | 11 | 12 |
| Utilities | 931 | 906 | 1,051 | 1,057 |
| Contractual Services, etc. | 2,530 | 2,764 | 2,764 | 3,016 |
| Small Equipment | 34 | 75 | 75 | 85 |
| Total Non-Personnel Services | 3,502 | 3,756 | 3,901 | 4,169 |
| Total Operations & Maintenance | 4,332 | 4,466 | 4,625 | 4,918 |
| Capital Equipment | 2,311 | 1,800 | 4,987 | 1,425 |

| Targeted Performance Measures | FY 2012 Actual | FY 2013 Approved | FY 2013 Revised | FY 2014 Approved |
|--|----------------|------------------|-----------------|------------------|
| Preventive maintenance completed on schedule | 96% | 96% | 96% | 96% |
| Vehicles available for use | 96% | 96% | 96% | 96% |
| DC Water Priority vehicle in-service | 96% | 96% | 96% | 96% |

FLEET MANAGEMENT

OVERVIEW

FY 2013 Major Planned Activities and Changes

- Continue to purchase electric vehicles
- Continue to purchase fuel efficient vehicles/equipment
- Continue purchasing hybrid vehicles
- Replace gasoline powered vehicles with electric vehicles, where possible and practical
- Continue to review DC Water vehicle operators driving records
- Continue the Vehicle Appearance Program
- Reduce fuel consumption
- Continue the “Right Sizing” Program
- Continue testing of Alternative Fueled Vehicles (Propane, B20, CNG, Flex Fuel)
- Increased usage of Bio-based Products (Soy, Bio-based)
- Utilization of Grants for the purchase of Alternative Fueled Vehicles (AFV’s)
- In collaboration with Information Technology Department – Introduction of New Mobile Technologies Enhancement

FY 2014 Major Recommended Activities and Changes

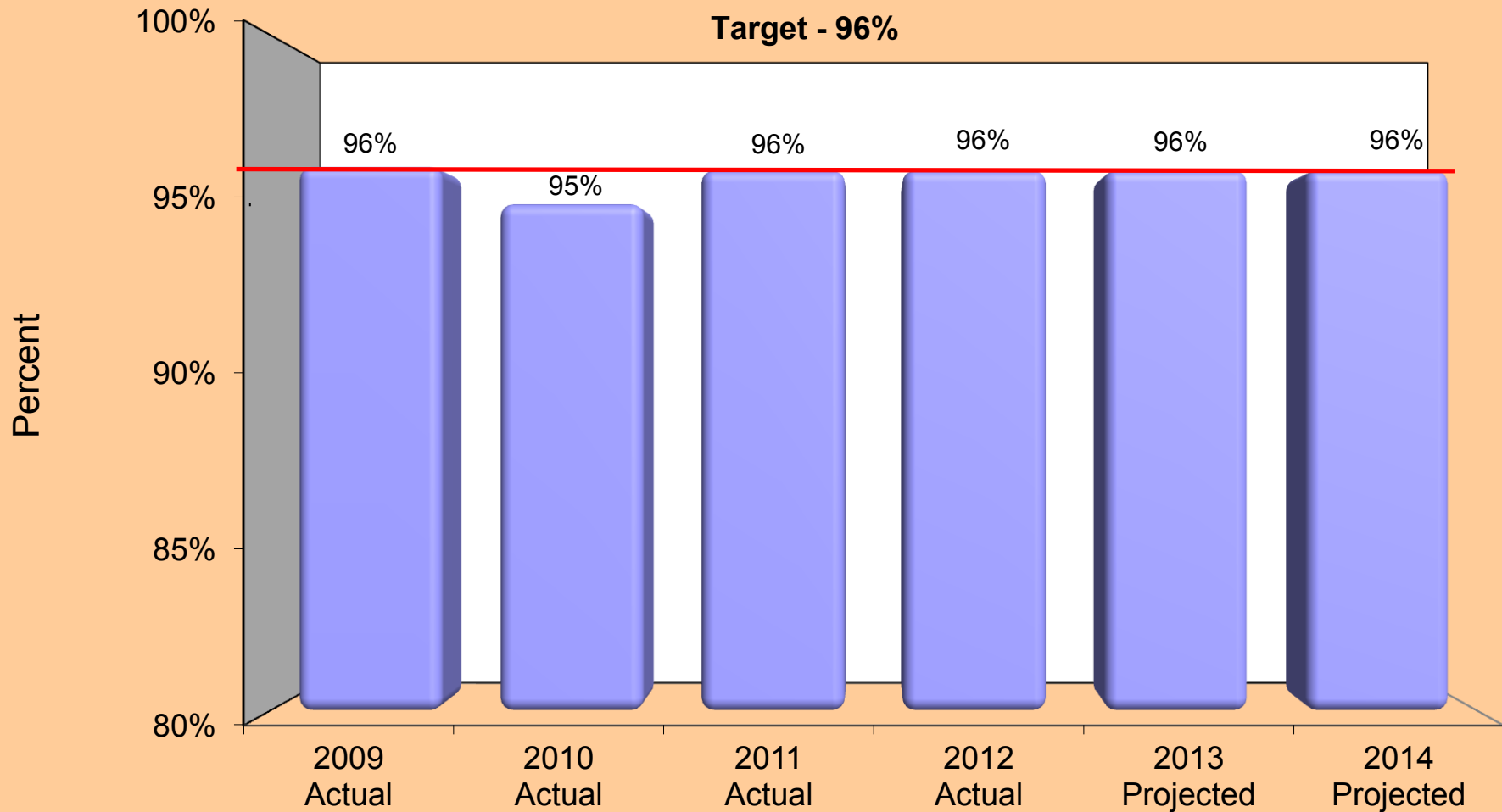
- Continue the “Right Sizing” Program
- Continue purchasing fuel efficient vehicles
- Continue replacement of gasoline powered vehicles with electric vehicles, where possible and practical
- Continue purchasing hybrid vehicles
- Continue the Vehicle Appearance Program
- Continue testing of Alternative Fueled Vehicles
- Continue increased usage of Bio-based Products
- Continue utilization of Grants for the purchase of Alternative Fueled Vehicles (AFV’s)

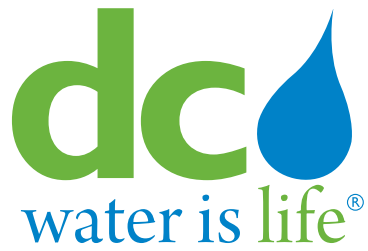
Impact of Capital Projects on FY 2013 and FY 2014 Operating Expenditures

- Increase in replacement of aging fleet inventory with fuel efficient vehicles/equipment
- Reduce vehicle downtime
- Reduce fuel usage
- Improve customer services/satisfaction
- Increase usage of environmentally friendly products
- Increased visibility and productivity of users of Mobile Technology Program



Vehicle In-Service Percentage





DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

OPERATING BUDGETS

SECTION VIII

GLOSSARY, ACRONYMS AND RESOLUTIONS

REVISED FY 2013 APPROVED FY 2014



GLOSSARY

ACCRUAL BASIS: The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether or not cash disbursements are made at that time).

A/E CONTRACT: Architectural and Engineering Contracts

AERATION: The process that forces compressed air into wastewater. The oxygen keeps the microorganisms alive and sets off a chain reaction; live, eat, and work. Oxygen is an essential ingredient in "activating" sludge.

AMERICAN RECOVERY AND REINVESTMENT ACT: Is an economic stimulus package enacted by the 111th United States Congress in February 2009. The stimulus was intended to create jobs and promote investment and consumer spending during the recession.

ANAEROBIC DIGESTION: A biological process that uses microorganisms to reduce the volume of biosolids.

APPROPRIATION: An authorization by Congress, which permits officials to incur obligations and expend Authority resources. Appropriations are usually made for fixed amounts, which extend for a fiscal year. Appropriations for capital improvement projects, however, extend until completion, usually beyond the current fiscal year.

ARBITRAGE: The simultaneous purchase and selling of an asset in order to profit from a differential in the price. This usually takes place on different exchanges or marketplaces. Also known as a "riskless profit".

ASSETS: Property with monetary value owned by the Authority.

AUDIT: An independent systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting records. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements.

AUTOMATED METER READING (AMR): System that automatically read customers' meters using radio frequencies, allowing for more accurate and frequent meter readings and transfer of data to a central database for billing and analysis.

BALANCED BUDGET: A budget in which the income equals expenditure.

BIOCHEMICAL OXYGEN DEMAND (BOD): An indicator of the amount of biodegradable contaminants in wastewater.

BIOSOLIDS: Sludge that has been treated to reduce pathogens, organics, and odors, forming a reusable agricultural product.

BLUE PLAINS ADVANCED WASTEWATER TREATMENT PLANT: Located in Washington, DC, Blue Plains is the world's largest advanced wastewater treatment plant, and has a permitted capacity of 370 million gallons per day.

BOARD OF DIRECTORS: DC Water's governing board (the Board), which includes 11 primary members, six members from the District of Columbia, two members each from Montgomery and Prince George's Counties in Maryland, and one member from Fairfax County, Virginia.

BOND: An obligation issued by DC Water promising to pay a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically issued to fund specific capital improvement expenditures.

BUDGET: A plan of financial operations including an estimate of proposed expenditures and revenues for a fiscal period. The budget establishes funding levels for continuing service programs, operation and maintenance of public facilities, and principal and interest payments on bonded indebtedness. Recurring replacement of capital outlay and minor new capital outlay items are included.

CAPACITY MANAGEMENT OPERATION and MAINTENANCE (CMOM): A standard framework for municipal sewer collection systems to identify and incorporate widely-accepted wastewater industry practices to meet regulatory compliance.

CAPITAL BUDGET: A plan for investment in long-term assets such as buildings, plant, and equipment. DC Water's capital budget includes project schedules and funding needed to acquire, improve or construct properties or facilities to enhance water and sewer services to our customers.

CAPITAL EQUIPMENT: A capital asset with a useful life of at least 3 years, a cost exceeding \$5,000 and is financed with short-term debt or cash. Examples include rolling stock and computer equipment.

CAPITAL IMPROVEMENT PROGRAM (CIP): A plan, which identifies the nature, schedule and cost of long-term improvements to DC Water's infrastructure.

CERIDIAN: DC Water's fully integrated payroll and personnel system designed to accommodate a variety of pay, leave, and work rules and to provide a comprehensive set of human resource applications.

CHLORAMINATION: The process of adding chloramines to drinking water. Chloramine, a form of chlorine and ammonia, is used as a disinfectant by the Washington Aqueduct.

CLEAN RIVERS IMPERVIOUS AREA CHARGE: DC Water uses information contained in the District of Columbia's GIS plainmetric database, which includes tax and property records to determine impervious surface areas. (All surfaces are classified as either pervious or impervious). An impervious charge is billed to DC Water customers based on Equivalent Residential Unit (ERU). This is the amount of impervious surface area measured in square feet based on a statistical median for a single family residential property.

CLEAN WATER ACT (CWA): Act passed by the U.S. Congress in 1972 to control water pollution.

COMBINED SEWER OVERFLOWS (CSO): Discharge of untreated wastewater (a mixture of storm water and sanitary waste) directly to waterways during periods of significant rainfall.

COMBINED SEWER OVERFLOW LONG-TERM CONTROL PLAN (CSO LTCP): This Program encompasses projects designed to reduce overflows into the local waterways by 98%, and is now known as the Clean Rivers Project.

COMBINED SEWER SYSTEM LONG-TERM CONTROL PLAN (CSS LTCP): Final plan submitted by DC Water in July 2002 and approved by EPA in March 2005 to control Combined Sewer Overflow (CSO's) to the Districts waterways.

COMMERCIAL PAPER: Short-term (less than 270 days) notes issued by DC Water to provide interim financing of its capital improvement program. Commercial paper typically carries lower interest rates than long-term debt and is issued on a subordinate basis.

CUSTOMER INFORMATION SYSTEM (CIS): System which DC Water utilizes for customer billing and information and other related services.

DC CLEAN RIVERS PROJECT: New name for the COMBINED SEWER OVERFLOW LONG TERM CONTROL PLAN (CSO LTCP), which is a program that encompasses projects designed to reduce overflows into the local waterways by 98%.

DEBT RATING: An independent opinion, based on a comprehensive quantitative and qualitative evaluation, of a company's financial position, operating performance, business profile and management. Specifically, the debt rating reflects a company's ability to meet its obligations to repay interest and principal on outstanding obligations to investors. DC Water's bond ratings provided by Moody's Investors Service, Standard & Poor's and Fitch Ratings are Aa3, AA-, AA-, respectively.

DEBT SERVICE: Amount of money necessary to pay principal and interest on senior outstanding notes and bonds in any given fiscal year.

DEBT SERVICE COVERAGE: Requirement of DC Water's master trust indenture and Board policy that provides that annual revenue available to pay debt service must exceed annual debt service by a certain percentage. DC Water's master trust indenture requires 120 percent senior debt service coverage; DC Water Board policy requires 140 percent senior debt service coverage.

EGG SHAPED DIGESTER FACILITY (EDF): A new advanced digestion facility capable of anaerobically digesting all biosolids generated at the Blue Plains AWTP.

EFFLUENT: Treated wastewater discharged from the Blue Plains Advanced Wastewater Treatment Plant.

ENABLING ACT: Legislation which established DC Water and defined its purpose and authority. DC Water's enabling legislation was initially enacted in 1996.

ENCUMBRANCES: Obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is released.

ENHANCED NITROGEN REMOVAL FACILITY: This Program Area represents the new name for the Total Nitrogen Program (BTN) which includes projects for new facilities and upgrades to existing facilities needed at Blue Plains to meet the total nitrogen discharge limit that has been included in DC Water's 2010 NPDES permit.

ENTERPRISE FUND: A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominantly self-supporting by user charges. This type of fund uses the accrual basis of accounting. DC Water is responsible for two enterprise funds:

- 1) Water and Sewer Enterprise Fund
- 2) The District of Columbia Stormwater Enterprise Fund

ENVIRONMENTAL PROTECTION AGENCY (EPA): Federal agency responsible for environmental regulations and enforcement.

EXPENDITURES: Payment for goods and services received.

FABRIDAM: A dynamic weir (or dam) that inflates and deflates depending on the structure set point. Set points vary from structure to structure.

FISCAL YEAR: The twelve-month period used by DC Water which begins October 1 and ends September 30 of the following calendar year.

FIXED ASSET: Long-lived property owned by an entity that is used by an entity in the production of its income. Tangible fixed assets include real estate, plant, and equipment.

GENERAL OBLIGATION DEBT: This is money that DC Water still owes the District of Columbia for bond issuance prior to the enabling act that created DC Water

IMPERVIOUS SURFACE: an area that impedes or retards the percolation of water into the subsoil and impedes plant growth. Impervious surfaces include but are not limited to the following: roofprints, footprints of patios, driveways, private streets, other paved areas, tennis courts, and swimming pools, and any path or walkway that is covered by impervious material.

INFRASTRUCTURE: DC Water's facilities, services, and installations needed for its functioning, such as its water, sewer and customer delivery systems.

INTER-MUNICIPAL AGREEMENT OF 1985 (IMA): This agreement outlines the operating and financial responsibilities for wholesale wastewater treatment services at Blue Plains. Signatories to the IMA include the District of Columbia, Montgomery and Prince George's Counties in Maryland, Fairfax County, Virginia, and the Washington Suburban Sanitary Commission.

INTERCEPTORS: The large pipes that convey wastewater from the collection system to DC Water's wastewater treatment plant, Blue Plains.

INTERNAL IMPROVEMENT PLAN (IIP): Operational improvement plans for various operating departments across DC Water that will result in improved service and cost savings to DC Water's customers. Proposed improvements are a function of new capital projects, investments in technology, and new business processes. IIP's have been developed for the Departments of Wastewater Treatment, Maintenance Services, and Customer Service, and are in process for the Departments of Water and Sewer Services.

INVERTED BLOCK RATE STRUCTURES: Is a schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a higher unit rate than in the previous blocks. Generally, each successive block rate may be applicable to a greater volume of water delivery than the preceding block(s).

JOINT USE SEWERAGE FACILITIES: A list of specific facilities identified in the DC Official Code, Section #34-2202.01(4).

LOW IMPACT DEVELOPMENT (LID): Integrates ecological and environmental considerations into all phases of urban planning, design and construction in order to avoid encroaching on environmentally fragile or valuable lands, and to decrease runoff volumes and peak flow impacts.

LOCAL SMALL DISADVANTAGED BUSINESS ENTERPRISE (LSDBE): Business entities that are encouraged to do business in the District through supportive legislation, business development programs, and agency and public/private contract compliance.

MASTER FACILITIES PLAN: A twenty-year plan that outlines proposed capital improvements across DC Water. This plan is updated every three to five years.

MUNICIPAL SEPARATE STORM SEWER SYSTEM (MS4): A regulatory program for controlling stormwater pollution.

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES): A permit issued by the EPA that governs effluent discharges into various rivers and waterways by Blue Plains and DC Water's sewer system.

NITRIFICATION: An aerobic process in which bacteria changes the ammonia and organic nitrogen in wastewater into oxidized nitrogen.

NINE MINIMUM CONTROLS (NMC): Nine EPA-designated activities that DC Water must undertake to reduce Combined Sewer Overflow (CSO) while implementing its Long Term Control Plan (LTCP).

OPERATING RESERVE: Reserve established by the Board of Directors equivalent to approximately 180 days' operating and maintenance expenses.

OPERATING BUDGET: The budget that encompasses the day-to-day activities for DC Water. The operating budget includes employee salaries, supplies, and other non-personnel items related to current activities. The operating budget also includes other costs including debt service and payment in lieu of taxes/right of way fees.

OPERATIONS & MAINTENANCE (O&M): The activities related to the performance of routine, preventive, and predictive, actions aimed at preventing DC Water's equipment and infrastructure from failure or decline, with the goal of increasing efficiency, reliability, and safety.

OUTFALL: The place or structure where effluent is discharged into receiving waters.

PAYMENT IN LIEU of TAXES (PILOT): Amounts which DC Water pays each fiscal year to the District and institutions in which its facilities are located. Consistent with the provisions of DC Water's Enabling Act, these payments are to be based on services received and certified from the District of Columbia.

PLANT RESIDUALS: In 2003, the EPA issued a revised NPDES permit to the Washington Aqueduct (WAD) and entered into a Federal Facilities Compliance Agreement (the federal agency equivalent of an Administrative Order) requiring WAD, to have in operation, by Dec 31, 2009, a new process, which dewateres the residuals on site and trucks them off-site for disposal.

POTOMAC INTERCEPTOR: Fifty-mile interceptor that carries wastewater from Loudoun and Fairfax Counties in Virginia and Montgomery County in Maryland to Blue Plains.

PRIMARY TREATMENT: A wastewater treatment process that allows those substances in wastewater that readily settles or floats to be separated from the water being treated.

PRINCIPAL: The total amount of money being borrowed or lent.

PROCESS COMPUTER CONTROL SYSTEM (PCCS): Electronically monitors and controls all treatment processes and facilities.

RATE STABILIZATION FUND: A fund established by the Board of Directors, which is used to implement rate increases on a gradual and predictable basis.

RESERVES: An accounting entry that properly reflects contingent liabilities.

REVENUE: An increase in (sources of) fund financial resources other than from inter-fund transfers and debt issue proceeds. Revenues should be classified by fund and source.

REVENUE BONDS: Bonds payable from specific source of revenue and which do not pledge the full faith and credit of the issuer.

RIGHT-OF-WAY FEE (ROW): A permit fee that the District of Columbia Government charges DC Water for water and sewer conduits that it occupies within the District of Columbia.

SAFE DRINKING WATER ACT (SDWA): Act passed by the U.S. Congress (most recently amended in 1996) to control drinking water quality.

SECONDARY TREATMENT: Usually following primary treatment, secondary treatment employs microorganisms to reduce the level of biochemical oxygen demand (BOD) in wastewater.

SENIOR DEBT: Debt whose terms in the event of bankruptcy require it to be repaid before subordinated debt receives any payment.

SLUDGE: Solid residue from wastewater treatment.

SUPPLEMENTAL ENVIRONMENTAL PROJECT (SEP): A project DC Water is funding as part of its nine minimum control (NMC) CSO consent order.

SUBORDINATED DEBT: Debt over which senior debt takes priority. In the event of bankruptcy, subordinated debtholders receive payment only after senior debt claims are paid in full.

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA): Equipment and computer technology used to monitor and control the water distribution and wastewater conveyance systems.

WASHINGTON AQUEDUCT: A division of the U.S. Army Corps of Engineers which owns and operates the water treatment facilities for DC Water, Arlington and Falls Church, Virginia. DC Water purchases treated drinking water on a wholesale basis from the Washington Aqueduct, and is responsible for approximately 73 percent of the Aqueduct's costs.

ACRONYMS

ADA: AMERICANS WITH DISABILITY ACT

AED: AUTOMATED EXTERNAL DEFIBRILLATOR

AMSA: ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES

AMR: AUTOMATIC METER READING

ANC: ADVISORY NEIGHBORHOOD COMMISSION

BAB's: BUILD AMERICA BONDS

BOD: BIOCHEMICAL OXYGEN DEMAND

CAFR: COMPREHENSIVE ANNUAL FINANCIAL REPORT

CAP: CUSTOMER ASSISTED PROGRAM

CHP: COMBINED HEATING POWER

CIP: CAPITAL IMPROVEMENT PROGRAM

CIS: CUSTOMER INFORMATION SYSTEM

CMOM: CAPACITY MANAGEMENT OPERATION and
MAINTENANCE

COBRA: THE CONSOLIDATED OMNIBUS BUDGET
RECONCILIATION ACT OF 1985

COF: CENTRAL OPERATIONS FACILITY

COG: COUNCIL OF GOVERNMENT

COTR: CONTRACTING OFFICER TECHNICAL REPRESENTATIVES

CSO: COMBINED SEWER OVERFLOWS

CSO LTCP: COMBINED SEWER OVERFLOW LONG-TERM
CONTROL PLAN

CSS LTCP: COMBINED SEWER SYSTEM LONG-TERM CONTROL
PLAN

CSP: COMPREHENSIVE SAFETY PROGRAM

CSRS: CIVIL SERVICE RETIREMENT SYSTEM

CWA: CLEAN WATER ACT

CWSFR: CLEAN WATER STATE REVOLVING FUND

DDOE: DISTRICT DEPARTMENT OF ENVIRONMENT

DETS: DEPARTMENT OF ENGINEERING AND TECHNICAL
SERVICES

DRBCP: DISASTER RECOVERY AND BUSINESS CONTINUITY
PLAN

DSS: DEPARTMENT OF SEWER SERVICES

DWS: DEPARTMENT OF WATER SERVICES

DWWT: DEPARTMENT OF WASTEWATER TREATMENT

EBU: EQUIVALENT BILLING UNIT

EDF: EGG SHAPED DIGESTER FACILITY

EDMC: ENGINEERING DOCUMENT MANAGEMENT AND CONTROL

EEOC: EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

EMA: EMERGENCY MANAGEMENT AGENCY

ENRF: ENHANCED NITROGEN REMOVAL FACILITIES

EOC: EMERGENCY OPERATIONS CENTER

EPA: ENVIRONMENTAL PROTECTION AGENCY

ERDMS: ENTERPRISE RECORDS AND DOCUMENT MANAGEMENT SYSTEM

ERU: EQUIVALENT RESIDENTIAL UNIT

ESF: EMERGENCY SUPPORT FUNCTION

FOG:FAT OIL AND GREASE

GFOA: GOVERNMENT FINANCE OFFICERS ASSOCIATION

GIS: GEOGRAPHICAL INFORMATION SYSTEM

HPRP: HIGH PRIORITY REHABILITATION PROGRAM

HUNA: HIGH USAGE NOTIFICATION APPLICATION

HVAC:HEATING VENTILATION AND AIRCONDITIONING

IAC: IMPERVIOUS AREA CHARGE

IFB: INVITATION FOR BID

IMA: INTER-MUNICIPAL AGREEMENT

IIP: INTERNAL IMPROVEMENT PLAN

IVR: INTERACTIVE VOICE RESPONSE

IIP: INTERNAL IMPROVEMENT PLAN

IVR: INTERACTIVE VOICE RESPONSE

JUDD: JOINT UTILITY DISCOUNT DAY

LID: LOW IMPACT DEVELOPMENT

LOTO: LOG OUT TAG-OUT

LSDBE: LOCAL SMALL DISADVANTAGED BUSINESS ENTERPRISE

LSR: LEAD SERVICE REPLACEMENT

LTCP: LONG TERM CONTROL PLAN

MBE: MINORITY BUSINESS ENTERPRISE

MGD: MILLION GALLONS PER DAY

MOU: MEMORANDUM OF UNDERSTANDING

MPT:MAIN PROCESS TRAIN

MS4: MUNICIPAL SEPARATE STORM SEWER SYSTEM

NMC: NINE MINIMUM CONTROLS

NPDES: NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM

O&M: OPERATIONS & MAINTENANCE

PACT: POSITIVE ATTITUDE, ACCOUNTABILITY, COMMUNICATION AND TEAMWORK

PCCS: PROCESS COMPUTER CONTROL SYSTEM

PILOT: PAYMENT IN LIEU OF TAXES

PM: PREVENTIVE MAINTENANCE

PPM: PARTS PER MILLION

PSA: PUBLIC SERVICE ANNOUNCEMENT

PBS: PUBLIC BROADCASTING SERVICE

PDMS: PAYABLES DOCUMENT MANAGEMENT SYSTEMS

RFQ: REQUEST FOR QUOTATION

RFP: REQUEST FOR PROPOSAL

ROCIP: ROLLING OWNER CONTROLLED INSURANCE PROGRAM

RSF: RATE STABILIZATION FUND

SCADA: SUPERVISORY CONTROL AND DATA ACQUISITION

SDWA: SAFE DRINKING WATER ACT

SEP: SUPPLEMENTAL ENVIRONMENTAL PROJECT

SOX: SARBANES OXLEY ACT

OCIP: OWNER CONTROLLED INSURANCE PROGRAM

SPLASH: SERVING PEOPLE BY LENDING A SUPPORTING HAND

SSO: SANITARY SEWER OVERFLOW

TEAMS: TOTAL ENTERPRISE ASSET MANAGEMENT SYSTEM

TMDL: TOTAL MAXIMUM DAILY POLLUTANT LOADS

ULSD: ULTRA LOW SULFUR DIESEL

VAV: VARIABLE AIR VOLUME

VEP: VALVE EXERCISE PROGRAM

VIT: VEHICLE INFORMATION TRANSMITTER

WBE: WOMEN BUSINESS ENTERPRISE

WSSC: WASHINGTON SUBURBAN SANITARY COMMISSION

WAD: WASHINGTON AQUEDUCT

Presented and Adopted: January 3, 2013
Subject: Approval of Fiscal Year 2014 Proposed Operating Budget

#13-10
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on January 3, 2013, upon consideration of a joint-use matter, decided by a vote of ten (10) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2014 Proposed Operating Budget.

WHEREAS, on October 4 2012, the General Manager presented the FY 2014 Proposed Operating Budget to the Board that totaled \$479,543,000; and

WHEREAS, during the months of October through December 2012, the various committees of the Board, including, the Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget and DC Retail Water and Sewer Rates Committees, reviewed the budget proposals and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, on December 21, 2012, the Finance and Budget Committee recommended that the Board adopt a FY 2014 budget that totals \$479,543,000.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2014 Proposed Operating Budget totaling \$479,543,000 as further detailed in materials presented by the General Manager.

This resolution is effective immediately.


Secretary to the Board of Directors

Presented and Adopted: January 3, 2013

SUBJECT: Approval of Fiscal Year 2012 - 2021 Ten Year Financial Plan

**#13-07
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("DC Water") at its meeting held on January 3, 2013 upon consideration of a joint-use matter decided by a vote of ten (10) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2012 – 2021 Financial Plan.

WHEREAS, prudent utility financial management requires a long-term financial plan that integrates common elements of the ten-year capital improvement program, future capital financing plans, projected operating and maintenance budgets, revenue requirements and projected rate increases to support long-term capital and operating needs; and

WHEREAS, the Board in Resolutions 09-86 and 11-10 has adopted a series of financial policies in the areas of capital financing, long-term financial planning, and rate-setting to assure the short-term and long-term financial health of the Authority; and

WHEREAS, adherence to these financial policies has allowed the DC Water to receive strong bond ratings that will reduce debt service costs over the ten-year planning period; and

WHEREAS, consistent with the Board policies, the General Manager has prepared a ten-year financial plan in conjunction with the proposed FY 2014 operating and capital budgets; and

WHEREAS, at the December meetings of the DC Retail Water and Sewer Rates Committee and Finance and Budget Committee an updated proposed ten year financial plan was reviewed and discussed; and

WHEREAS, the revised ten-year financial plan is based on assumptions detailed in the proposed Fiscal Year 2014 Operating and Capital Budgets; and


WHEREAS, the ten-year financial plan is consistent with projections appearing in the attached Schedules A, B, C and D of this resolution; and

WHEREAS, on December 18, 2012 and December 21, 2012, the DC Retail Water and Sewer Rates Committee and Finance and Budget Committee, respectively, met and recommended that the Board adopt a ten-year financial plan as recommended by the General Manager.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby accepts and approves the proposed Fiscal Year 2012 - 2021 Financial Plan that is supported by the attached Schedule A, B, C and D and the proposed Fiscal Year 2014 Operating and Capital Budgets.

This resolution is effective immediately.


Secretary to the Board of Directors

Schedule A

District of Columbia Water & Sewer Authority
 FY 2012 – 2021 Financial Plan
 (In 000's)

| OPERATING | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <i>Retail*</i> | 321,702 | 340,310 | 365,968 | 397,732 | 430,974 | 458,277 | 478,207 | 492,574 | 510,169 | 524,915 |
| <i>Wholesale*</i> | 74,705 | 75,195 | 80,900 | 75,124 | 75,485 | 77,756 | 80,156 | 82,555 | 85,063 | 97,191 |
| <i>Other</i> | 23,998 | 25,474 | 23,703 | 25,650 | 26,419 | 29,259 | 32,128 | 33,258 | 33,423 | 27,008 |
| <i>RSF</i> | 6,500 | 6,500 | 7,000 | - | - | - | - | - | - | - |
| Operating Receipts (1) | \$ 426,906 | \$ 447,479 | \$ 477,570 | \$ 498,506 | \$ 532,878 | \$ 565,292 | \$ 590,490 | \$ 608,387 | \$ 628,655 | \$ 649,114 |
| Operating Expenses | (271,659) | (302,302) | (311,295) | (304,976) | (310,711) | (320,565) | (330,632) | (343,388) | (353,596) | (365,853) |
| Debt Service | \$ (99,251) | \$ (116,179) | \$ (147,792) | \$ (168,985) | \$ (185,775) | \$ (206,160) | \$ (219,425) | \$ (227,102) | \$ (239,755) | \$ (253,255) |
| Net Revenues After Debt Service | \$ 55,996 | \$ 28,998 | \$ 18,484 | \$ 24,545 | \$ 36,392 | \$ 38,567 | \$ 40,433 | \$ 37,898 | \$ 35,305 | \$ 30,006 |
| Operating Reserve-Beg Balance | 150,035 | 139,565 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 | 125,500 |
| Other Misc (Disbursements)/Receipts | | | | | | | | | | |
| Wholesale/Federal True Up | (6,660) | (10,905) | (7,500) | - | - | - | - | - | - | - |
| Customer Rebate | - | (4,200) | - | - | - | - | - | - | - | - |
| Transfers To RSF | (17,750) | (4,100) | - | - | - | - | - | - | - | - |
| Transfers To DC PILOT Fund | (4,468) | - | - | - | - | - | - | - | - | - |
| Pay-Go Financing | <u>(37,588)</u> | <u>(23,857)</u> | <u>(10,984)</u> | <u>(24,545)</u> | <u>(36,392)</u> | <u>(38,567)</u> | <u>(40,433)</u> | <u>(37,898)</u> | <u>(35,305)</u> | <u>(30,006)</u> |
| Operating Reserve - Ending Balance | \$ 139,565 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 | \$ 125,500 |
| Rate Stabilization Fund Balance RSF (2) | \$ (27,950) | \$ (25,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) | \$ (18,550) |
| Senior Debt Service Coverage | 354% | 325% | 253% | 250% | 241% | 221% | 209% | 197% | 189% | 179% |
| Combined Debt Service Coverage | 149% | 131% | 124% | 130% | 134% | 133% | 132% | 130% | 128% | 125% |
| Actual/Projected Water/Sewer Rate Incr: | 4.5% | 5.5% | 5.5% | 5.5% | 6.0% | 6.0% | 5.0% | 3.0% | 3.0% | 3.5% |
| *Operating Receipts \$ Increase/Decrease | | | | | | | | | | |
| Retail | 21,103 | 18,608 | 25,658 | 31,765 | 33,242 | 27,303 | 19,930 | 14,367 | 17,595 | 14,745 |
| Wholesale | 5,444 | 490 | 5,705 | (5,776) | 361 | 2,271 | 2,400 | 2,399 | 2,508 | 12,129 |
| *Operating Receipts % Increase/Decrease | | | | | | | | | | |
| Retail | 7.0% | 5.8% | 7.5% | 8.7% ⁽³⁾ | 8.4% ⁽³⁾ | 6.3% | 4.3% | 3.0% | 3.6% | 2.9% |
| Wholesale | 7.9% | 0.7% | 7.6% | -7.1% | 0.5% | 3.0% | 3.1% | 3.0% | 3.0% | 14.3% |

(1) Includes interest earnings on senior lien revenue bonds' debt service reserve fund
 (2) FY 2012 Rate Stabilization Fund utilization brought the total fund balance to \$27.95 million
 (3) Savings anticipated from implementation of new biosolids management beginning in FY 2015

Schedule B

*District of Columbia Water & Sewer Authority
FY 2012 – 2021 Capital Improvement Plan
(In 000's)*

| Description | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| BEGINNING BALANCE | \$ 132,634,951 | \$ 243,694,951 | \$ 224,126,854 | \$ 222,002,311 | \$ 526,279 | \$ 2,153,598 | \$ 2,112,202 | \$ 1,828,113 | \$ 1,624,885 | \$ 2,056,841 | \$ 832,760,984 |
| SOURCES OF FUNDS: | | | | | | | | | | | |
| Proceeds from Rev. Bonds | 250,000,000 | \$ 300,000,000 | \$ 300,000,000 | \$ 105,255,859 | \$ 287,146,349 | \$ 211,220,217 | \$ 146,249,047 | \$ 129,990,771 | \$ 164,547,265 | \$ 166,971,154 | \$ 2,061,380,662 |
| Proceeds from Treasury Notes/Digesters Financing Option | 50,000,000 | - | - | - | - | - | - | - | - | - | \$ 50,000,000 |
| Capital Equipment Financing (for 4 yrs @ 3.25%) | 7,500,000 | 10,799,200 | 13,377,600 | 10,834,400 | 7,623,200 | 5,598,400 | - | - | - | - | \$ 55,732,800 |
| Transfer from Operations | 37,588,000 | 23,857,475 | 10,983,820 | 24,545,430 | 36,392,173 | 38,566,785 | 40,432,751 | 37,898,115 | 35,304,851 | 30,006,005 | \$ 315,575,404 |
| EPA Grants /DC Reimbursement | 25,455,000 | 32,424,000 | 36,541,000 | 26,579,000 | 16,009,000 | 13,882,000 | 15,385,000 | 13,882,000 | 13,882,000 | 13,882,000 | \$ 207,921,000 |
| CSO Grants | 27,990,000 | 30,000,000 | 18,168,787 | - | - | - | - | - | - | - | \$ 76,158,787 |
| Wholesale Customer Capital Contributions | 174,259,000 | 225,614,000 | 175,673,000 | 127,191,000 | 88,162,000 | 68,511,000 | 41,176,000 | 16,332,000 | 9,454,000 | 9,959,000 | \$ 936,331,000 |
| Interest Income | 768,000 | 303,229 | 256,250 | 526,279 | 2,153,598 | 2,112,202 | 1,828,113 | 1,624,885 | 2,056,841 | 2,087,139 | \$ 13,716,536 |
| Total Sources | \$ 573,560,000 | \$ 622,997,903 | \$ 555,000,457 | \$ 294,931,968 | \$ 437,486,320 | \$ 339,890,604 | \$ 245,070,911 | \$ 199,727,771 | \$ 225,244,957 | \$ 222,905,298 | \$ 3,716,816,189 |
| USES OF FUNDS: | | | | | | | | | | | |
| Water Projects | \$ 41,660,000 | \$ 52,329,000 | \$ 63,770,000 | \$ 59,980,000 | \$ 56,090,000 | \$ 57,369,000 | \$ 55,482,000 | \$ 48,733,000 | \$ 57,837,000 | \$ 51,385,000 | \$ 544,635,000 |
| Blue Plains Projects | 254,762,000 | 358,543,000 | 267,836,000 | 180,493,000 | 113,542,000 | 100,679,000 | 59,777,000 | 18,896,000 | 7,289,000 | 8,120,000 | \$ 1,369,937,000 |
| Sanitary Sewer Projects | 23,074,000 | 29,084,000 | 42,136,000 | 43,170,000 | 48,458,000 | 45,989,000 | 43,023,000 | 38,259,000 | 35,620,000 | 34,249,000 | \$ 383,062,000 |
| Combined Sewer | 10,942,000 | 10,589,000 | 19,434,000 | 27,922,000 | 41,897,000 | 16,742,000 | 13,064,000 | 10,919,000 | 13,070,000 | 22,758,000 | \$ 187,337,000 |
| Combined Sewer LTCP | 102,111,000 | 152,920,000 | 132,911,000 | 179,193,000 | 152,493,000 | 95,302,000 | 50,829,000 | 61,086,000 | 89,542,000 | 85,230,000 | \$ 1,101,617,000 |
| Stormwater Projects | 3,354,000 | 3,252,000 | 3,680,000 | 952,000 | 859,000 | 736,000 | 795,000 | 866,000 | 793,000 | 736,000 | \$ 16,023,000 |
| Washington Aqueduct Division Projects | 11,286,000 | 10,598,000 | 10,744,000 | 11,016,000 | 11,280,000 | 11,588,000 | 10,891,000 | 10,323,000 | 9,842,000 | 9,576,000 | \$ 107,144,000 |
| Capital Equipment | 13,499,000 | 16,722,000 | 13,543,000 | 9,529,000 | 6,998,000 | 7,133,000 | 7,211,000 | 6,531,000 | 6,481,000 | 6,461,000 | \$ 94,108,000 |
| Meter Replacement / AMR | 1,812,000 | 8,529,000 | 3,071,000 | 4,153,000 | 4,242,000 | 4,394,000 | 4,283,000 | 4,318,000 | 4,339,000 | 4,360,000 | \$ 43,501,000 |
| Reimbursement for Prior Capital Expend. | - | - | - | - | - | - | - | - | - | - | \$ - |
| Total Uses | \$ 462,500,000 | \$ 642,566,000 | \$ 557,125,000 | \$ 516,408,000 | \$ 435,859,000 | \$ 339,932,000 | \$ 245,355,000 | \$ 199,931,000 | \$ 224,813,000 | \$ 222,875,000 | \$ 3,847,364,000 |
| SOURCES MINUS USES | 111,060,000 | (19,568,097) | (2,124,543) | (221,476,032) | 1,627,320 | (41,396) | (284,089) | (203,229) | 431,957 | 30,298 | (130,547,811) |
| ENDING BALANCE | \$ 243,694,951 | \$ 224,126,854 | \$ 222,002,311 | \$ 526,279 | \$ 2,153,598 | \$ 2,112,202 | \$ 1,828,113 | \$ 1,624,885 | \$ 2,056,841 | \$ 2,087,139 | \$ 702,213,172 |

District of Columbia Water & Sewer Authority
FY 2012 - 2021 Projected Average Residential Monthly Bill

| | Units | Proposed | | | | | | | | | |
|--|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| DC Water Retail Rates (1) | Ccf | \$ 48.17 | \$ 50.84 | \$ 53.65 | \$ 56.60 | \$ 60.01 | \$ 63.62 | \$ 66.83 | \$ 68.84 | \$ 70.91 | \$ 73.39 |
| DC Water Clean Rivers IAC | ERU | 6.64 | 9.57 | 12.77 | 16.79 | 20.68 | 23.12 | 24.52 | 26.08 | 28.32 | 30.67 |
| DC Water Customer Metering Fee | | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 | 3.86 |
| Subtotal DC Water Rates & Charges | | \$ 58.67 | \$ 64.27 | \$ 70.28 | \$ 77.25 | \$ 84.55 | \$ 90.60 | \$ 95.21 | \$ 98.78 | \$ 103.09 | \$ 107.92 |
| Increase / Decrease | | \$ 5.27 | \$ 5.60 | \$ 6.01 | \$ 6.97 | \$ 7.30 | \$ 6.05 | \$ 4.61 | \$ 3.57 | \$ 4.31 | \$ 4.83 |
| District of Columbia PILOT (1) | Ccf | 3.28 | 3.35 | 3.55 | \$ 3.75 | \$ 3.95 | \$ 4.21 | \$ 4.42 | \$ 4.55 | \$ 4.68 | \$ 4.82 |
| District of Columbia Right of Way Fee (1) | Ccf | 1.00 | 1.07 | 1.14 | 1.20 | 1.27 | 1.34 | 1.40 | 1.47 | 1.54 | 1.61 |
| District of Columbia PILOT/ROW Fee | Ccf | 4.28 | 4.42 | 4.69 | 4.95 | 5.22 | 5.55 | 5.82 | 6.02 | 6.22 | 6.43 |
| District of Columbia Stormwater Fee (2) | ERU | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.67 |
| Subtotal District of Columbia Charges | | \$ 6.95 | \$ 7.09 | \$ 7.36 | \$ 7.62 | \$ 7.89 | \$ 8.22 | \$ 8.49 | \$ 8.69 | \$ 8.89 | \$ 9.10 |
| Total Amount Appearing on DC Water Bill | | \$ 65.62 | \$ 71.36 | \$ 77.64 | \$ 84.87 | \$ 92.44 | \$ 98.82 | \$ 103.70 | \$ 107.47 | \$ 111.98 | \$ 117.02 |
| Increase / Decrease Over Prior Year | | \$ 5.33 | \$ 5.74 | \$ 6.28 | \$ 7.23 | \$ 7.57 | \$ 6.38 | \$ 4.88 | \$ 3.77 | \$ 4.51 | \$ 5.04 |
| Percent Increase in Total Bill | | 8.8% | 8.7% | 8.8% | 9.3% | 8.9% | 6.9% | 4.9% | 3.6% | 4.2% | 4.5% |

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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

District of Columbia Water & Sewer Authority
FY 2014 Projected Retail Rates and Fee Changes

| | <u>Units</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>Proposed FY 2014</u> |
|---------------------------------------|--------------|----------------|----------------|-----------------------------|
| DC Water Retail Rates Water | Ccf | \$ 3.24 | \$ 3.42 | \$ 3.61 |
| DC Water Retail Rates Sewer | Ccf | <u>\$ 3.96</u> | <u>\$ 4.18</u> | <u>\$ 4.41</u> |
| DC Water Clean Rivers IAC | ERU | \$ 6.64 | \$ 9.57 | \$ 12.77 |
| DC Water Customer Metering Fee | | \$ 3.86 | \$ 3.86 | \$ 3.86 |
| District of Columbia PILOT Fee | Ccf | \$ 0.49 | \$ 0.50 | \$ 0.53 |
| District of Columbia Right of Way Fee | Ccf | <u>\$ 0.15</u> | <u>\$ 0.16</u> | <u>\$ 0.17</u> |

Presented and Adopted: January 3, 2012
Subject: Approval of Fiscal Year 2014 Capital Authority Request
#13-08

**RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on January 3, 2013, upon consideration of a joint-use matter, decided by a vote of ten (10) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2014 Capital Authority request which is to be submitted to the United States Congress.

WHEREAS, on October 4, 2012, the General Manager presented to the Board, the FY 2014 Proposed Capital Authority request that totaled \$407,036,000; and

WHEREAS, during the months of October through December 2012, the various Committees of the Board, including, the Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget and DC Retail Water and Sewer Rates Committees, reviewed the budget proposals and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, on December 20, 2012, the Environmental Quality and Sewerage Services and the Water Quality and Water Services Committees met and recommended that the Board adopt the Proposed FY 2014 Capital Authority Request of \$557,036,000 to accelerate work in the Northeast Boundary (Bloomingdale Area); and

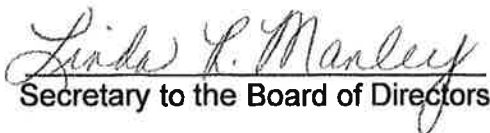
WHEREAS, on December 21, 2012, the Finance and Budget Committee met and recommended that the Board adopt the Proposed Capital Authority request of \$557,036,000; and

WHEREAS, the request is to be submitted to the United States Congress.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2014 Capital Authority request totaling \$557,036,000 which is to be submitted to the United States Congress as shown in Attachment A to this resolution.

This resolution is effective immediately.


Secretary to the Board of Directors

ATTACHMENT A

**Fiscal Year 2014
*Capital Authority Request
(\$ 000's)**

Service Areas:

| | | |
|---|--------------|---------------------|
| Blue Plains wastewater Treatment | | \$49,419 |
| Sanitary Sewer System | | 35,233 |
| Combined Sewer Overflow | 1, 2 | 379,603 |
| Stormwater | | 0 |
| Water System | | 73,839 |
| Washington Aqueduct (DC Water share) | | 11,192 |
| Capital Equipment | | <u>7,750</u> |
| | TOTAL | \$557,036 |

(*) The Authority's request includes a 24 month look-ahead, i.e., it takes into account projected commitments for FY 2015 and FY 2016.

1. Includes Special Risk allowance of \$74 million for the DC Clean Rivers Project (a.k.a. Long Term Control Plan), although not part of this Project's Lifetime Budget.
2. Includes allowance of \$150 million in anticipation of advancement of the NE Boundary Tunnels and other activities in an effort to mitigate flooding issues in the Bloomingdale neighborhood of Washington DC.

Presented and Adopted: January 3, 2013
**Subject: Approval of Fiscal Year 2012 - 2021 Capital
Improvement Program (CIP)**

#13-09
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on January 3, 2013, upon consideration of a joint-use matter, decided by a vote of ten (10) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2012 – 2021 Capital Improvement Program.

WHEREAS, the Board's financial policies require an annually updated Ten-Year Financial Plan, which includes a Ten-Year Capital Improvement Program; and

WHEREAS, on October 4, 2012, the General Manager presented to the Board a lifetime budget totaling \$8,448,640,000 and a related FY 2012 - 2021 Capital Improvement Program disbursement budget, which totaled \$3,847,366,000; and

WHEREAS, during the months of October through December 2012, the various committees of the Board, including, the Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget and DC Retail Water and Sewer Rates Committees, reviewed the budget proposals and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, on December 20, 2012, the Environmental Quality and Sewerage Services and the Water Quality and Water Services Committees met and recommended that the Board adopt a proposed lifetime budget totaling \$8,448,640,000 and a related FY 2012 – 2021 Capital Improvement Program disbursement budget of \$3,849,179,000; and

WHEREAS, on December 21, 2012 the Finance and Budget Committee recommended that the Board adopt a proposed lifetime budget totaling \$8,448,640,000 and a related FY 2012 – 2021 Capital Improvement Program disbursement budget of \$3,849,179,000.

NOW THEREFORE, BE IT RESOLVED THAT:

The Board hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2012 – 2021 Capital Improvement Program with a lifetime budget totaling \$8,448,640,000 (Attachment A) and disbursements budget of \$3,849,179,000 (Attachment B), and as further detailed in the General Manager's Proposed Fiscal Year 2014 Operating and Capital Budgets dated October 25, 2012 and accompanying materials.

This resolution is effective immediately.


Secretary to the Boards of Directors

FY 2012 - FY 2021 Capital Improvement Plan

Project Lifetime Budgets by Program Area (\$ 000's)

| | FY 2013 Approved | FY 2013 Revised / FY 2014 Proposed | Variance |
|---|---------------------|---|----------------|
| Wastewater Treatment | | | |
| Liquid Processing Projects | 622,106 | 632,948 | 10,842 |
| Plantwide Projects | 345,867 | 360,994 | 15,107 |
| Solids Processing Projects | 719,537 | 772,912 | 53,375 |
| Enhanced Nitrogen Removal Facilities (formerly BTN - Total Nitrogen Program) | 988,778 | 966,888 | (21,890) |
| Sub-total | 2,676,308 | 2,733,742 | 57,434 |
| Sanitary Sewer | | | |
| Sanitary Collection Sewers | 133,906 | 162,656 | 28,750 |
| Sanitary On-Going Projects | 159,677 | 173,757 | 14,080 |
| Sanitary Pumping Facilities | 25,898 | 30,458 | 4,560 |
| Sanitary Sewer Projects Program Management | 103,135 | 91,086 | (12,049) |
| Sanitary Interceptor/Trunk Force Sewers | 432,583 | 466,541 | 33,958 |
| Sub-total | 855,199 | 924,498 | 69,299 |
| Combined Sewer Overflow | | | |
| CSO Program Management | 55,239 | 55,239 | - |
| Combined Sewer Projects: Nine Minimum Controls | 213,868 | 213,388 | (500) |
| Combined Sewer Projects: Others | 244,844 | 339,926 | 95,082 |
| D.C. Clean Rivers Project (aka Long-Term Control Plan) | | | |
| Anacostia Tunnel | 1,672,282 | 1,714,720 | 42,438 |
| Potomac Tunnel | 418,700 | 423,700 | 5,000 |
| Rock Creek Tunnel | 70,342 | 65,342 | (5,000) |
| Sub-total | 2,675,295 | 2,812,315 | 137,020 |
| Stormwater | | | |
| Stormwater Extensions/Local Drainage | 17,999 | 22,816 | 4,817 |
| Stormwater On-Going Program | 9,656 | 11,323 | 1,665 |
| Stormwater Pumping Facilities | 0 | 0 | - |
| DDOT Stormwater Program | 4,720 | 3,237 | (1,483) |
| Stormwater Projects Program Management | 10,630 | 10,630 | - |
| Stormwater Trunk/Force Sewers | 15,504 | 15,162 | (342) |
| Sub-total | 58,511 | 63,168 | 4,657 |
| Water | | | |
| Water Distribution Systems | 695,720 | 857,178 | 163,158 |
| Water Lead Program | 191,040 | 191,040 | 0 |
| Water On-Going Projects | 117,541 | 127,879 | 10,338 |
| Water Pumping Facilities | 161,372 | 155,908 | (5,464) |
| DDOT Water Projects | 91,538 | 38,184 | (53,354) |
| Water Storage Facilities | 74,311 | 75,762 | 1,451 |
| Water Projects Program Management | 47,559 | 78,756 | 31,197 |
| Meter Replacement /AMR Installation | 73,534 | 91,264 | 17,730 |
| Sub-total | 1,452,615 | 1,615,971 | 165,056 |
| Washington Aqueduct | 203,138 | 203,138 | 0 |
| Capital Equipment | 98,307 | 95,808 | (4,199) |
| Total DC Water CIP Lifetime (see notes) | 8,019,373 | 8,448,640 | 429,287 |

Notes:

1 Lifetime budgets shown here represent total budgets for projects that are active during the current 10-year CIP. Lifetime budgets include historical spending prior to the beginning of the current 10-year plan, spending during the 10-year plan, and projected spending beyond the current 10-year plan. Projects completed in FY 2012 will be dropped from the CIP next year.

2 These budgets do not include inhouse labor costs, estimated to be in the \$9 to \$10 million range, annually, and are applicable to, primarily, the time charged to capital projects by employees in the Departments of Engineering and Technical Services, Sewer Services, and Water Services.

FY 2012 – FY 2021 PROJECTED CAPITAL IMPROVEMENT PLAN (CIP) – DISBURSEMENTS BASIS (\$ in 000'S)

| | FY 2012 Actual | FY 2013 Revised | FY 2014 Proposed | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total FY '12 -'21 |
|---|-------------------|--------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| Wastewater Treatment | | | | | | | | | | | |
| Liquid Processing Projects | \$22,311 | \$23,884 | \$16,403 | \$18,067 | \$14,085 | \$13,505 | \$11,903 | \$9,421 | \$1,596 | \$412 | \$131,587 |
| Plantwide Projects | 17,060 | 27,128 | 15,590 | 10,545 | 6,298 | 6,708 | 13,671 | 7,505 | 3,152 | 1,807 | 109,463 |
| Solids Processing Projects | 95,923 | 159,690 | 128,116 | 44,194 | 12,305 | 10,389 | 3,531 | 80 | - | - | 454,228 |
| Enhanced Nitrogen Removal Facilities (formerly BTN - Total Nitrogen Program) | 118,011 | 147,842 | 107,728 | 107,687 | 80,855 | 70,077 | 30,673 | 1,890 | 2,540 | 5,901 | 673,202 |
| Sub-total | 253,305 | 358,543 | 267,836 | 180,493 | 113,542 | 100,679 | 59,777 | 18,896 | 7,289 | 8,120 | 1,368,481 |
| Sanitary Sewer | | | | | | | | | | | |
| Sanitary Collection Sewers | 1,386 | 858 | 6,694 | 11,466 | 8,289 | 4,094 | 5,666 | 6,735 | 6,912 | 7,088 | 59,187 |
| Sanitary On-Going Projects | 7,169 | 10,544 | 9,292 | 6,612 | 6,562 | 6,948 | 7,169 | 7,604 | 8,163 | 8,123 | 78,186 |
| Sanitary Pumping Facilities | 189 | 679 | 347 | 241 | - | - | - | - | - | - | 1,455 |
| Sanitary Sewer Projects Program Management | 5,108 | 4,229 | 4,906 | 4,570 | 4,160 | 5,351 | 5,191 | 4,218 | 3,891 | 3,540 | 45,164 |
| Sanitary Interceptor/Trunk Force Sewers | 9,931 | 12,774 | 20,897 | 20,282 | 29,447 | 29,596 | 24,997 | 19,702 | 16,654 | 15,498 | 199,778 |
| Sub-total | 23,783 | 29,084 | 42,136 | 43,170 | 48,458 | 45,989 | 43,023 | 38,259 | 35,620 | 34,249 | 383,770 |
| Combined Sewer Overflow / Long Term Control Plan | | | | | | | | | | | |
| CSO Program Management | 1,812 | 1,634 | 1,968 | 1,444 | 1,077 | 1,394 | 1,903 | 2,319 | 1,844 | 1,418 | 16,812 |
| Combined Sewer Projects:Nine Minimum Controls | 4,932 | 2,844 | 1,491 | 41 | - | - | - | - | - | - | 9,308 |
| Combined Sewer Projects:Others | 4,034 | 6,111 | 15,975 | 26,437 | 40,820 | 15,348 | 11,161 | 8,600 | 11,226 | 21,340 | 161,053 |
| D.C. Clean Rivers Project (aka Long-Term Control Plan) | | | | | | | | | | | |
| Anacostia Tunnel | 101,880 | 150,900 | 126,261 | 164,914 | 138,414 | 87,570 | 42,109 | 48,666 | 76,184 | 58,914 | 995,812 |
| Potomac Tunnel | - | 1,793 | 6,561 | 14,279 | 13,857 | 7,000 | 7,963 | 11,072 | 11,432 | 24,364 | 98,321 |
| Rock Creek Tunnel | - | 227 | 89 | - | 222 | 732 | 757 | 1,348 | 1,926 | 1,952 | 7,253 |
| Sub-total | 112,658 | 163,509 | 152,345 | 207,115 | 194,390 | 112,044 | 63,893 | 72,005 | 102,612 | 107,988 | 1,288,559 |
| Stormwater | | | | | | | | | | | |
| Stormwater Local Drainage | - | 28 | 115 | 67 | 209 | 160 | 152 | 158 | 151 | 126 | 1,166 |
| Stormwater On-Going Program | 1,192 | 812 | 436 | 390 | 452 | 407 | 421 | 458 | 456 | 467 | 5,492 |
| Stormwater Pumping Facilities | - | - | - | - | - | - | - | - | - | - | - |
| DDOT Stormwater Program | - | 2 | 8 | 18 | 32 | 29 | 30 | 16 | - | - | 136 |
| Stormwater Research and Program Management | 337 | 289 | 237 | 140 | 119 | 140 | 192 | 234 | 186 | 143 | 2,017 |
| Stormwater Trunk/Force Sewers | 1,786 | 2,120 | 2,883 | 337 | 47 | - | - | - | - | - | 7,173 |
| Sub-total | 3,315 | 3,252 | 3,680 | 952 | 859 | 736 | 795 | 866 | 793 | 736 | 16,984 |
| Water | | | | | | | | | | | |
| Water Distribution Systems | 22,020 | 25,445 | 39,605 | 36,632 | 31,269 | 34,343 | 34,256 | 34,287 | 44,823 | 40,936 | 343,616 |
| Water On-Going Projects | 7,361 | 10,321 | 8,074 | 6,807 | 5,676 | 6,633 | 5,768 | 6,326 | 6,057 | 6,066 | 69,089 |
| Water Pumping Facilities | 2,425 | 3,226 | 4,359 | 2,610 | 5,191 | 3,023 | 6,219 | - | 8 | 36 | 27,099 |
| DDOT Water Projects | 3,577 | 5,791 | 1,971 | 789 | - | - | - | - | - | - | 12,128 |
| Water Storage Facilities | 1,146 | 1,353 | 3,667 | 7,028 | 8,192 | 7,677 | 3,766 | 2,799 | 1,750 | 1,226 | 38,604 |
| Water Projects Program Management | 4,188 | 4,332 | 4,721 | 5,064 | 3,970 | 3,929 | 3,580 | 3,318 | 3,232 | 3,122 | 39,456 |
| Water Lead Program | 1,927 | 1,860 | 1,373 | 1,051 | 1,792 | 1,764 | 1,893 | 2,002 | 1,967 | - | 15,630 |
| Meter Replacement /AMR Installation | 1,909 | 8,529 | 3,071 | 4,153 | 4,242 | 4,394 | 4,283 | 4,318 | 4,339 | 4,360 | 43,597 |
| Sub-total | 44,553 | 60,858 | 66,841 | 64,133 | 60,332 | 61,763 | 59,765 | 53,051 | 62,176 | 55,745 | 589,218 |
| Washington Aqueduct | 11,286 | 10,598 | 10,744 | 11,016 | 11,280 | 11,588 | 10,891 | 10,323 | 9,842 | 9,576 | 107,144 |
| Capital Equipment | 13,713 | 18,422 | 13,543 | 9,529 | 6,998 | 7,133 | 7,211 | 6,531 | 6,481 | 6,461 | 96,022 |
| Total FY 2014 DC Water CIP | \$462,613 | \$644,265 | \$557,125 | \$516,408 | \$435,861 | \$339,931 | \$245,355 | \$199,930 | \$224,813 | \$222,876 | \$3,849,179 |

Presented and Adopted: January 3, 2013

**SUBJECT: Intent to Reimburse Capital Expenditures with Proceeds
of a Borrowing**

**#13-06
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority (the "Authority"), at the Board meeting held on January 3, 2013, upon consideration of a joint-use matter, decided by a vote of ten (10) in favor and none (0) opposed, to take the following action.

WHEREAS, the District of Columbia Water and Sewer Authority (the "Borrower") intends to acquire, construct and equip the items and projects set forth in Exhibit A hereto (collectively, the "Projects"); and

WHEREAS, plans for the Projects have advanced and the Borrower expects to advance its own funds to pay expenditures related to the Projects (the "Expenditures") prior to incurring indebtedness and to receive reimbursement for such Expenditures from proceeds of tax-exempt bonds or notes or taxable debt, or both.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Borrower utilizes the proceeds of tax-exempt bonds, taxable bonds or notes (the "Bonds") or other debt in an amount not currently expected to exceed \$358,000,000 to pay costs of the Projects. These costs include amounts heretofore unreimbursed pursuant to Resolution 12-07 of the Board adopted on January 5, 2012, plus amounts projected to be reimbursed during Fiscal Year 2013 and through January 2014.
2. The Borrower use the proceeds of the Bonds to reimburse itself for Expenditures with respect to the Projects made on or after the date that is 60 days prior to the date of this Resolution. The Borrower reasonably expects on the date hereof that it will reimburse the Expenditures with the proceeds of the Bonds or other debt.
3. Each Expenditure was or will be, unless otherwise supported by the opinion of bond counsel, either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a

grant to a party that is not related to or an agent of the Borrower so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the Borrower.

4. The Borrower makes a reimbursement allocation, which is a written allocation by the Borrower that evidences the Borrower's use of proceeds of the Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The Borrower recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain de minimis amounts, expenditures by "small issuers" and expenditures for any construction, the completion of which is expected to require at least five years.
5. The Borrower adopts this resolution confirming the "official intent" within the meaning of Treasury Regulations Section 1.150-2 promulgated under the Internal Revenue Code of 1986, as amended.

This resolution shall take effect immediately.


Secretary to the Board of Directors

EXHIBIT A — LIST OF PROJECTS

Blue Plains Advanced Wastewater Treatment Plant Rehabilitation

Blue Plains Enhanced Nitrogen Removal Facilities

Blue Plains New Digestion Facilities

Sanitary Sewer System Improvement Projects

Combined Sewer System Improvement Projects

Stormwater Sewer System Improvement Projects

Water Pumping, Distribution and Storage Projects

Metering and Capital Equipment

Washington Aqueduct Projects

Combined Sewer Overflow/Long Term Control Plan (aka Clean Rivers Project)

Presented and Adopted: January 3, 2013

SUBJECT: Proposed Metered Water and Sewer Service Rates, Right-of-Way (ROW), Payment in Lieu of Taxes (PILOT) Fee, Clean Rivers Impervious Area Charge (IAC) and New Customer Classification of Multi-Family for DC Water and Sewer Rates beginning in Fiscal Year 2014

**#13-12
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The District members of the Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("DC Water") at the Board meeting held on January 3, 2013 upon consideration of a non-joint use matter, decided by a vote of five (5) in favor and none (0) opposed, to approve the following action with respect to the proposed Metered Retail Rates for Water and Sewer Service, Clean Rivers Impervious Area Charge (IAC), the Payment In Lieu of Taxes Fee (PILOT), the Right-of-Way Occupancy Fee Pass Through Charge (ROW) and new Customer Classification of Multi-Family for DC Water and Sewer Rates.

WHEREAS, the Board has adopted a revised rate setting policy that calls for rates that, together with other revenue sources, yield a reliable and predictable stream of revenues and will generate sufficient revenues to pay for DC Water's projected operating and capital expenses; and

WHEREAS, the Board has adopted various financial policies that require revenues to ensure compliance with Board policies regarding maintenance of senior debt coverage and cash reserves; and

WHEREAS, the DC Retail Water and Sewer Rates Committee met on December 18, 2012 to consider the proposed rate and fee changes and cost drivers; and

WHEREAS, DC Water has two classes of customers, (residential and non-residential) as per Title 21 in the District of Columbia Municipal Regulations (DCMR); and

WHEREAS, the DC Retail Water and Sewer Rates Committee has recommended a new customer classification; Multi-Family customer class for DC water and sewer rates; and

WHEREAS, the DC Retail Water and Sewer Rates Committee recommended that the Board consider for public comment, a combined retail water and sewer rate increase of \$0.42 per Ccf (\$0.56 per 1,000 gallons); and

WHEREAS, the increase in water and sewer rates would result in a combined water and sewer rate that approximates \$8.02 per One Hundred Cubic Feet (Ccf) or \$10.72 per 1,000 gallons of metered water and sewer use; and

WHEREAS, the DC Retail Water and Sewer Rates Committee recommended that the Board consider for public comment a monthly increase in the Clean Rivers Impervious Area Charge of \$3.20 per Equivalent Residential Unit (ERU) to recover the \$2.6 billion costs of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP); and

WHEREAS, the DC Retail Water and Sewer Rates Committee recommended that the Board consider for public comment, an increase in the ROW / PILOT fee of \$0.04 per Ccf (\$0.05 per 1,000 gallons) to recover the full cost of the District of Columbia government charges, (pending final negotiations and approval of a memorandum of understanding from the District of Columbia government); and

WHEREAS, the public comment and notification process of the proposed rate and fee increases will occur over the next several months and it is the intent of the Board to take final action on the proposed rate and fee increases at the conclusion of the notification and comment period; and

WHEREAS, adoption of these rates and fee changes would increase the monthly bill of the average residential customer using 6.69 Ccf (or 5,004 gallons) which is approximately \$6.28 per month or \$75.36 per year; and

WHEREAS, DC Water's retail revenue projections for Fiscal Year 2014 reflect an approximate \$25.6 million increase due to the proposed \$8.2 million increase in retail water and sewer rates, an approximate \$3.0 million increase due to the proposed ROW/PILOT fee increase, and an approximate \$14.4 million increase due to the proposed Clean Rivers IAC increase.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board proposes a new customer classification of Multi-Family for public comment as follows;

Customer Classification for Water and Sewer Rates

The customer classifications for water and sewer rates shall consist of a residential class, multi-family class and a non-residential class:

- a. Residential – a single-family dwelling used for domestic purposes; a condominium or apartment unit where each unit is served by a separate service line and is individually metered and the unit is used for domestic

purposes; or a multifamily structure of less than four apartment units where all the units are served by a single service line that is master metered.

- b. Multi-Family – a multifamily structure (such as a condominium or apartment dwelling) used for domestic purposes, with four or more units.
 - c. Non-residential – all customers not within either the residential or multi-family class.
2. The Board finds that DC Water's projected expenditures require that it propose, for public comment, the approximate rate and fee increases described below:

Retail Water Service Rates

- a. An increase in the rate for metered water services from \$3.42 per One Hundred Cubic Feet ("Ccf"), (\$4.57 per 1,000 gallons) to:
 - Residential customers: \$3.61 per Ccf (\$4.83 per 1,000 gallons)
 - Multi-Family customers: \$3.61 per Ccf (\$4.83 per 1,000 gallons)
 - Non-Residential customers: \$3.61 per Ccf (\$4.83 per 1,000 gallons)

Retail Sewer Service Rates (Metered and Unmetered)

- b. An increase in the rate for metered sewer services from \$4.18 per One Hundred Cubic Feet ("Ccf"), (\$5.59 per 1,000 gallons) to:
 - Residential customers: \$4.41 per Ccf (\$5.89 per 1,000 gallons)
 - Multi-Family customers: \$4.41 per Ccf (\$5.89 per 1,000 gallons)
 - Non-Residential customers: \$4.41 per Ccf (\$5.89 per 1,000 gallons)
- c. An increase in the annual Clean Rivers Impervious Area Charge (IAC) from \$114.84 to \$153.24 per Equivalent Residential Unit (ERU). The charge per ERU will be billed monthly at:
 - Residential customers: \$12.77 for each ERU
 - Multi-Family customers: \$12.77 for each ERU
 - Non-Residential customers: \$12.77 for each ERU

Right-of-Way Occupancy Fee Pass Through Charge

- d. An increase in the District of Columbia Right of Way fee from \$0.16 per Ccf or (\$0.21 per 1,000 gallons) to:
- Residential customers: \$0.17 per Ccf (\$0.22 per 1,000 gallons)
 - Multi-Family customers: \$0.17 per Ccf (\$0.22 per 1,000 gallons)
 - Non-Residential customers: \$0.17 per Ccf (\$0.22 per 1,000 gallons)

Payment in Lieu of Taxes Fee

- e. An increase in the Payment in Lieu of Taxes paid to the Office of the Chief Financial Officer (OCFO) of the District of Columbia from \$0.50 per Ccf or (\$0.67 per 1,000 gallons) to:
- Residential customers: \$0.53 per Ccf (\$0.71 per 1,000 gallons)
 - Multi-Family customers: \$0.53 per Ccf (\$0.71 per 1,000 gallons)
 - Non-Residential customers: \$0.53 per Ccf (\$0.71 per 1,000 gallons)
2. The General Manager is authorized to take all steps necessary in his judgment and as otherwise required, to initiate the public comment process and shall provide notice of the proposed rate adjustments in the manner provided by 21 DCMR, Chapter 40 and the District of Columbia's Administrative Procedures.

This resolution is effective immediately.


Secretary to the Board of Directors

Presented and Adopted: January 3, 2013
SUBJECT: December 24, 2012- Designated Holiday

#13-13
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority, ("the Authority"), at its meeting on January 3, 2013, decided by a vote of ten (10) in favor and none (0) opposed to take the following action with respect to designating December 24, 2012 retroactively as a holiday for the Authority's Fiscal Year 2013 holiday calendar.

WHEREAS, the Authority has the discretion under its enabling legislation to establish holidays; and

WHEREAS, pursuant to its discretion, the Board has decided to retroactively add December 24, 2012 as a holiday to the Authority's Fiscal Year 2013 holiday calendar.

NOW THEREFORE, BE IT RESOLVED THAT:

The Board retroactively designates Monday December 24, 2012 as a holiday for the Authority's Fiscal Year 2013 holiday calendar and authorizes the General Manager to take all actions necessary to carry out the intentions expressed in this resolution.

This resolution is effective immediately.


Secretary to the Board of Directors