



DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, September 10, 2015

11:00 a.m.

- 1. **Call to Order**..... Timothy L. Firestine, Chairperson
- 2. **July 2015 Financial Report (Attachment 1)**..... Mark Kim
- 3. **Plan of Finance Update**..... Mark Kim
- 4. **Action Items**
 - A. **2015 Bond Resolution and Related Documents (Attachment 2)** Mark Kim
 - 1. Board Resolution
 - 2. Preliminary Offering Statement
 - 3. Eighteenth Supplemental Indenture
 - 4. Bond Purchase Agreement
 - B. **Extendable Maturity Commercial Paper (EMCP) Resolution (Attachment 3)**
 - 1. Board Resolution
 - 2. Offering Memorandum
 - 3. Nineteenth Supplemental Indenture
 - 4. Issuing and Paying Agent Agreement
 - C. **Forward Purchase Agreement (FPA) Resolution (Attachment 4)**
 - 1. Board Resolution
 - 2. FPA Agreement
 - D. **DC Water Debt Policy Resolution (Attachment 5)**
 - 1. Board Resolution
 - 2. Revised Debt Policy and Guidelines
 - 3. EMCP Policy
- 5. **Agenda for October Committee Meeting (Attachment 6)**..... Timothy L. Firestine
- 6. **Executive Session***
- 7. **Adjournment**

FOLLOW-UP ITEMS – There were no Follow-up Items from the meeting held July 23, 2015.

* The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



Fiscal Year 2015

Monthly Financial Report

Period Ending July 31, 2015

DEPARTMENT OF FINANCE, ACCOUNTING & BUDGET

Mark Kim, Chief Financial Officer

Gail Alexander-Reeves, Director, Budget

Robert Hunt, Director, Finance

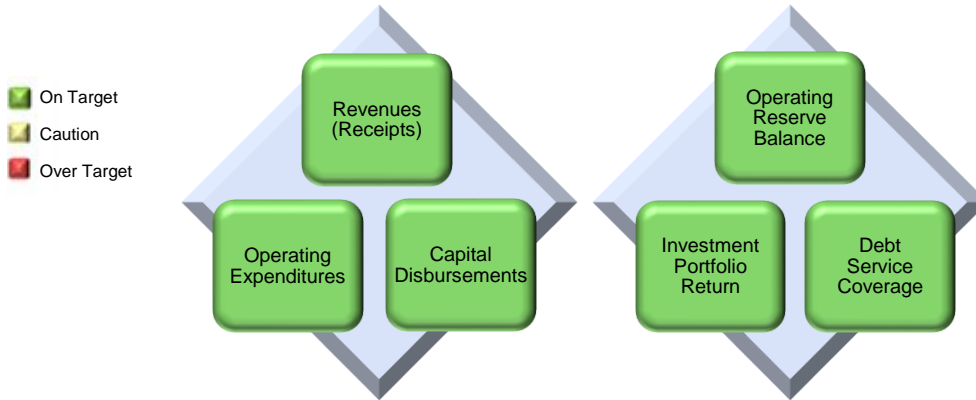
Syed Khalil, Manager, Financial Planning & Revenues

John Madrid, Controller

JULY 2015

EXECUTIVE SUMMARY

For this reporting period, with approximately 83 percent of the fiscal year completed, we are on track with budgetary expectations and targeted performance metrics. The table below summarizes detailed information provided in the report.



(\$ in millions)

	Revised Budget	YTD Budget	YTD Actual	Variance		% Revised Budget	Year-End Projections
				Favorable (Unfavorable)			
Revenues (Receipts)*	\$542.6	\$452.2	\$439.6	(\$12.6)	(2.8%)	81%	\$546.2
Expenditures*	\$516.0	\$430.0	\$388.0	\$41.9	9.7%	75%	\$497.4
Capital Disbursements	\$625.3	\$526.3	\$468.3	\$57.9	11.0%	75%	\$583.9

* *Straight-lined (10/12 of revised budget)*

Highlights:

- FY 2017 Budget Proposals for Executive Team review in August 2015 with Board/Committee reviews anticipated in November 2015
- Year-end closeout planning process started with kickoff meeting August 18, 2015
- Rating Agency meetings scheduled for September 9-11, 2015
- Joint Investor Conference scheduled for September 24 & 25, 2015
- Amendment to the Water System Replacement Fee posted to the DC Register July 17, 2015

Mark T. Kim, Chief Financial Officer

Fiscal Year-to-Date
As of July 31, 2015

Operating Revenues (\$000's)

Category	A	B*	C	D=C/A	E=C-B	F=E/B	G	H=G/A
	FY 2015	YTD	YTD	YTD %	YTD \$	YTD %	Year-End	%
	BUDGET	BUDGET	ACTUAL	BUDGET	Fav/(Unfav)	Fav/(Unfav)	Projections	of Budget
Res. / Comm. / Multi.	\$291,347	\$242,789	\$238,858	82.0%	(\$3,932)	(1.6%)	\$292,579	100.4%
Federal	58,695	48,912	57,097	97.3%	8,184	16.7%	58,695	100.0%
Municipal (DC Govt.)	15,735	13,113	10,313	65.5%	(2,799)	(21.3%)	13,164	83.7%
DC Housing	7,472	6,226	5,647	75.6%	(579)	(9.3%)	7,757	103.8%
Metering Fee	10,776	8,980	9,435	87.6%	455	5.1%	11,151	103.5%
Wholesale	81,365	67,804	61,098	75.1%	(6,706)	(9.9%)	81,365	100.0%
PILOT/ROW	20,547	17,123	18,642	90.7%	1,519	8.9%	21,935	106.8%
All Other	56,706	47,255	38,519	67.9%	(8,735)	(18.5%)	59,515	105.0%
TOTAL	\$542,643	\$452,202	\$439,609	81.0%	(\$12,593)	(2.8%)	\$546,161	100.7%

Straight-lined (10/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of July 2015, cash receipts totaled \$439.6 million, or 81.0 percent of the revised FY 2015 budget. Several categories of customers make payments on a quarterly basis, including the Federal and wholesale customers.

Residential, Commercial and Multi-Family – Receipts for this category are slightly lower at \$238.9 million or 82.0 percent of the revised budget. The lower receipts are on account of slightly lower consumption as compared to budget.

Federal – Receipts are higher at \$57.1 million or 97.3 percent of the revised budget. The Federal Government paid the 4th quarter payment in July 2015.

District Government – Receipts are lower at \$10.3 million or 65.5 percent of the revised budget. As previously discussed with the F&B committee, the short payment is due to DC Government disputing the Clean Rivers Impervious Surface Area Charges (CRIAC) associated with RFK Stadium. The DC Water Customer Care and General Counsel staff are continuing discussions to resolve the matter with the District's General Counsel for Convention Center (Washington Convention and Sports Authority).

RFK Stadium – Since the 2009 inception of the Clean Rivers Impervious Area charge, the Federal government was billed and paid the CRIAC charge for RFK stadium. In 2013, they submitted documentation showing the property had been transferred to the District government decades ago.

In March 2014, DC Water corrected billing for the Clean Rivers Impervious Area charge for the property surrounding RFK stadium. The billing adjustment transferred the CRIAC charges from 2009 to 2014 from the Federal to the District government, with a total value of \$1.8 million. Subsequent bills have increased the total to \$2.9 million. On June 30, 2015, we received a letter from the District's Department of General Services rejecting responsibility for paying the \$2.9 million stating the property is not under their operational control. DC states they have assigned responsibility for the property to EventsDC. DC Water believes the ownership lies with the District and that EventsDC is a tenant.

DC Water and EventsDC, have resolved all outstanding issues of property boundaries and impervious area attributes of certain surfaces. DC Water staff agreed to review and possibly adjust the bill by approximately \$400,000 of the accumulated charges. These charges may be transferred back to other property owners. The attorney for EventsDC has provided assurances that they will pay the revised bill, pending their board's approval. Payment is now anticipated in the October timeframe. The revised bills are expected to be sent next week.

Wholesale – The Wholesale customers' actual receipts through July total \$61.1 million or 75.1 percent of the revised FY 2015 budget. The Wholesale customers will make their quarterly payment in September 2015.

Other Revenue – Receipts are lower than the straight-lined budget at \$38.5 million or 67.9 percent of the budgeted category primarily due to IMA Indirect Cost Reimbursement and transfer of Rate Stabilization Fund. The IMA indirect capital reimbursement is not anticipated to be received until the fourth quarter of the fiscal year. The Rate Stabilization Fund transfer is anticipated in the fourth quarter of the fiscal year.

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Operating Expenditures (\$000's)

Category	A	B*	C	D = CA	E = B-C	F = EB	G	H = GA
	FY 2015 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Personnel	\$135,544	\$112,953	\$110,532	81.5%	\$2,422	2.1%	\$136,750	100.9%
Contractual Services	76,944	64,120	50,697	65.9%	13,423	20.9%	68,017	88.4%
Water Purchases	28,831	24,026	23,630	82.0%	396	1.6%	27,672	96.0%
Supplies & Chemicals	36,187	30,156	24,922	68.9%	5,234	17.4%	31,767	87.8%
Utilities	30,416	25,347	26,993	88.7%	(1,646)	(6.5%)	31,587	103.8%
Small Equipment	1,028	857	441	42.9%	415	48.5%	823	80.1%
SUBTOTAL O&M	\$308,950	\$257,458	\$237,215	76.8%	\$20,243	7.9%	\$296,617	96.0%
Debt Service	160,264	133,553	117,117	73.1%	16,436	12.3%	160,264	100.0%
PILOT/ROW	26,687	22,239	17,000	63.7%	5,239	23.6%	20,437	76.6%
Cash Financed Capital Improvements	20,058	16,715	16,715	83.3%	0	0.0%	20,058	100.0%
TOTAL OPERATING	\$515,959	\$429,966	\$388,047	75.2%	\$41,919	9.7%	\$497,376	96.4%
Capital Labor	(17,266)	(14,388)	(15,898)	92.1%	1,510	(10.5%)	(19,707)	114.1%
TOTAL NET OPERATING	\$498,693	\$415,578	\$372,149	74.6%	\$43,429	10.5%	\$477,669	95.8%

*Straight-lined (10/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of July 2015, operating expenditures totaled \$388.0 million, or 75.2 percent of the annual budget. These numbers include estimated, incurred but unpaid, invoices and are subject to revision in subsequent months.

Personnel Services – The YTD spending is consistent with expectation and reflects increased hiring efforts to reduce Authority-wide vacancies. Of the 1260 positions authorized, 1114 positions were filled and 12% vacancy rate. As reported in prior months, overtime costs to date, at \$6.3 million, are higher than straight line budget primarily due to cost incurred during the extreme cold season. Staff will continue to monitor and report overtime activities and associated risks to budget.

Contracts - Underspending is attributable to various contracts throughout the Authority. This includes materialized savings from biosolids hauling costs and the impact of the delayed fee of \$4 million contract to operate the CHP Project, which is undergoing acceptance testing for the next few months.

Supplies & Chemicals – Underspending in parts and supplies reflects lower than planned issuances from the warehouse. The year-to-date chemicals expenditures are currently below budget but are projected to increase in the summer months because of greater need for the usage of sodium hypochlorite, polymer, and methanol.

Utilities – YTD overspending is mainly in the areas of natural gas and water usage costs.

- The additional natural gas was used by the CHP contractor in the temporary boilers to make steam for the Cambi process instead of using Digester Gas. A portion of the natural gas costs overruns associated with this unplanned use of natural gas are being negotiated with the CHP contractor. Pending the outcome of the negotiation, the associated cost can be reclassified from operating to capital
- The increase spending noted on the water usage line at Blue Plains is due to overbilling resulting from the construction and installation of meters for the clean rivers tunnel area work and Combined Heat and Power (CHP) process. After further investigation and review of the water charges billed, the appropriate credit adjustments will be made for the cost of water billed since inception for the downstream meters. Staff are reconciling each year's water cost transactions to incorporate any changes this may cause to our IMA shared costs agreement

Debt Service – YTD underspending is primarily due to lower interest rates on existing debt and the issuance of additional debt later in the calendar year than originally planned.

Payment In Lieu of Taxes (PILOT) – YTD expenditures of \$12.8 million is based on the current MOU with the District which totals \$15.3 million.

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Capital Disbursements (\$000's)

Service Area	A	B	C	D=C/A	E=B-C	F=E/B	G	H=G/A
	FY 2015 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Wastewater	\$206,260	\$180,335	\$167,210	81.1%	\$13,125	7.3%	\$203,947	98.9%
Sanitary Sewer	40,258	32,135	33,801	84.0%	(1,666)	(5.2%)	30,063	74.7%
Combined Sewer Overflow	271,101	223,629	191,297	70.6%	32,332	14.5%	258,901	95.5%
Stormwater	2,559	2,295	1,183	46.2%	1,113	48.5%	643	25.1%
Water	65,006	52,787	51,080	78.6%	1,707	3.2%	59,658	91.8%
SUBTOTAL: CAPITAL PROJECTS	\$585,183	\$491,181	\$444,571	76.0%	\$46,611	9.5%	\$553,212	94.5%
Capital Equipment	22,191	18,493	7,563	34.1%	10,929	59.1%	15,287	68.9%
Automated Meter Reading (AMR)	5,314	4,428	4,404	82.9%	24	0.6%	5,300	99.7%
Customer Information System (CIS)	2,586	2,155	61	2.4%	2,094	97.2%	100	3.9%
Washington Aqueduct	10,000	10,000	11,750	117.5%	(1,750)	(17.5%)	10,000	100.0%
SUBTOTAL: ADD'L CAPITAL PROGRAMS	\$40,091	\$35,076	\$23,779	59.3%	\$11,297	32.2%	\$30,687	76.5%
TOTAL	\$625,274	\$526,257	\$468,349	74.9%	\$57,908	11.0%	\$583,899	93.4%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of July 2015, with 83 percent of the fiscal year completed, capital disbursements are at 75 percent of the FY 2015 budget.

Capital Projects - Capital projects implementation performance has been nominal. The year-to-date project performance will be reviewed in detail as part of the quarterly CIP update by DETS in the Environmental Quality and Sewerage Services committee meeting on September 17, 2015.

Capital Equipment - The favorable position is driven by the unspent reserve funds in the Office of the CFO to accommodate requests for projects Authority-wide, if needed. Other contributors include available Capital Project funds for similar work, pending prioritization of various system implementations, and inventory coding challenges with Materials Management. Procurement is working with core business staff to retrain personnel on work order coding and reduce amount of financial accounts available in Materials Management.

CIS - Lower than anticipated spending for Customer Information and Billing System (CIS) driven by postponement of CIS project to FY 2016.

Washington Aqueduct - Higher disbursements represent DC Water's PAYGO share of capital expenditures for the fourth quarter of FY 2014, with spending primarily in the following projects:

- McMillian East Shaft Pumping Station
- Georgetown Reservoir Building Improvements
- McMillian Clearwell Maintenance and Improvements North Facility

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Cash Investments and Insurance (\$ in millions)

Cash Balances

Rate Stabilization Fund Account (RSF)	\$22.5
DC Insurance Reserve	1.0
Operating Reserve Accounts	<u>142.7</u>
Operating Cash Balance Including RSF	\$166.2
Debt Service Reserve - Series 1998	23.4
Bond Fund- Construction Fund 2014A	127.8
Bond Fund- Construction Fund 2014B	<u>1.6</u>
Reserves and Bond Proceeds	152.8
Total All Funds	\$319.0

OVERALL PORTFOLIO PERFORMANCE

- The operating reserve balance was \$142.7 million as compared to the operating reserve level objective of \$125.5 million for FY 2015
- Average cash balance for the month of July was \$162.5 million
- Total investment portfolio was in compliance with the Authority's Investment Policy
- Returns exceeded the established benchmarks for short term (less than one year) and core (one plus years) funds
- Operating funds interest income for July (on a cash basis) was \$126,375 and year-to-date total is above budget at \$782,198
- A detailed investment performance report is attached

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD 83% Cash Budget	YTD Actual Cash	Variance Favorable (Unfavorable)		FY 2015 Projection
OPERATING BUDGET						
Cash Provided						
Retail	\$384,025	\$320,020	\$321,349	\$1,329	0%	\$383,346
Wholesale	81,365	\$67,804	61,098	(6,706)	-10%	81,370
Other	69,634	\$58,028	57,058	(971)	-2%	73,941
Transfer from Rate Stabilization Fund	7,500	\$6,250		(6,250)	-100%	7,500
Total Cash Provided	542,524	452,103	439,505	(12,598)	-3%	546,157
Operating Cash Used						
Personnel Services	118,278	98,565	95,702	2,863	3%	117,043
Contractual Services	76,944	64,120	62,043	2,077	3%	68,017
Chemicals & Supplies	36,187	30,156	29,741	415	1%	31,767
Utilities	30,416	25,347	20,354	4,993	20%	31,587
Water Purchases	28,831	24,026	22,554	1,472	6%	27,672
Small Equipment	1,028	857	475	382	45%	823
Total Operating Cash Used	291,684	243,070	230,869	12,201	5%	276,909
Defeasance D.S./Cash Financed Capital Improvements	20,229	16,857		16,857	100%	20,229
Other Cash Used						
Debt Service	163,242	136,035	117,117	18,918	14%	160,265
Payment In Lieu of Taxes/Right of Way	20,437	17,031	15,328	1,703	10%	20,437
Total Other Cash Used	183,680	153,066	132,445	20,621	13%	180,702
Total Cash Used	495,592	412,994	363,314	49,680	12%	477,840
Net Cash Provided (Used) by Operating Act.	46,931	39,109	76,191	37,082		68,317
CAPITAL BUDGET						
Cash Provided						
Debt Proceeds	261,361	217,801	178,774	(39,027)	-18%	266,936
Transfer from Operations	20,229	16,858				20,229
EPA Grants	51,771	43,143	20,248	(22,895)	-53%	21,995
CSO Grants	22,200	18,500	46,336	27,836	150%	46,334
Interest Income	429	358	935	578	162%	950
Wholesale Capital Contributions	227,745	189,787	137,165	(52,622)	-28%	161,883
Total Cash Provided	583,735	486,446	383,458	(102,988)	-21%	518,326
Cash Used						
DC Water Capital Program	615,275	512,729	456,599	56,130	11%	571,458
Washington Aqueduct Projects	10,000	8,333	11,750	(3,417)	-41%	10,000
Total Cash Used	625,275	521,063	468,349	52,713	10%	581,458
Net Cash/PAYGO Provided (Used) by Cap. Act.	(\$41,540)	(\$34,617)	(\$84,891)	(\$50,275)		(\$63,132)
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected	\$157,642		\$157,642			\$157,642
Plus (Less) Operating Surplus	46,931	39,109	76,191	21,386		68,317
Wholesale Customer Refunds from Prior Years/ROW	(18,100)	(15,083)	(2,483)	10,730		(7,370)
Interest Earned From Bond Reserve	120	100	104	31		151
Transfer to Rate Stabilization Fund				(7,500)		(7,500)
Prior Year Federal Billing Reconciliation	(5,053)	(4,211)	(3,790)	()		(5,053)
Customer Rebate						
Cash Used for Capital	(41,540)	(34,617)	(84,891)	(21,592)		(63,132)
Balance Attributable to O&M Reserve	\$140,000		\$142,773	3,055		\$143,055
OTHER CASH RESERVES						
Rate Stabilization Fund						\$22,450
DC Insurance Reserve						\$1,039
CSO Long-Term Control Plan Appropriation						

Monthly Financial Report

APPENDIX

Operating Revenues Detail.....	9
Retail Accounts Receivable	10
Overtime by Department	11
Capital Disbursements Detail	12
Investment Report	13

Fiscal Year-to-Date
As of July 31, 2015

Operating Revenues Detail

(\$ in millions)

Revenue Category	Budget	YTD Budget	YTD Actual	Variance Favorable / (Unfavorable)		YTD % of Budget	Year End Projections	Variance Proj v. Bud	% of Budget
Residential, Commercial, and Multi-family	\$291.3	\$242.8	\$238.9	(\$3.9)	-1.6%	82.0%	\$292.6	1.3	100.4%
Federal	58.7	48.9	57.1	8.2	16.7%	97.3%	58.7	0.0	100.0%
District Government	15.7	13.1	10.3	(2.8)	-21.3%	65.5%	13.2	(2.6)	83.6%
DC Housing Authority	7.5	6.2	5.7	(0.6)	-9.3%	75.6%	7.8	0.3	103.8%
Customer Metering Fee	10.8	9.0	9.4	0.4	5.1%	87.6%	11.2	0.4	103.5%
Wholesale	81.4	67.8	61.1	(6.7)	-9.9%	75.1%	81.4	0.0	100.0%
Right-of-Way Fee/PILOT	20.6	17.1	18.6	1.5	8.9%	90.7%	21.9	1.4	106.8%
Subtotal (before Other Revenues)	\$485.9	\$404.9	\$401.1	-\$3.9	-1.0%	82.5%	\$486.7	\$0.7	100.2%
Other Revenue without RSF									
IMA Indirect Cost Reimb. For Capital Projects	10.0	8.3	0.0	(8.3)	-100.0%	0.0%	10.0	0.0	100.0%
DC Fire Protection Fee	6.9	5.8	8.1	2.3	39.7%	117.4%	10.8	3.9	156.5%
Stormwater (MS4)	1.0	0.8	0.9	0.1	12.5%	90.0%	0.9	(0.1)	89.5%
Interest	0.6	0.5	0.9	0.4	44.4%	150.0%	1.0	0.4	160.3%
Developer Fees (Water & Sewer)	7.7	6.4	6.9	0.5	7.8%	89.7%	8.2	0.5	106.6%
Others	23.0	19.2	21.7	2.6	13.5%	94.5%	21.2	(1.9)	92.2%
Subtotal	\$49.2	\$41.0	\$38.5	(\$2.5)	-6.1%	78.3%	\$52.0	\$2.8	105.7%
Rate Stabilization Fund Transfer	\$7.5	\$6.3	\$0.0	(\$6.3)	-100.0%	0.0%	\$7.5	\$0.0	100.0%
Other Revenue Subtotal	\$56.68	\$47.2	\$38.5	(\$8.7)	-18.4%	67.9%	\$59.5	\$2.8	105.0%
Grand Total	\$542.6	\$452.2	\$439.6	-\$12.6	-2.8%	81.0%	\$546.2	\$3.5	100.7%

BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY
(\$ in 000's)

Customer Category	FY 2015 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	\$21,241	\$17,701	\$18,556	\$855	5%	87%
Commercial	26,211	21,843	24,578	2,735	13%	94%
Multi-family	8,199	6,833	6,725	(107)	-2%	82%
Federal	15,787	13,156	15,787	2,632	20%	100%
District Govt	9,434	7,862	6,199	(1,663)	-21%	66%
DC Housing Authority	981	818	835	18	2%	85%
Total:	\$81,853	\$68,211	\$72,680	\$4,469	7%	89%

Customer Category	Clean Rivers				Total
	Water	Sewer	IAC	Metering Fee	
Residential	\$25,515	\$31,060	\$18,556	\$4,213	\$79,344
Commercial	42,026	43,354	24,578	2,943	112,901
Multi-family	21,451	25,591	6,725	991	54,759
Federal	21,192	20,118	15,787	813	57,910
District Govt	1,852	2,263	6,199	361	10,675
DC Housing Authority	2,180	2,632	835	114	5,761
Total:	\$114,216	\$125,018	\$72,680	\$9,435	\$321,349

Note: The breakdown of Collections into Residential, Commercial, & Multi-family and Water and sewer is approximate as it is based on percentages of historical data and does not take into account adjustments and timing differences

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Retail Accounts Receivable (Delinquent Accounts)

The following tables show retail accounts receivable over 90 days including a breakdown by customer class.

Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
October 31, 2014	\$5.4	12,034
November 30, 2014	\$5.6	12,261
December 31, 2014	\$6.5	13,180
January 31, 2015	\$6.5	13,111
February 28, 2015	\$6.2	13,132
March 31, 2015	\$6.2	12,866
April 30, 2015	\$6.1	12,187
May 31, 2015	\$6.5	12,516
June 30, 2015	\$6.5	12,865
July 31, 2015	\$6.6	12,349

Greater Than 90 Days by Customer

	Number of Accounts			Month of July (All Categories)				Total Delinquent				
				Active		Inactive						
	W & S a/c	Impervious Only a/c	Total No. of a/c	No. of a/c	Amount (\$)	No. of a/c	Amount (\$)	No. of a/c June	Amount (\$)	No. of a/c July	Amount (\$)	%
Commercial	11,243	3,348	14,591	1,203	1,398,086	163	140,819	1,389	\$ 1,626,256	1,366	\$ 1,538,905	23%
Multi-family	8,041	421	8,462	704	1,694,198	156	81,149	869	1,558,995	860	\$ 1,775,348	28%
Single-Family Residential	105,204	3,352	108,556	7,819	2,710,850	2,304	598,121	10,607	3,277,508	10,123	\$ 3,308,971	50%
Total	124,488	7,121	131,609	9,726	\$ 5,803,135	2,623	\$ 820,090	12,865	\$ 6,462,758	12,349	\$ 6,623,224	100%

Notes: Included in the above \$5.80M (or 9,726 accounts) of the DC Water Over 90 days delinquent accounts, \$1,974,844.35 (or 2,370 accounts) represents Impervious only accounts over 90 days delinquent.
-Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

Overtime by Department

Department	FY 2015			
	Budget	Actual	Actual % of Budget	% of Regular Pay
Office of the Board Secretary	\$4,000	\$10,872	271.8%	6.0%
General Manager	5,000	8,213	164.3%	0.6%
General Counsel	2,000	0	0.0%	0.0%
External Affairs	27,000	820	3.0%	0.1%
Internal Audit	0	0	0.0%	0.0%
Information Technology	20,000	10,890	54.4%	0.5%
Procurement	30,000	16,974	56.6%	0.9%
Customer Service	240,000	209,807	87.4%	3.0%
Finance, Accounting & Budget	30,000	31,068	103.6%	0.8%
Assistant General Manager - Support Services	1,030	1,618	157.1%	0.6%
Human Capital Management	5,000	3,987	79.7%	0.2%
Occupational Safety and Health	2,000	414	20.7%	0.1%
Facilities Management	200,000	227,721	113.9%	6.9%
Department of Security	0	57	0.0%	0.0%
Distribution and Conveyance System	553,000	706,912	127.8%	14.4%
Engineering and Technical Services	1,070,000	997,421	93.2%	6.9%
Water Services	960,000	1,385,177	144.3%	14.2%
Clean Rivers	5,000	0	0.0%	0.0%
Sewer Services	767,000	744,467	97.1%	11.7%
Wastewater Treatment - Operations	1,233,890	1,018,122	82.5%	12.3%
Wastewater Treatment - Process Engineering	100,000	50,675	50.7%	2.4%
Maintenance Services	800,000	849,950	106.2%	12.1%
Permit Operations	11,000	1,616	14.7%	0.1%
Fleet Management	2,000	4,073	203.7%	0.8%
Total DC WATER	\$6,067,920	\$6,280,854	103.5%	7.8%

Notes:

- FY 2015 actual includes accruals for six days (07/26/15-7/31/2015)
- Engineering and Technical Services department includes overtime that will be charged/transferred to capital projects

Monthly Financial Report

Fiscal Year-to-Date
As of July 31, 2015

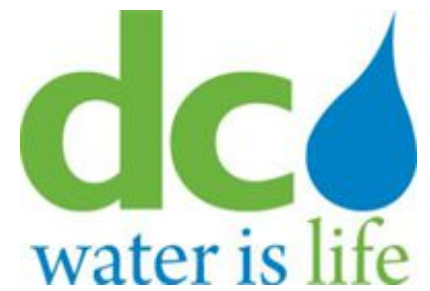
Capital Disbursements Detail by Program (\$000's)

Service Areas	Budget		Actual				Year-End		
	Annual	YTD	Oct. 2014 - Jun. 2015	Jul 2015	YTD	% of YTD Budget	Projection	Variance Budget to Projection	% of Budget
WASTEWATER TREATMENT									
Liquid Processing Projects	\$20,566	\$16,463	\$14,934	\$1,336	\$16,270	98.8%	\$17,556	\$3,010	85.4%
Plantwide Projects	18,322	15,324	13,181	1,964	15,146	98.8%	18,004	318	98.3%
Solids Processing Projects	58,333	56,953	38,126	2,168	40,294	70.7%	60,978	(2,645)	104.5%
Enhanced Nitrogen Removal Facilities	109,039	91,596	85,719	9,781	95,501	104.3%	107,410	1,629	98.5%
Subtotal	206,260	180,335	151,961	15,250	167,210	92.7%	203,947	2,313	98.9%
SANITARY SEWER									
Sanitary Collection Sewers	5,933	4,055	455	1	456	11.2%	2,494	3,439	42.0%
Sanitary On-Going Projects	8,256	6,700	14,566	604	15,170	226.4%	8,294	(38)	100.5%
Sanitary Pumping Facilities	1,377	1,291	799	74	872	67.6%	1,453	(76)	105.5%
Sanitary Sewer Program Management	10,106	8,124	5,816	848	6,663	82.0%	6,966	3,140	68.9%
Sanitary Interceptor/Trunk Force Sewers	14,586	11,965	9,454	1,184	10,639	88.9%	10,856	3,730	74.4%
Subtotal	40,258	32,135	31,089	2,711	33,801	105.2%	30,063	10,195	74.7%
COMBINED SEWER OVERFLOW									
CSO Program Management	4,423	3,976	4,747	-	4,747	119.4%	4,729	(306)	106.9%
Combined Sewer Projects	10,769	8,892	7,094	2,583	9,677	108.8%	10,228	541	95.0%
D.C. Clean Rivers Project	255,909	210,761	158,363	18,511	176,873	83.9%	243,944	11,965	95.3%
Subtotal	271,101	223,629	170,204	21,093	191,297	85.5%	258,901	12,200	95.5%
STORMWATER									
Stormwater Local Drainage	28	22	219	12	231	1044.9%	211	(183)	752.4%
Stormwater On-Going Program	489	375	246	451	697	186.1%	153	336	31.2%
Stormwater Pumping Facilities	-	-	-	-	-	0.0%	-	-	0.0%
DDOT Stormwater Program	27	21	-	-	-	0.0%	1	26	3.7%
Stormwater Research and Program Management	518	468	227	-	227	48.4%	217	247	52.3%
Stormwater Trunk/Force Sewers	1,497	1,409	15	14	28	2.0%	7	1,490	0.5%
Subtotal	2,559	2,295	706	476	1,183	51.5%	643	1,916	25.1%
WATER									
Water Distribution Systems	33,291	26,779	20,932	4,545	25,477	95.1%	31,520	1,771	94.7%
Water Lead Program	2,350	1,828	1,708	127	1,835	100.4%	2,168	182	92.3%
Water On-Going Projects	7,070	5,881	6,647	840	7,488	127.3%	6,639	431	93.9%
Water Pumping Facilities	6,074	5,140	5,747	367	6,114	119.0%	6,710	(636)	110.5%
DDOT Water Projects	2,121	1,854	249	96	344	18.6%	147	1,974	6.9%
Water Storage Facilities	6,323	4,602	1,489	798	2,286	49.7%	4,957	1,366	78.4%
Water Projects Program Management	7,777	6,703	6,499	1,037	7,535	112.4%	7,517	260	96.7%
Subtotal	65,006	52,787	43,271	7,809	51,080	96.8%	59,658	5,348	91.8%
Capital Projects	585,183	491,181	397,230	47,340	444,571	90.5%	553,212	31,972	94.5%
CAPITAL EQUIPMENT and AMR/CIS									
Capital Equipment	22,191	18,493	6,698	865	7,563	40.9%	15,287	6,904	68.9%
Automated Meter Reading	5,314	4,428	3,462	942	4,404	99.4%	5,300	14	99.7%
Customer Information System	2,586	2,155	61	0	61	2.8%	100	2,486	3.9%
Subtotal	30,091	25,076	10,222	1,807	12,029	48.0%	20,687	9,404	68.7%
WASHINGTON AQUEDUCT	10,000	10,000	8,195	3,555	11,750	117.5%	10,000	-	100.0%
Additional Capital Projects	40,091	35,076	18,417	5,362	23,779	67.8%	30,687	9,404	76.5%
Total	\$625,274	\$526,257	\$415,647	\$52,702	\$468,349	89.0%	\$583,899	\$41,376	93.4%



DC Water

Investment Performance Report – July 2015



**DC Water
Finance Division
Economic Update**

ECONOMIC COMMENTARY

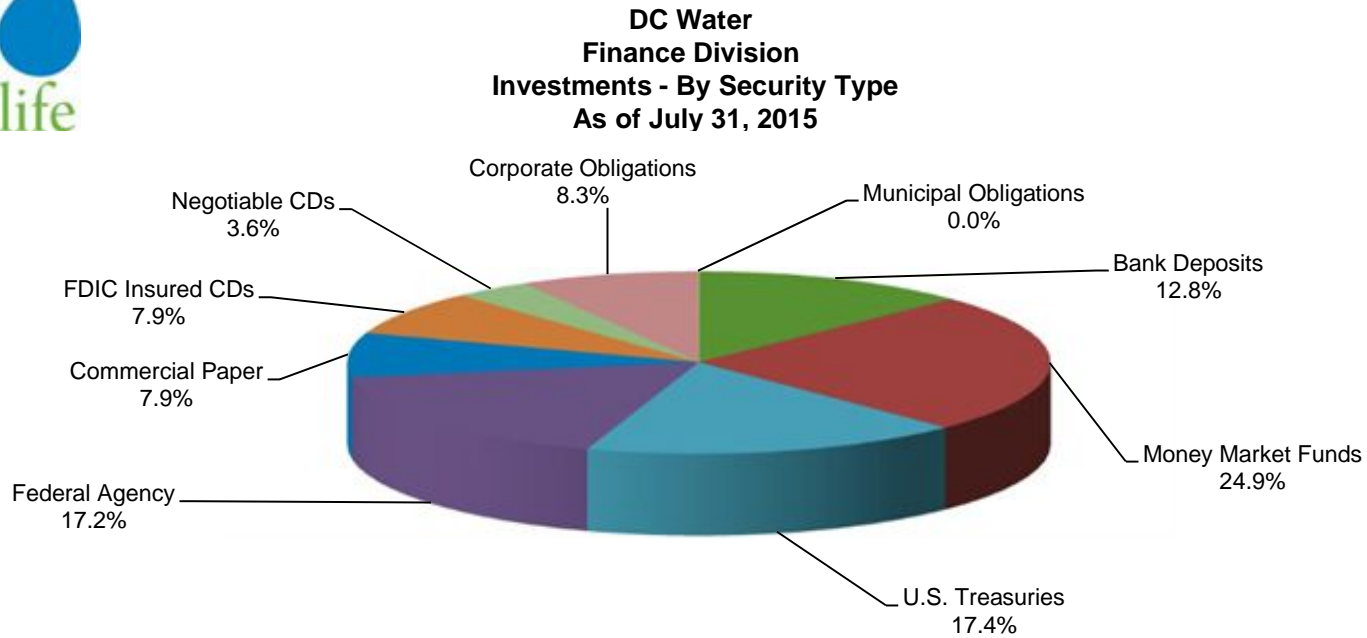
- U.S. Gross Domestic Product (“GDP”) during the 2nd quarter increased by 2.3% during the period.
- Oil prices are retracing the lows set in March 2015 as persistently high production in the U.S. and globally are creating an abundance of supply.
- The Iran nuclear deal, which would lift economic sanctions in return for restrictions on its nuclear program, would allow the country to export more oil. The market could see an increase in supply of 250,000 to 500,000 barrels per day.
- The Federal Open Market Committee’s (FOMC’s) statement after its July 28th – 29th meeting was relatively unchanged. The FOMC indicated it would continue to assess progress towards its objectives of maximum unemployment and 2 percent inflation. The slow pace of wage growth (i.e. lack of inflation) may allow the FOMC to delay a rate hike.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, U.S. Treasuries, Federal Agencies, Commercial Paper, Negotiable CDs, Corporate Notes/Bonds, Municipal Bonds, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.48%.
- The portfolio is in compliance with the Authority’s Investment Policy.

Operating Reserve Accounts

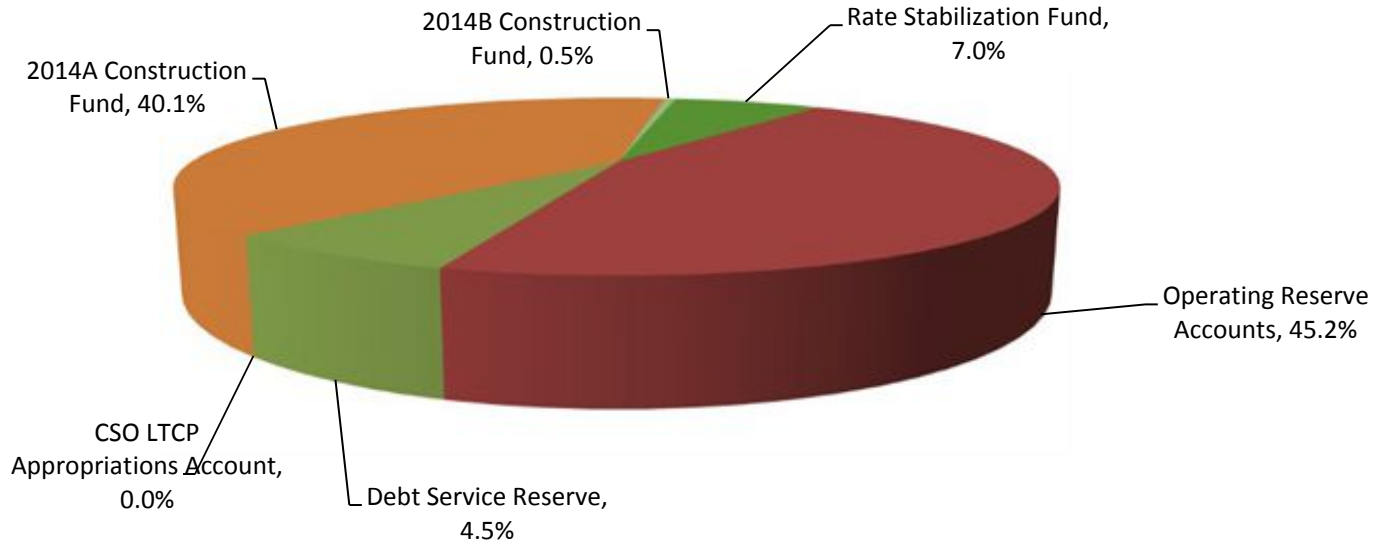
- During the month, PFM sold \$2.7 million of 10-month U.S. Treasuries and used the proceeds to purchase 3-year U.S. Treasuries at an average yield of 1.11%.
- PFM also sold \$925,000 of 3-year U.S. Treasuries and used the proceeds to purchase 3-year Toyota Motor Credit Corporate Notes. This sector swap will generate 0.64% of additional yield, annually.



Security Type	Accrued Interest	Allocation	By Policy
Bank Deposits	41,130,485	12.8%	100.0%
Money Market Funds	79,622,338	24.9%	100.0%
U.S. Treasuries	55,748,808	17.4%	100.0%
Federal Agency	54,971,320	17.2%	80.0%
Commercial Paper	25,219,398	7.9%	35.0%
FDIC Insured CDs	25,281,101	7.9%	30.0%
Negotiable CDs	11,431,983	3.6%	30.0%
Corporate Obligations	26,389,258	8.2%	30.0%
Municipal Obligations	120,436	0.0%	20.0%
Total	\$ 319,915,127	100.0%	



**DC Water
Finance Division
Investment Analysis – By Fund
As of July 31, 2015**

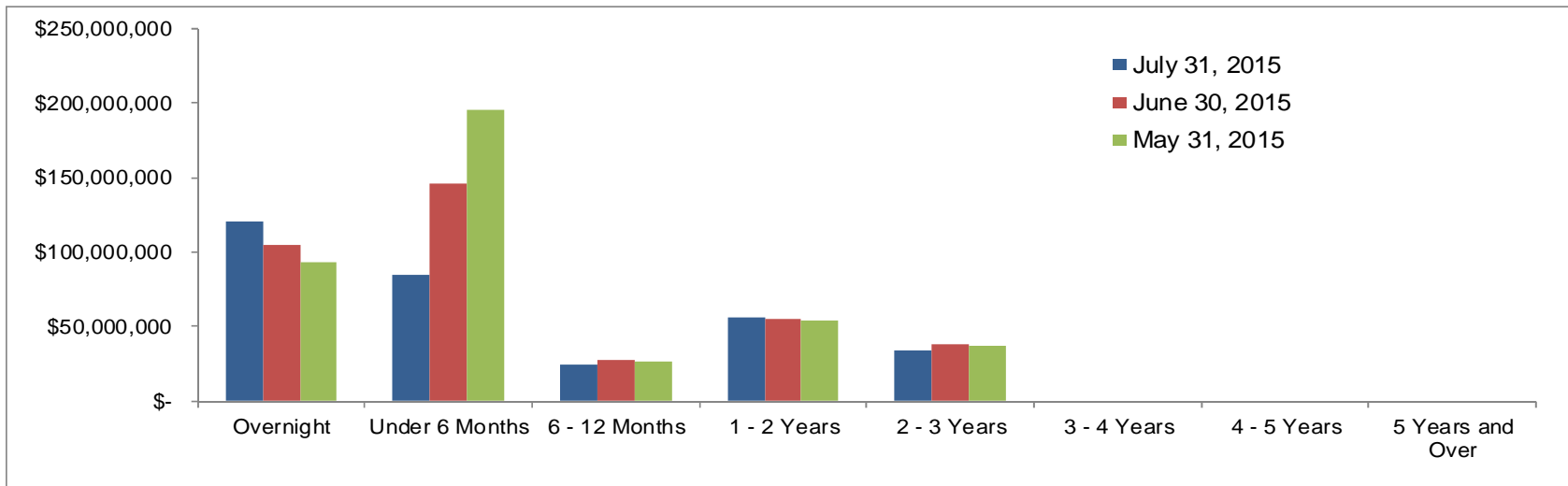


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Rate Stabilization Fund	\$ 22,450,000	0.50%	0.00	1.0
Operating Reserve Accounts	\$ 144,593,325	0.80%	1.17	430.7
Debt Service Reserve	\$ 23,422,469	0.56%	1.32	493.7
CSO LTCP Appropriations Account	\$ 884	0.90%	0.00	1.0
2014A Construction Fund	\$ 127,819,901	0.09%	0.05	17.7
2014B Construction Fund	\$ 1,628,548	0.01%	0.00	1.0
Total	\$ 319,915,127	0.48%	0.65	238.0



**DC Water
Finance Division
Investment Analysis – By Maturity**

Maturity Distribution	July 31, 2015	June 30, 2015	May 31, 2015
Overnight \$	120,752,823.29 \$	104,292,969.03 \$	92,675,759.87
Under 6 Months	84,401,639.26	146,052,947.01	194,940,821.59
6 - 12 Months	24,125,702.23	27,678,661.33	26,571,011.04
1 - 2 Years	56,404,931.55	54,435,639.68	53,553,591.66
2 - 3 Years	34,230,030.89	37,583,280.25	36,507,501.08
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals \$	319,915,127.22 \$	370,043,497.30 \$	404,248,685.24





**DC Water
Finance Division
Investments – Issuer Allocation**

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
Bank Deposits					
TD Bank		36,053,122.08	11.3%	100.0%	Yes
Capital One Bank		5,077,362.72	1.6%	100.0%	Yes
Sub-Total Bank Deposits		41,130,484.80	12.9%	100.0%	Yes
Money Market Mutual Funds					
Wells Fargo Treasury Plus MMF	AAAm	69,484,213.93	21.7%	50.0%	Yes
Federated Government MMF	AAAm	10,138,124.56	3.2%	50.0%	Yes
Sub-Total Money Market Mutual Funds		79,622,338.49	24.9%	100.0%	Yes
U.S. Treasuries					
Treasury Note	AA+ / Aaa	55,748,807.88	17.4%	100.0%	Yes
Sub-Total Treasuries		55,748,807.88	17.4%	100.0%	Yes
Federal Agencies					
Fannie Mae	AA+ / Aaa	4,538,564.96	1.4%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	47,413,020.38	14.8%	40.0%	Yes
Freddie Mac	AA+ / Aaa	3,019,734.91	0.9%	40.0%	Yes
Sub-Total Federal Agencies		54,971,320.25	17.2%	80.0%	Yes
Commercial Paper					
Bank of Tokyo Mitsubishi UFJ	A-1 / P-1	5,998,965.00	1.9%	5.0%	Yes
BNP Paribas	A-1 / P-1	5,998,360.02	1.9%	5.0%	Yes
General Electric Capital Corp	A-1+ / P-1	5,998,701.66	1.9%	5.0%	Yes
PNC Bank NA	A-1 / P-1	1,224,980.94	0.4%	5.0%	Yes
Toyota Motor Credit Corp	A-1+ / P-1	5,998,390.02	1.9%	5.0%	Yes
Sub-Total Commercial Paper		25,219,397.64	7.9%	35.0%	Yes
FDIC Insured Certificates of Deposit					
CDARS - Placed by Industrial Bank	NR / NR	15,173,375.19	4.7%	5.0%	Yes
CDARS - Placed by City First Bank	NR / NR	10,107,726.17	3.2%	5.0%	Yes
Sub-Total FDIC-Insured Certificates of Deposit		25,281,101.36	7.9%	30.0%	Yes



**DC Water
Finance Division
Investments – Issuer Allocation**

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
Negotiable Certificates of Deposit					
BNP Paribas NY Branch	A-1 / P-1	1,804,032.00	0.6%	5.0%	Yes
Canadian Imperial Bank NY	A-1 / P-1	1,805,605.50	0.6%	5.0%	Yes
Citibank NA	A-1 / P-1	1,201,144.86	0.4%	5.0%	Yes
HSBC Bank USA NA	A-1+ / P-1	1,807,436.00	0.6%	5.0%	Yes
Nordea Bank Finland NY	AA- / Aa3	1,803,680.00	0.6%	5.0%	Yes
Rabobank Nederland NV	A-1 / P-1	1,805,029.00	0.6%	5.0%	Yes
US Bank NA Cincinnati	AA- / Aa3	1,205,055.81	0.4%	5.0%	Yes
Sub-Total Negotiable Certificates of Deposit		11,431,983.17	3.6%	30.0%	Yes
Corporate Obligations					
ANZ Banking Group Ltd.	AA- / Aa2	1,755,167.48	0.5%	5.0%	Yes
Bank of Montreal	A+ / Aa3	1,752,332.71	0.5%	5.0%	Yes
Bank of New York Mellon	A+ / A1	1,804,806.53	0.6%	5.0%	Yes
Bank of Nova Scotia	A+ / Aa2	1,803,442.34	0.6%	5.0%	Yes
Cisco Systems Inc.	AA- / A1	1,552,872.75	0.5%	5.0%	Yes
Chevron	AA / Aa1	1,785,746.20	0.6%	5.0%	Yes
Exxon Mobil	AAA / Aaa	1,809,461.25	0.6%	5.0%	Yes
General Electric Capital Corporation	AA+ / A1	1,836,603.93	0.6%	5.0%	Yes
IBM	AA- / Aa3	2,256,537.22	0.7%	5.0%	Yes
Merck & Co.	AA / A2	732,629.80	0.2%	5.0%	Yes
Royal Bank of Canada	AA- / Aa3	1,757,370.39	0.5%	5.0%	Yes
Toronto Dominion Bank NY	AA- / Aa1	1,994,087.48	0.6%	5.0%	Yes
Toyota Motor Credit Corp	AA- / Aa3	1,524,732.36	0.5%	5.0%	Yes
Wal-Mart Stores Inc.	AA / Aa2	854,027.75	0.3%	5.0%	Yes
Wells Fargo & Company	A+ / A2	1,206,103.00	0.4%	5.0%	Yes
Westpac Banking	AA- / Aa2	1,412,349.63	0.4%	5.0%	Yes
US Bank	AA- / A1	550,986.81	0.2%	5.0%	Yes
Sub-Total Corporate Obligations		26,389,257.63	8.2%	30.0%	Yes
Municipal Obligations					
Mississippi State	AA / Aa2	120,436.00	0.0%	5.0%	Yes
Sub-Total Municipal Obligations		120,436.00	0.0%	20.0%	Yes
Grand Total		\$ 319,915,127.22	100.0%		



**DC Water
Finance Division
Book Value Performance
As of July 31, 2015**

The portfolio is in compliance with the Authority's Investment Policy

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized	
Total Rate Stabilization Fund	0.04%	0.50%	0.13%	0.50%	0.25%	0.50%	0.55%
Operating Reserve Accounts	0.07%	0.84%	0.20%	0.79%	0.38%	0.78%	0.71%
Total Debt Service Reserve	0.05%	0.56%	0.25%	1.00%	0.37%	0.75%	0.62%
2014A Construction Fund	0.01%	0.12%	0.04%	0.15%	0.08%	0.17%	0.17%
2014B Construction Fund	0.00%	0.02%	0.02%	0.10%	0.09%	0.17%	0.10%
Short-Term	0.02%	0.29%	0.08%	0.32%	0.16%	0.32%	0.34%
Merrill Lynch 3-Month Treasury Index (Book Value) ¹	0.00%	0.01%	0.00%	0.01%	0.00%	0.01%	0.02%
Core (1+ Years)	0.08%	0.92%	0.22%	0.89%	0.41%	0.82%	0.73%
Merrill Lynch 1-3 Year Treasury Index (Book Value) ²	0.05%	0.63%	0.15%	0.60%	0.28%	0.57%	0.56%

- (1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run Treasury Bill. The Index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.
- (2) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking a basket of U.S. Treasuries with 1 to 3 year maturities. The Index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Rate Stabilization Fund										
TD BANK BANK DEPOSIT		\$ 12,450,000		8/1/2015		0.90%	\$ 12,450,000	\$ 12,450,000	\$ 12,450,000	
FEDERATED GOVERNMENT MONEY MARKET FUND		10,000,000		8/1/2015		0.01%	10,000,000	10,000,000	10,000,000	
										\$ 22,450,000.00
Operating Reserve Accounts										
TD BANK BANK DEPOSIT		\$ 23,602,238		8/1/2015		0.90%	\$ 23,602,238	\$ 23,602,238	\$ 23,602,238	
CAPITAL ONE BANK		5,077,363		8/1/2015		0.50%	5,077,363	5,077,363	5,077,363	
FEDERATED GOVERNMENT MONEY MARKET FUND		138,125		8/1/2015		0.01%	138,125	138,125	138,125	
PNC BANK NA COMM PAPER	69349KV31	1,225,000	-	8/3/2015	11/24/2014	0.28%	1,222,599	1,224,985	1,224,981	
CITIBANK NA FLOATING CERT DEPOS	17304UYB0	1,200,000	0.419	8/11/2015	8/14/2014	0.37%	1,200,000	1,201,367	1,201,145	
INDUSTRIAL BANK CDARS		5,000,000	0.350	10/15/2015	10/16/2014	0.35%	5,000,000	5,013,914	5,013,914	
INDUSTRIAL BANK CDARS		5,024,994	0.400	11/12/2015	11/13/2014	0.40%	5,024,994	5,039,468	5,039,468	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		5,019,985	0.300	11/12/2015	11/13/2014	0.30%	5,019,985	5,030,830	5,030,830	
BNP PARIBAS NY BRANCH CERT DEPOS	05574RSY2	1,800,000	0.560	12/4/2015	3/10/2015	0.56%	1,800,000	1,804,673	1,804,032	
INDUSTRIAL BANK CDARS		2,545,282	0.750	1/21/2016	1/23/2014	0.75%	2,545,282	2,574,487	2,574,487	
INDUSTRIAL BANK CDARS		2,539,450	0.450	1/21/2016	1/22/2015	0.45%	2,539,450	2,545,506	2,545,506	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.400	3/17/2016	3/20/2014	0.40%	2,530,097	2,543,985	2,543,985	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.300	3/17/2016	3/19/2015	0.30%	2,530,097	2,532,912	2,532,912	
US TREASURY NOTES	912828WQ9	4,700,000	0.500	6/30/2016	7/15/2014	0.46%	4,703,855	4,710,123	4,703,845	
WELLS FARGO & COMPANY	94974BFL9	1,200,000	1.250	7/20/2016	7/16/2014	0.76%	1,211,664	1,205,843	1,206,103	
US TREASURY NOTES	912828QX1	3,035,000	1.500	7/31/2016	7/15/2014	0.50%	3,096,767	3,069,267	3,065,337	
HSBC BANK USA NA CD	40428AC54	1,800,000	0.880	8/15/2016	2/13/2015	0.88%	1,800,000	1,808,005	1,807,436	
FHLB NOTES	3130A2T97	1,595,000	0.500	9/28/2016	8/7/2014	0.61%	1,591,411	1,597,876	1,595,778	
US TREASURY NOTES	912828WF3	4,600,000	0.625	11/15/2016	7/15/2014	0.64%	4,598,563	4,616,876	4,605,301	
US TREASURY NOTES	912828MD9	4,225,000	3.250	12/31/2016	11/24/2014	0.61%	4,457,375	4,399,341	4,393,586	
US TREASURY NOTES	912828RX0	5,000,000	0.875	12/31/2016	11/21/2014	0.60%	5,029,102	5,031,149	5,023,348	
US TREASURY NOTES	912828RX0	3,075,000	0.875	12/31/2016	12/9/2014	0.69%	3,086,531	3,094,157	3,085,269	
GENERAL ELEC CAP CORP GLOBAL NOTES	36962G5N0	1,200,000	2.900	1/9/2017	7/15/2014	1.03%	1,254,912	1,233,573	1,234,112	
US BANK CORP NOTE (CALLABLE)	90331HMC4	550,000	1.100	1/30/2017	11/26/2014	0.98%	551,430	551,225	550,987	
US TREASURY NOTES	912828SC5	3,500,000	0.875	1/31/2017	7/14/2014	0.72%	3,513,945	3,518,402	3,508,313	
US TREASURY NOTES	912828SM3	100,000	1.000	3/31/2017	10/6/2014	0.80%	100,488	101,047	100,664	
CANADIAN IMPERIAL BANK NY YCD	13606JYY9	1,800,000	1.010	4/6/2017	4/10/2015	1.01%	1,800,000	1,802,744	1,805,606	
RABOBANK NEDERLAND NV CERT DEPOS	21684BXH2	1,800,000	1.070	4/21/2017	4/27/2015	1.07%	1,800,000	1,799,431	1,805,029	
FNMA NOTES	3135GQJA2	4,500,000	1.125	4/27/2017	11/21/2014	0.80%	4,535,370	4,548,494	4,538,565	
TORONTO DOMINION BANK NY CORP NT	89114QAQ1	1,200,000	1.125	5/2/2017	7/15/2014	1.14%	1,199,628	1,205,262	1,203,106	
TORONTO DOMINION BANK NY CORP NT	89114QAQ1	790,000	1.125	5/2/2017	11/26/2014	1.21%	788,317	793,464	790,982	
NORDEA BANK FINLAND NY CD	65558LFA5	1,800,000	1.150	5/26/2017	5/29/2015	1.15%	1,800,000	1,799,342	1,803,680	
FHLB GLOBAL NOTES	3130A5EP0	1,775,000	0.625	5/30/2017	5/15/2015	0.67%	1,773,527	1,774,949	1,775,557	
ANZ BANKING GROUP LTD CORP NOTES	05253JAF8	1,200,000	1.250	6/13/2017	10/30/2014	1.15%	1,203,084	1,203,210	1,204,210	
ANZ BANKING GROUP LTD CORP NOTES	05253JAF8	550,000	1.250	6/13/2017	11/26/2014	1.25%	550,055	551,471	550,958	
US TREASURY NOTES	912828TB6	1,850,000	0.750	6/30/2017	11/3/2014	0.79%	1,848,121	1,855,108	1,849,852	
BANK OF MONTREAL CORP NOTES (CALLABLE)	06366RVD4	1,200,000	1.300	7/14/2017	7/15/2014	1.27%	1,201,116	1,201,929	1,201,459	
BANK OF MONTREAL CORP NOTES (CALLABLE)	06366RVD4	550,000	1.300	7/14/2017	11/26/2014	1.25%	550,726	550,884	550,874	
FREDDIE MAC GLOBAL NOTES	3137EADJ5	1,015,000	1.000	7/28/2017	8/14/2014	1.00%	1,014,932	1,014,386	1,015,039	
US TREASURY NOTES	912828NR7	150,000	2.375	7/31/2017	7/18/2014	0.97%	156,311	155,025	154,182	
US TREASURY NOTES	912828TG5	3,260,000	0.500	7/31/2017	2/4/2015	0.63%	3,249,685	3,248,328	3,251,755	
US TREASURY NOTES	912828TG5	100,000	0.500	7/31/2017	2/10/2015	0.84%	99,164	99,642	99,325	
US BANK NA CINCINNATI (CALLABLE) CD	90333VPF1	1,200,000	1.375	9/11/2017	9/11/2014	1.41%	1,198,068	1,202,375	1,205,056	
MS ST TXBL GO BONDS	605581FX0	120,000	1.090	10/1/2017	2/18/2015	1.09%	120,000	120,176	120,436	



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Operating Reserve Accounts										
ROYAL BANK OF CANADA CORP NOTES	78010U4A2	1,200,000	1.400	10/13/2017	10/15/2014	1.41%	1,199,820	1,203,539	1,204,907	
ROYAL BANK OF CANADA CORP NOTES	78010U4A2	550,000	1.400	10/13/2017	11/26/2014	1.39%	550,198	551,622	552,464	
CHEVRON CORP NOTE	166764AL4	885,000	1.345	11/15/2017	11/18/2014	1.35%	885,000	889,281	887,513	
CHEVRON CORP (CALLABLE) GLOBAL NOTES	166764AA8	900,000	1.104	12/5/2017	11/26/2014	1.26%	895,743	897,292	898,233	
GENERAL ELECTRIC CO NOTES	369604BC6	550,000	5.250	12/6/2017	11/26/2014	1.45%	611,727	602,384	602,492	
TOYOTA MOTOR CREDIT CORP NOTE	89236TCA1	590,000	1.450	1/12/2018	1/12/2015	1.50%	589,192	590,935	589,789	
WESTPAC BANKING CORP NOTES	961214BZ5	1,400,000	1.600	1/12/2018	4/29/2015	1.27%	1,412,306	1,406,147	1,412,350	
IBM CORP NOTES	459200HZ7	2,250,000	1.125	2/6/2018	2/6/2015	1.23%	2,243,138	2,251,804	2,256,537	
WAL MART STORES INC. CORP NOTES	931142CJ0	750,000	5.800	2/15/2018	6/12/2015	1.30%	838,382	855,195	854,028	
EXXON MOBIL CORP NOTES	30231GAL6	1,800,000	1.305	3/6/2018	3/6/2015	1.31%	1,800,000	1,811,583	1,809,461	
US TREASURY NOTES	91282UU2	2,200,000	0.750	3/31/2018	2/27/2015	1.04%	2,180,578	2,196,780	2,188,758	
US TREASURY NOTES	91282UU2	4,400,000	0.750	3/31/2018	3/27/2015	1.00%	4,368,031	4,393,561	4,382,761	
MERCK & CO GLOBAL NOTES	58933YAG0	731,000	1.300	5/18/2018	3/27/2015	1.31%	730,664	730,288	732,630	
BANK OF NEW YORK MELLON CORP	06406HDB2	1,800,000	1.600	5/22/2018	5/29/2015	1.60%	1,799,838	1,802,679	1,804,807	
BANK OF NOVA SCOTIA CORP NOTE (CALLABLE)	064159GM2	1,800,000	1.700	6/11/2018	6/11/2015	1.72%	1,799,154	1,804,448	1,803,442	
CISCO SYSTEMS INC CORP NOTE	17275RAU6	1,550,000	1.650	6/15/2018	6/17/2015	1.66%	1,549,737	1,559,487	1,552,873	
TOYOTA MOTOR CREDIT CORP	89236TCP8	935,000	1.550	7/13/2018	7/13/2015	1.58%	934,205	935,971	934,943	
US TREASURY NOTES	91282VQ0	1,975,000	1.375	7/31/2018	7/6/2015	1.11%	1,990,893	1,996,676	1,990,605	
										\$ 144,593,324.57
Debt Service Reserve										
WELLS FARGO TREASURY PLUS MMF		\$ 3,041		8/1/2015		0.01%	\$ 3,041	\$ 3,041	\$ 3,041	
FHLB NOTES	313375RN9	10,000,000	1.000	3/11/2016	5/22/2013	0.43%	10,158,100	10,080,329	10,073,521	
US TREASURY NOTES	91282MV9	6,538,000	3.250	3/31/2017	6/29/2015	0.56%	6,844,213	6,897,486	6,899,960	
US TREASURY NOTES	91282PA2	6,257,000	1.875	9/30/2017	6/29/2015	0.76%	6,412,692	6,448,453	6,445,947	
										\$ 23,422,469.00
CSO LTCP Appropriations Account										
TD BANK BANK DEPOSIT		\$ 884		8/1/2015		0.90%	\$ 884	\$ 884	\$ 884	
										\$ 884.37
2014A Construction Fund										
WELLS FARGO TREASURY PLUS MMF		\$ 67,852,625		8/1/2015		0.01%	\$ 67,852,625	\$ 67,852,625	\$ 67,852,625	
BANK OF TOKYO MITS UFJ LTD COMM PAPER	06538CVU2	6,000,000	-	8/28/2015	6/12/2015	0.23%	5,997,048	5,999,166	5,998,965	
FHLB AGENCY NOTES	3130A2WK8	16,950,000	0.125	8/28/2015	1/21/2015	0.17%	16,945,237	16,958,311	16,958,312	
FREDDIE MAC GLOBAL NOTES	3134G3ZA1	2,000,000	0.500	8/28/2015	1/21/2015	0.17%	2,003,960	2,004,808	2,004,696	
BNP PARIBAS NY BRANCH COMM PAPER	09659CWB0	6,000,000	-	9/11/2015	6/29/2015	0.24%	5,997,040	5,998,740	5,998,360	
FHLB NOTES	3130A45M0	17,000,000	0.130	9/11/2015	3/2/2015	0.16%	16,997,249	17,008,838	17,009,852	
GENERAL ELEC CAP CORP COMM PAPER	36959JWB5	6,000,000	-	9/11/2015	6/12/2015	0.19%	5,997,118	5,998,962	5,998,702	
TOYOTA MOTOR CREDIT CORP COMM PAPER	89233HWG5	6,000,000	-	9/16/2015	6/12/2015	0.21%	5,996,640	5,998,926	5,998,390	
										\$ 127,819,901.35
2014B Construction Fund										
WELLS FARGO TREASURY PLUS MMF		\$ 1,628,548		8/1/2015		0.01%	\$ 1,628,548	\$ 1,628,548	\$ 1,628,548	
										\$ 1,628,547.93
							\$ 319,777,377.39	\$ 320,007,745.53	\$ 319,915,127.22	\$ 319,915,127.22



**DC Water
Finance Division
Security Purchases
Last 6 Months**

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
912828TG5	US TREASURY NOTES	4,500,000.00	0.50	7/31/2017	2/4/2015	0.63	4,486,010.34
459200HZ7	IBM CORP NOTES	2,250,000.00	1.13	2/6/2018	2/6/2015	1.23	2,243,137.50
912828TG5	US TREASURY NOTES	950,000.00	0.50	7/31/2017	2/10/2015	0.84	942,189.81
40428AC54	HSBC BANK USA NA CD	1,800,000.00	0.88	8/15/2016	2/13/2015	0.60	1,800,000.00
605581FX0	MS ST TXBL GO BONDS	120,000.00	1.09	10/1/2017	2/18/2015	1.09	120,000.00
912828UU2	US TREASURY NOTES	4,000,000.00	0.75	3/31/2018	2/27/2015	1.04	3,977,050.14
30231GAL6	EXXON MOBIL CORP NOTES	1,800,000.00	1.31	3/6/2018	3/6/2015	1.31	1,800,000.00
05574RSY2	BNP PARIBAS NY BRANCH CERT DEPOS	1,800,000.00	0.56	12/4/2015	3/10/2015	0.57	1,800,000.00
RE0908278	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,530,096.63	0.30	3/17/2016	3/19/2015	0.30	2,530,096.63
58933YAG0	MERCK & CO GLOBAL NOTES	731,000.00	1.30	5/18/2018	3/27/2015	1.31	734,068.98
912828UU2	US TREASURY NOTES	4,400,000.00	0.75	3/31/2018	3/27/2015	1.00	4,384,168.61
13606JYY9	CANADIAN IMPERIAL BANK NY YCD	1,800,000.00	1.01	4/6/2017	4/10/2015	1.00	1,800,000.00
21684BXH2	RABOBANK NEDERLAND NV CERT DEPOS	1,800,000.00	1.07	4/21/2017	4/27/2015	1.06	1,800,000.00
961214BZ5	WESTPAC BANKING CORP NOTES	1,400,000.00	1.60	1/12/2018	4/29/2015	1.27	1,418,963.78
3130A5EP0	FHLB GLOBAL NOTES	1,775,000.00	0.63	5/30/2017	5/15/2015	0.67	1,773,526.75
06406HDB2	BANK OF NEW YORK MELLON CORP	1,800,000.00	1.60	5/22/2018	5/29/2015	1.60	1,799,838.00
65558LFA5	NORDEA BANK FINLAND NY CD	1,800,000.00	1.15	5/26/2017	5/29/2015	1.15	1,800,000.00
064159GM2	BANK OF NOVA SCOTIA CORP NOTE (CALLABLE)	1,800,000.00	1.70	6/11/2018	6/11/2015	1.72	1,799,154.00
931142CJ0	WAL MART STORES INC. CORP NOTES	750,000.00	5.80	2/15/2018	6/12/2015	1.30	852,519.75
17275RAU6	CISCO SYSTEMS INC CORP NOTE	1,550,000.00	1.65	6/15/2018	6/17/2015	1.66	1,549,736.50
912828VQ0	US TREASURY NOTES	2,900,000.00	1.38	7/31/2018	7/6/2015	1.11	2,940,519.64
89236TCP8	TOYOTA MOTOR CREDIT CORP	935,000.00	1.55	7/13/2018	7/13/2015	1.58	934,205.25
Total Debt Service Reserve							
313384KQ1	FEDERAL HOME LOAN BANKS DISC NOTE	5,100,000.00	-	8/19/2015	2/20/2015	0.14	5,096,430.00
912828MV9	US TREASURY NOTES	6,538,000.00	3.25	3/31/2017	6/29/2015	0.56	6,896,463.77
912828PA2	US TREASURY NOTES	6,257,000.00	1.88	9/30/2017	6/29/2015	0.76	6,441,540.63
2014A Construction Fund							
3130A45M0	FHLB NOTES	35,000,000.00	0.13	9/11/2015	3/2/2015	0.16	34,996,991.17
22533UUD3	CREDIT AGRICOLE CIB NY COMM PAPER	12,000,000.00	-	7/13/2015	5/1/2015	0.15	11,996,350.00
06538CVU2	BANK OF TOKYO MITS UFJ LTD COMM PAPER	6,000,000.00	-	8/28/2015	6/12/2015	0.23	5,997,048.33
36959JWB5	GENERAL ELEC CAP CORP COMM PAPER	6,000,000.00	-	9/11/2015	6/12/2015	0.19	5,997,118.33
89233HWG5	TOYOTA MOTOR CREDIT CORP COMM PAPER	6,000,000.00	-	9/16/2015	6/12/2015	0.21	5,996,640.00
09659CWB0	BNP PARIBAS NY BRANCH COMM PAPER	6,000,000.00	-	9/11/2015	6/29/2015	0.24	5,997,040.00
2014B Construction Fund							
0556N1T86	BNP PARIBAS FINANCE INC COMM PAPER	16,000,000.00	-	6/8/2015	2/4/2015	0.25	15,986,222.22
06538CSV4	BANK OF TOKYO MITSUBISHI LTD COMM PAPER	16,000,000.00	-	5/29/2015	2/4/2015	0.25	15,987,333.33

Securities highlighted in **blue font** denote trades executed during the current month.



DC Water
Finance Division
Security Sales
Last 6 Months

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
912828WB2	US TREASURY NOTES	4,450,000.00	0.25	10/31/2015	2/4/2015	0.13	4,456,774.50
912828NR7	US TREASURY NOTES	1,100,000.00	2.38	7/31/2017	2/6/2015	0.68	1,146,151.76
912828NR7	US TREASURY NOTES	825,000.00	2.38	7/31/2017	2/6/2015	0.68	859,613.82
912828PA2	US TREASURY NOTES	240,000.00	1.88	9/30/2017	2/6/2015	0.76	248,560.41
3137EADJ5	FREDDIE MAC GLOBAL NOTES	750,000.00	1.00	7/28/2017	2/10/2015	0.83	753,273.21
3137EADJ5	FREDDIE MAC GLOBAL NOTES	200,000.00	1.00	7/28/2017	2/10/2015	0.83	200,872.86
912828QF0	US TREASURY NOTES	1,750,000.00	2.00	4/30/2016	2/13/2015	0.33	1,795,357.01
912828PM6	US TREASURY NOTES	3,900,000.00	2.13	12/31/2015	2/27/2015	0.22	3,975,739.25
912828UU2	US TREASURY NOTES	1,800,000.00	0.75	3/31/2018	3/6/2015	1.14	1,784,447.80
0556N1SU8	BNP PARIBAS FINANCE INC COMM PAPER	1,750,000.00	-	5/28/2015	3/10/2015	0.23	1,749,135.94
3130A0SD3	FEDERAL HOME LOAN BANK GLOBAL NOTES	4,000,000.00	0.38	2/19/2016	3/27/2015	0.34	4,002,863.33
912828PM6	US TREASURY NOTES	725,000.00	2.13	12/31/2015	3/27/2015	0.25	738,996.96
912828PM6	US TREASURY NOTES	375,000.00	2.13	12/31/2015	3/27/2015	0.27	382,181.22
912828SM3	US TREASURY NOTES	1,750,000.00	1.00	3/31/2017	4/10/2015	0.52	1,767,021.11
912828WQ9	US TREASURY NOTES	300,000.00	0.50	6/30/2016	4/27/2015	0.33	301,082.47
06538CRU7	BANK OF TOKYO MITSUBISHI UFJ COMM PAPER	1,500,000.00	-	4/28/2015	4/27/2015	0.13	1,499,994.58
3130A0SD3	FEDERAL HOME LOAN BANK GLOBAL NOTES	1,000,000.00	0.38	2/19/2016	4/29/2015	0.26	1,001,669.17
912828QF0	US TREASURY NOTES	400,000.00	2.00	4/30/2016	4/29/2015	0.27	410,899.78
912828MD9	US TREASURY NOTES	1,775,000.00	3.25	12/31/2016	5/15/2015	0.47	1,876,318.95
912828QF0	US TREASURY NOTES	1,775,000.00	2.00	4/30/2016	5/29/2015	0.27	1,806,017.28
912828QF0	US TREASURY NOTES	1,075,000.00	2.00	4/30/2016	5/29/2015	0.26	1,093,869.09
912828QP8	US TREASURY NOTES	550,000.00	1.75	5/31/2016	5/29/2015	0.30	562,751.81
912828QP8	US TREASURY NOTES	1,775,000.00	1.75	5/31/2016	6/11/2015	0.31	1,800,617.16
912828TG5	US TREASURY NOTES	850,000.00	0.50	7/31/2017	6/12/2015	0.79	846,370.03
912828TG5	US TREASURY NOTES	310,000.00	0.50	7/31/2017	6/17/2015	0.81	308,576.44
912828TG5	US TREASURY NOTES	1,240,000.00	0.50	7/31/2017	6/17/2015	0.81	1,234,305.79
912828QP8	US TREASURY NOTES	2,675,000.00	1.75	5/31/2016	7/6/2015	0.30	2,714,400.41
912828VQ0	US TREASURY NOTES	925,000.00	1.38	7/31/2018	7/13/2015	0.94	942,795.31
Total Debt Service Reserve							
313384KQ1	FEDERAL HOME LOAN BANKS DISC NOTE	200,000.00	-	8/19/2015	4/9/2015	0.10	199,926.67
912828QX1	US TREASURY NOTES	3,550,000.00	1.50	7/31/2016	6/29/2015	0.36	3,615,876.80
912828QX1	US TREASURY NOTES	1,200,000.00	1.50	7/31/2016	6/29/2015	0.36	1,222,268.22
912828TG5	US TREASURY NOTES	3,600,000.00	0.50	7/31/2017	6/29/2015	0.70	3,592,502.59
313384KQ1	FEDERAL HOME LOAN BANKS DISC NOTE	4,900,000.00	-	8/19/2015	6/29/2015	0.06	4,899,618.21
2014A Construction Fund							
31359MA45	FNMA GLOBAL BENCHMARK NOTES	6,850,000.00	5.00	4/15/2015	3/18/2015	0.10	7,020,702.00
3130A45M0	FHLB NOTES	12,000,000.00	0.13	9/11/2015	6/12/2015	0.11	12,005,963.33
3134G3ZA1	FREDDIE MAC GLOBAL NOTES	6,000,000.00	0.50	8/28/2015	6/12/2015	0.11	6,013,826.67
3130A45M0	FHLB NOTES	6,000,000.00	0.13	9/11/2015	6/29/2015	0.11	6,003,230.00

Securities highlighted in **blue font** denote trades executed during the current month.



**DC Water
Finance Division
Security Maturities
Last 6 Months**

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
RE1000216	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,519,265.07	0.60	3/19/2015	3/19/2015	0.00	2,549,496.25
Total Debt Service Reserve							
313381YP4	FEDERAL HOME LOAN BANK GLOBAL NOTES	5,000,000.00	0.25	2/20/2015	2/20/2015	0.00	5,000,000.00
2014A Construction Fund							
36959JPR8	GENERAL ELEC CAP CORP COMM PAPER	16,750,000.00	-	2/25/2015	2/25/2015	0.00	16,750,000.00
89233HQT4	TOYOTA MOTOR CREDIT CORP COMM PAPER	16,750,000.00	-	3/27/2015	3/27/2015	0.00	16,750,000.00
31359MA45	FNMA GLOBAL BENCHMARK NOTES	13,150,000.00	5.00	4/15/2015	4/15/2015	0.00	13,150,000.00
46640QRQ6	JP MORGAN SECURITIES LLC COMM PAPER	16,750,000.00	-	4/24/2015	4/24/2015	0.00	16,750,000.00
74977LRQ2	RABOBANK USA FIN CORP COMM PAPER	16,750,000.00	-	4/24/2015	4/24/2015	0.00	16,750,000.00
313379ER6	FEDERAL HOME LOAN BANK BONDS	12,235,000.00	0.50	6/12/2015	6/12/2015	0.00	12,235,000.00
313379ER6	FEDERAL HOME LOAN BANK BONDS	2,345,000.00	0.50	6/12/2015	6/12/2015	0.00	2,345,000.00
3133XWNB1	FHLB TAP BONDS	6,000,000.00	2.88	6/12/2015	6/12/2015	0.00	6,000,000.00
3133XWNB1	FHLB TAP BONDS	8,955,000.00	2.88	6/12/2015	6/12/2015	0.00	8,955,000.00
3135G0LN1	FANNIE MAE GLOBAL NOTES	6,000,000.00	0.50	7/2/2015	7/2/2015	0.00	6,000,000.00
3134G4TH1	FHLMC NOTES	24,000,000.00	0.30	7/8/2015	7/8/2015	0.00	24,000,000.00
22533UUD3	CREDIT AGRICOLE CIB NY COMM PAPER	12,000,000.00	-	7/13/2015	7/13/2015	0.00	12,000,000.00
31398AU34	FNMA NOTES	24,450,000.00	2.38	7/28/2015	7/28/2015	0.00	24,450,000.00
2014B Construction Fund							
06538CSV4	BANK OF TOKYO MITSUBISHI LTD COMM PAPER	16,000,000.00	-	5/29/2015	5/29/2015	0.00	16,000,000.00
0556N1T86	BNP PARIBAS FINANCE INC COMM PAPER	16,000,000.00	-	6/8/2015	6/8/2015	0.00	16,000,000.00

Securities highlighted in **blue font** denote trades executed during the current month.



**DC Water
Finance Division
Upcoming Transaction Cash Flows
Next 30 Days**

DATE	TRANSACTION	CUSIP	DESCRIPTION	COUPON	MATURITY DATE	PAR VALUE/SHARES	PRINCIPAL	INTEREST	TOTAL
<u>Operating Reserve Accounts</u>									
08/06/15	INTEREST	459200HZ7	IBM CORP NOTES	1.125	02/06/18	2,250,000.00	0.00	12,656.25	12,656.25
08/11/15	MATURITY	17304UYB0	CITIBANK NA FLOATING CERT DEPOS	0.419	08/11/15	1,200,000.00	1,200,000.00	1,221.61	1,201,221.61
08/15/15	INTEREST	931142CJ0	WAL MART STORES INC. CORP NOTES	5.800	02/15/18	750,000.00	0.00	21,750.00	21,750.00
08/17/15	INTEREST	40428AC54	HSBC BANK USA NA CD	0.880	08/15/16	1,800,000.00	0.00	8,140.00	8,140.00
08/28/15	MATURITY	06538CVU2	BANK OF TOKYO MITS UFJ LTD COMM PAPER		08/28/15	6,000,000.00	5,997,048.33	2,951.67	6,000,000.00
08/28/15	MATURITY	3130A2WK8	FHLB AGENCY NOTES	0.125	08/28/15	16,950,000.00	16,950,000.00	10,593.75	16,960,593.75
08/28/15	MATURITY	3134G3ZA1	FREDDIE MAC GLOBAL NOTES	0.500	08/28/15	2,000,000.00	2,000,000.00	5,000.00	2,005,000.00



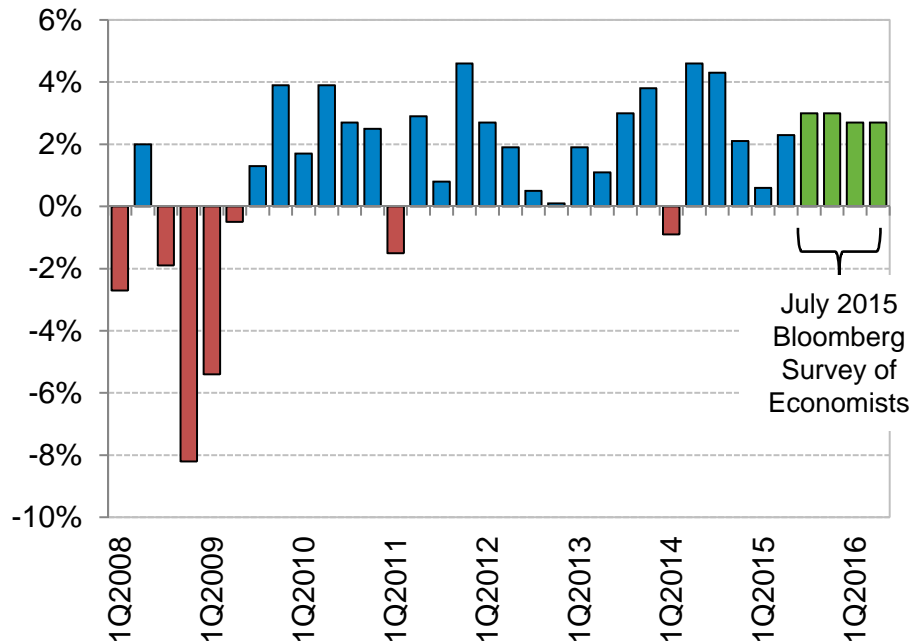
Appendix: Economic Update



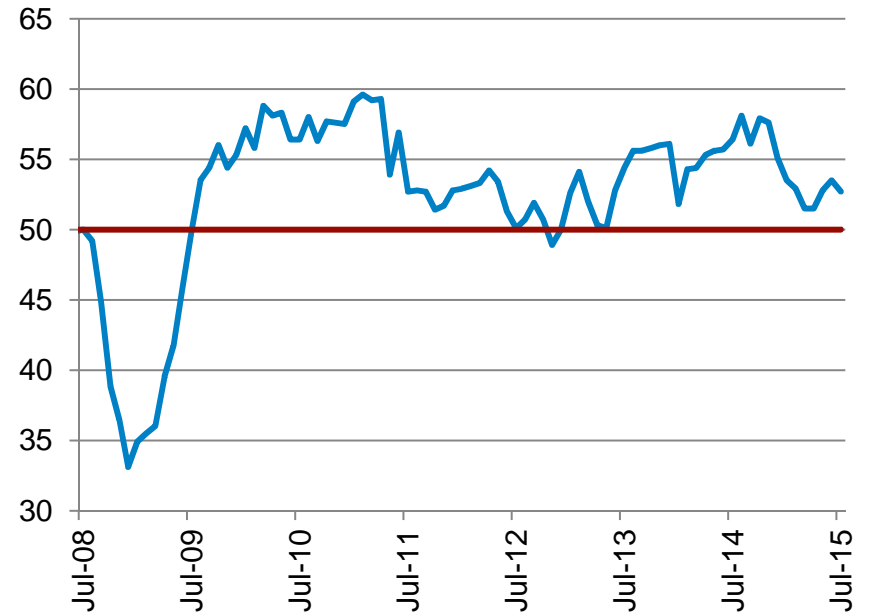
Gross Domestic Product

- U.S. Gross Domestic Product (“GDP”) growth for the second quarter of 2015 increased by 2.3%.
- The Institute for Supply Management Manufacturing Index for July indicated modest expansion as economic activity grew in the sector for the 31st consecutive month.

Gross Domestic Product
January 2008 – June 2016 (Projected)



ISM Manufacturing Index
July 2008– July 2015



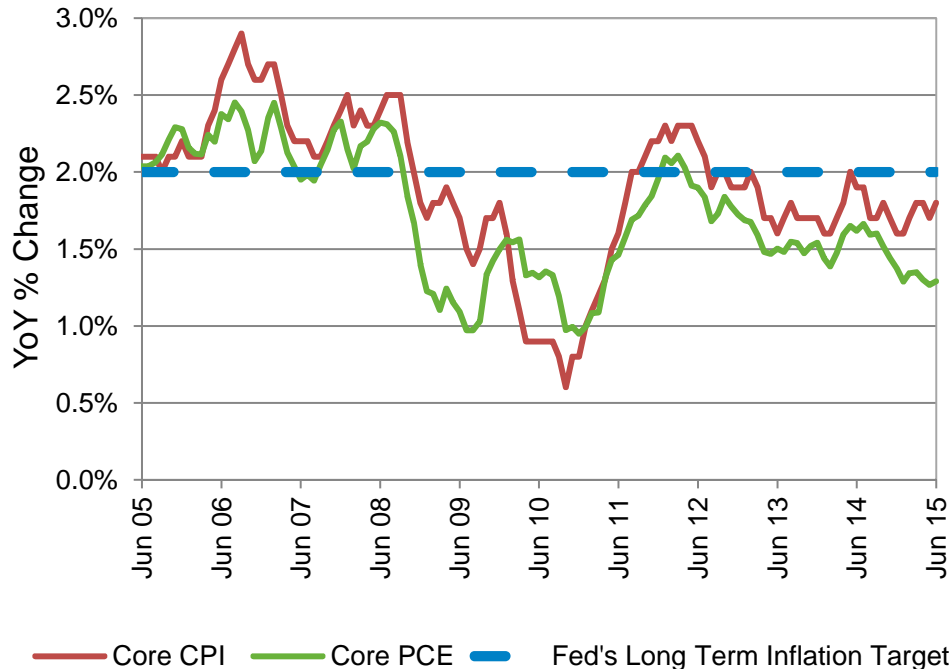
Source: Bloomberg



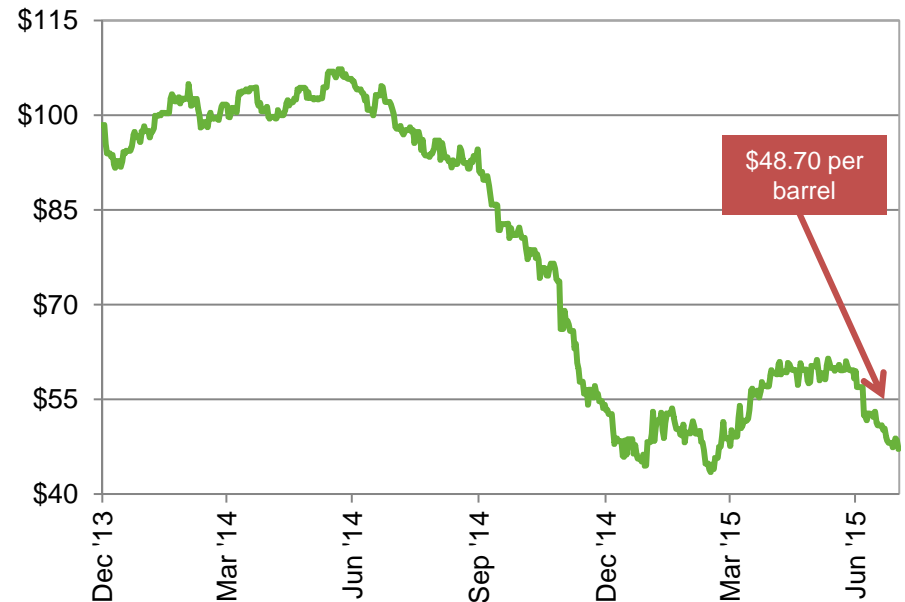
Inflation Remains Muted

- The personal consumption expenditures (PCE) price index, the Fed’s preferred gauge of core inflation, continues to undershoot the 2% target; it advanced just 1.3% year-over year through June. Falling energy prices and lack of wage pressure are helping keep inflation low.
- The nuclear deal with Iran will lift economic sanctions on the country and increase oil supply by 250,000 to 500,000 of barrels per day.

**Consumer Price Index vs
Personal Consumption Expenditures
June 2005 – June 2015**



**West Texas Oil Prices
December 2013 – July 2015**



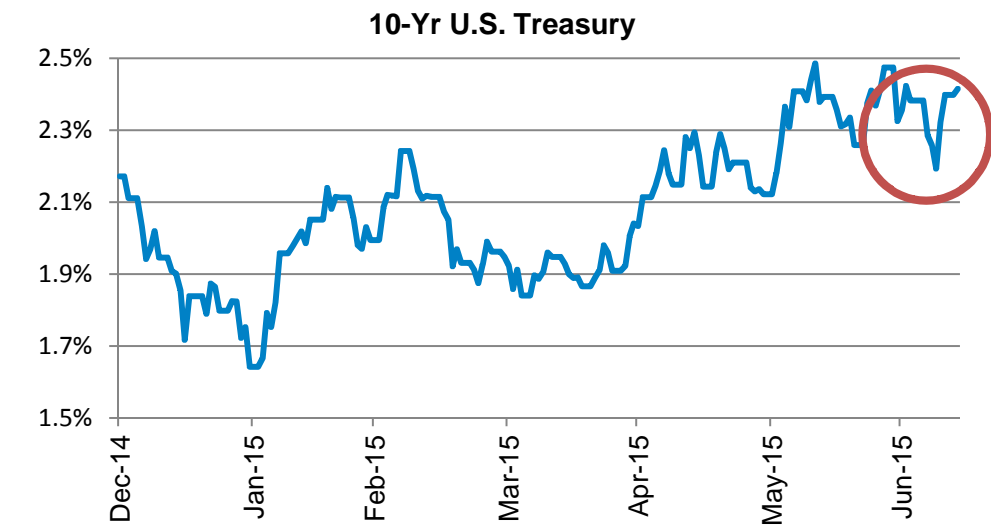
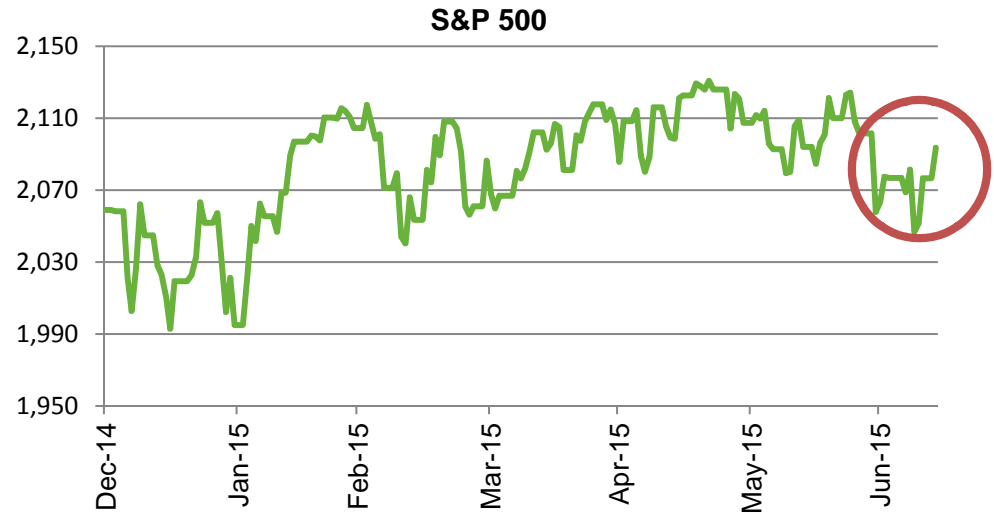
Source: Bloomberg



Impact of Greece on U.S. Markets

Timeline of Events in 2015

- June 4:** Greece delays a key debt payment to the International Monetary Fund (IMF).
- June 27:** Following failed negotiations with creditors, Greek Prime Minister Tsipras calls for a referendum on the cash-for-reforms proposal.
- June 28:** To prevent collapse of its financial system, Greece orders closure of banks and limits withdraws to €60 a day.
- June 30:** Greece defaults on \$1.7 billion payment to the IMF.
- July 5:** Greek voters reject terms of a bailout with 61% voting 'No'.
- July 13:** Greece reaches a third bailout deal with the euro zone. Tsipras agrees to tough reforms in return for a three-year bailout worth up to 86 billion euros (\$96 billion).
- July 16:** Greek parliament approves bailout measures and accepts reforms including significant pension adjustments, increase to valued added taxes, and tight limits on public spending.

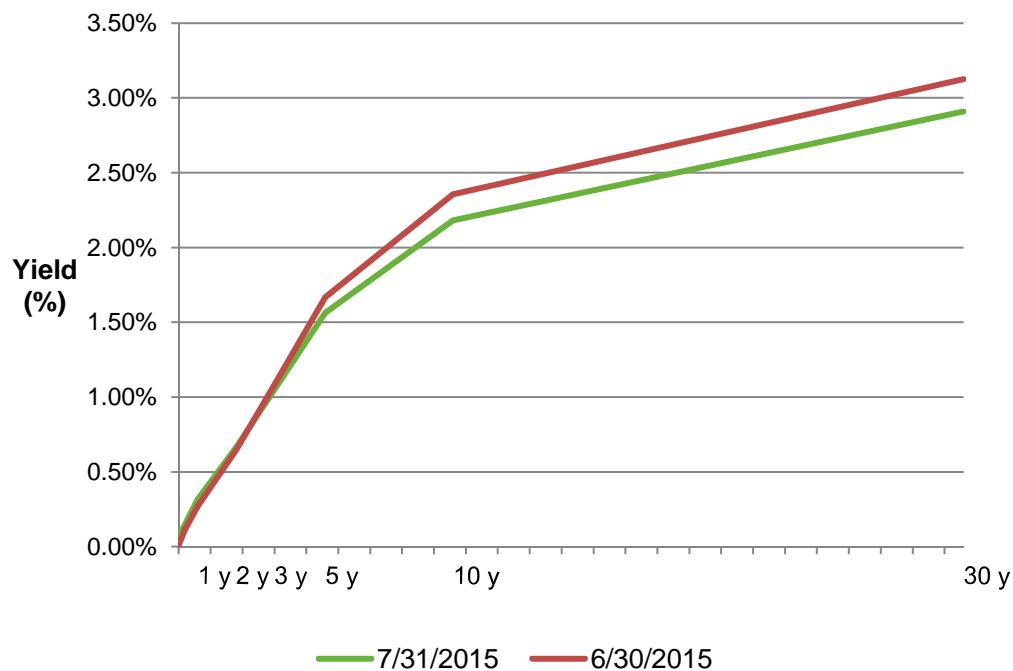


Source: Bloomberg, reuters.com



The Yield Curve Flattened During July

U.S. Treasury Yield Curve
July 31, 2015 vs. June 30, 2015



	<u>6/30/2015</u>	<u>7/31/2015</u>	<u>Change</u>
3 month	0.01%	0.06%	0.05%
6 month	0.11%	0.15%	0.04%
1 year	0.27%	0.31%	0.04%
2 year	0.65%	0.66%	0.01%
3 year	1.08%	1.05%	-0.03%
5 year	1.67%	1.56%	-0.11%
10 year	2.35%	2.18%	-0.17%
30 year	3.12%	2.91%	-0.22%

Source: Bloomberg



Disclosure

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

ATTACHMENT 2

FINANCE & BUDGET COMMITTEE

PROPOSED ISSUANCE OF REVENUE BONDS

ACTION ITEM A: Approval of Resolution Authorizing the Sale and Setting Terms and Details of the Series 2015A and Series 2015B Bonds and Amending Resolution #15-21

Presented and Adopted: October 1, 2015

Subject: Approving the Final Form of Certain Documents,
Authorizing the Sale and Setting Terms and Details
of the Series 2015A and Series 2015B Bonds and
Amending Resolution # 15-21

#15-____
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 (“Authority”), at its meeting on October 1, 2015, by a vote of _____ (__) in favor and _____ (__) opposed, decided to approve the following:

WHEREAS, the Authority is authorized pursuant to the *Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996*, as amended, D.C. Code Section 34-2201.01 et seq. (the “WASA Act”), and the *District of Columbia Water and Sewer Authority Act of 1996*, Public Law 104-184; 110 Stat. 1696, to issue revenue bonds for undertakings authorized by the WASA Act, including to finance or refinance any cost, as defined in the WASA Act, D.C. Code Section 34-2202.01(2); and

WHEREAS, in accordance with the WASA Act, the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”) (its predecessors in that capacity having been Norwest Bank Minnesota, N.A. and Wells Fargo Bank Minnesota, N.A.), entered into the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture” and, as supplemented and amended, the “Indenture”), to provide for financing or refinancing the acquisition, construction, operation, maintenance and extension of the System (as defined in the Master Indenture) by the issuance of bonds, notes and other obligations payable solely from Net Revenues (as such terms are defined in the Master Indenture); and

WHEREAS, the Authority has heretofore entered into seventeen (17) supplemental indentures of trust with the Trustee in connection with the issuance of Senior Debt and Subordinate Debt (both as defined in the Indenture) or to amend and clarify the Master Indenture; and

WHEREAS, the Authority now intends (i) to issue Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds) (the “Series 2015A Bonds”) to (a) finance a portion of the costs of the Authority’s DC Clean Rivers Project (as defined in the preliminary Official Statement, dated September ____, 2015, for the Series 2015A/B Bonds); (b) fund a Series 2015A Debt Service Reserve Requirement, (as defined herein), if determined necessary; and (c) pay certain costs of issuance; (ii) to issue Public Utility Subordinate Lien Revenue Bonds, Series 2015B (the “Series 2015B Bonds” and, together with the Series 2015A Bonds, the “Series 2015A/B Bonds”) to (a) finance certain Costs of the System; (b) retire a portion of the Authority’s Commercial Paper Notes, Series B (“Series B Notes”) and Series C (the “Series C Notes”), (c)

fund a Series 2015B Debt Service Reserve Requirement, (as defined herein), if determined necessary; and (d) pay certain costs of issuance; (iii) to designate the Series 2015A/B Bonds as Subordinate Debt for purposes of the Indenture; and (iv) to secure the Series 2015A/B Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, the General Manager, the Chief Financial Officer, the Chief Engineer and the General Counsel of the Authority have informed the Board that their offices have established “due diligence” procedures for reviewing the documents authorized by this Resolution with the Authority’s bond counsel, disclosure counsel, financial advisors, underwriters, underwriters’ counsel and other consultants and advisors, with a view to ensuring the accuracy of disclosure; and

WHEREAS, the Finance and Budget Committee met on September 10, 2015, to review the issuance of the Series 2015A/B Bonds and has recommended approval of this Resolution by the Board;

NOW, THEREFORE, BE IT RESOLVED, that:

Section 1. Definitions and Interpretations. Unless otherwise defined herein and unless the context indicates otherwise, the terms used herein and defined in the Indenture (including the Eighteenth Supplemental Indenture as hereby approved) shall have the meanings assigned to them therein. In addition, the following terms used as defined terms in this Resolution shall have the meaning assigned to them in this Section:

“Authorized Officials” means the Chairman and Vice Chairman of the Board and the General Manager, Chief Financial Officer, Controller, Budget Director, and Finance Director of the Authority, provided that any official other than the Chairman shall be designated by the Chairman as his designee for the purpose of executing and delivering any document authorized hereunder.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the Authority and the Series 2015A/B Original Purchasers, dated as of the same date as the Certificate of Award.

“Certificate of Award” means the certificate of an Authorized Official awarding the Series 2015A/B Bonds to the Series 2015A/B Original Purchasers and specifying terms of the Series 2015A/B Bonds, as provided for in Section 4 of this Resolution.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement executed by the Authority and the Trustee, dated as of the same date as the date of issuance and delivery of the Series 2015A/B Bonds, as originally executed and as it may be amended from time to time in accordance with its terms.

“Eighteenth Supplemental Indenture” means the Eighteenth Supplemental Indenture of Trust by and between the Authority and the Trustee, dated as of the same date as and relating to the Series 2015A/B Bonds.

“Financial Advisor” means, collectively, Public Financial Management, Inc. and G~Entry Principle, P.C.

“Interest Payment Dates” means for the Series 2015A/B Bonds, each April 1 and October 1, commencing on the April 1 or October 1 specified in the Certificate of Award as the first Interest Payment Date, and thereafter during the time the Series 2015A/B Bonds are Outstanding.

“Series 2015A Debt Service Reserve Requirement” means, if determined in the Certificate of Award to be necessary, a required fund balance in the Series 2015A Debt Service Reserve Account or Accounts established under the Eighteenth Supplemental Indenture, the amount of which shall be specified in the Certificate of Award, but which shall not exceed the maximum amount permitted to constitute a “reasonably required reserve or replacement fund” under the size limitation set forth in Section 1.148-2(f)(2) of the Treasury Regulations promulgated under the Code (taking into account any moneys in any other fund or account that may be required to be included in such computation) unless the Authority furnishes to the Trustee an opinion of nationally recognized bond counsel to the effect that the existence of a balance in the Series 2015A Debt Service Reserve Account in the amount of the specified required fund balance will not cause the interest on any Series 2015A Bonds intended to be excluded from gross income for federal income tax purposes not to be so excluded.

“Series 2015A/B Original Purchasers” for the Series 2015A/B Bonds means the purchasers identified as such in the Bond Purchase Agreement for the Series 2015A/B Bonds.

“Series 2015B Debt Service Reserve Requirement” means, if determined to be necessary, a required fund balance in the Series 2015B Debt Service Reserve Account or Accounts established under the Eighteenth Supplemental Indenture, the amount of which shall be specified in the Certificate of Award, but which shall not exceed the maximum amount permitted to constitute a “reasonably required reserve or replacement fund” under the size limitation set forth in Section 1.148-2(f)(2) of the Treasury Regulations promulgated under the Code (taking into account any moneys in any other fund or account that may be required to be included in such computation) unless the Authority furnishes to the Trustee an opinion of nationally recognized bond counsel to the effect that the existence of a balance in the Series 2015B Debt Service Reserve Account in the amount of the specified required fund balance will not cause the interest on any Series 2015B Bonds intended to be excluded from gross income for federal income tax purposes not to be so excluded

Any reference to the Authority or the Board, or to their members or officers, or to other public officers, boards, commissions, departments, institutions, agencies, bodies or entities, shall include those who or which succeed to their functions, duties or responsibilities by operation of law and also those who or which at the time may legally act in their place.

Section 2. Authorization, Designation and Purposes of Series 2015A/B Bonds.

The Authority is authorized to issue, sell and deliver, as provided in this Resolution and the Certificate of Award, not to exceed (except as provided below) Four Hundred Million Dollars (\$400,000,000) aggregate principal amount of Series 2015A/B Bonds which aggregate amount shall be allocated between the Series 2015A Bonds and the Series 2015B Bonds in the Certificate of Award as is determined by the Chief Financial Officer as presenting the then optimal financing structure for the Authority. The Series 2015A Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds)” and constituting Subordinate Debt for purposes of the Indenture, for the purpose of: (a) financing a portion of the costs of the Authority’s DC Clean Rivers Project, (b) funding a Series 2015A Debt Service Reserve Requirement, if determined necessary in the Certificate of Award; and (c) paying issuance costs of the Series 2015A Bonds. The Series 2015B Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2015B” and constituting Subordinate Debt for purposes of the Indenture, for the purpose of: (w) financing certain Costs of the System; (x) retiring such portion of the Series B Notes and Series C Notes as may be specified in the Certificate of Award, which portion may be all, some or none; (y) funding a Series 2015B Debt Service Reserve Requirement, if determined necessary in the Certificate of Award; and (z) paying issuance costs of the Series 2015B Bonds. For those purposes the proceeds from the sale of the Series 2015A/B Bonds shall be allocated and deposited, as provided in the Eighteenth Supplemental Indenture. If and to the extent that any Series 2015A/B Bonds are issued for the purpose of funding a Series 2015A Debt Service Reserve Requirement and/or a Series 2015B Debt Service Reserve Requirement, then the aggregate principal amount of Series 2015A/B Bonds hereby authorized may exceed \$400,000,000 by the aggregate principal amount of the Series 2015A/B Bonds to be issued for that purpose. Any designation of bonds authorized above may be revised or clarified in the Certificate of Award.

Section 3. Terms and Provisions Applicable to the Series 2015A/B Bonds.

(a) Form, Transfer and Exchange. The Series 2015A/B Bonds: (i) shall initially be issued only in fully registered form and substantially in the forms attached as Exhibits to the Eighteenth Supplemental Indenture; (ii) shall initially be issued only to a Depository for holding in a book entry system, and shall be registered in the name of the Depository or its nominee, as Holder, and immobilized in the custody of the Depository, and (iii) shall not be transferable or exchangeable except as provided in the Eighteenth Supplemental Indenture.

(b) Denominations and Dates. The Series 2015A/B Bonds shall be dated as of the date of issuance and delivery, but in no event later than December 31, 2015, and there shall be a single Series 2015A/B Bond representing each interest rate for each maturity of the Series 2015A/B Bonds bearing the same series or subseries designation.

(c) Interest Rates and Principal Maturities. The Series 2015A/B Bonds shall bear interest on their unpaid principal amount payable on each Interest Payment Date, commencing on the first Interest Payment Date specified in the Certificate of Award, at such fixed rates per annum as set forth in the Certificate of Award as provided in Section 4(c) hereof, provided however, that the “true interest cost” (i.e., interest cost on bonds defined as the rate, compounded semiannually, necessary to discount the amounts payable on the respective interest and principal payment dates to the purchase price received for the bonds) on the Series 2015A/B

Bonds shall not exceed five and one half percent (5.50%) per annum. The principal of the Series 2015A/B Bonds shall be paid in such amounts on each principal retirement date (whether at stated maturity date or a mandatory redemption date) as set forth in the Certificate of Award, provided that the final principal retirement date shall be no later than December 31, 2055.

(d) Optional and Mandatory Redemption.

(i) *Optional* - The Series 2015A/B Bonds maturing on or before any date specified in the Certificate of Award as the Earliest Optional Redemption Date (which shall be no later than October 1, 2026) are not subject to prior optional redemption. Any Series 2015A/B Bond maturing after the Earliest Optional Redemption Date shall be subject to redemption at the option of the Authority, prior to their stated maturities on or after the Earliest Optional Redemption Date in whole or in part (in whole multiples of \$5,000) on any date, at redemption prices specified in the Certificate of Award, provided that no such redemption price (not including accrued interest) shall exceed 102% of the principal amount of the Series 2015A/B Bonds to be redeemed.

(ii) *Mandatory Sinking Fund Redemption* - Any Series 2015A/B Bonds may be designated in the Certificate of Award as Term Bonds and be subject to mandatory sinking fund redemption by lot on specified principal retirement dates at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

(e) Redemption Provisions. Redemption of Series 2015A/B Bonds shall be effected in accordance with Article IV of the Master Indenture; provided, however, that notices of redemption of Series 2015A/B Bonds sent pursuant to Section 402 of the Master Indenture may specify that the redemption is conditional upon the Authority's depositing the funds needed to effect that redemption prior to the specified redemption date.

(f) Places and Manner of Payment. The principal of and the interest and any redemption premium on the Series 2015A/B Bonds shall be payable at the places and in the manner specified in the Eighteenth Supplemental Indenture.

(g) Execution. The Authorized Officials are, and each of them is, authorized and directed to execute the Series 2015A/B Bonds, and the Secretary of the Board is authorized and directed to affix the seal of the Authority to the Series 2015A/B Bonds and to deliver them to the Trustee for authentication in accordance with the Indenture.

Section 4. Sale of Series 2015A/B Bonds.

(a) General. The Series 2015A/B Bonds shall be awarded and sold to the Series 2015A/B Original Purchasers in accordance with the Bond Purchase Agreement and the Certificate of Award, at a purchase price of not less than ninety-five percent (95%) of the aggregate of the products from multiplying the principal amount of each Series 2015A/B Bonds times the percentage of such principal amount at which such Series 2015A/B Bond shall be initially offered to the public, after subtracting from the aggregate of such products the premium payable for any municipal bond insurance policy applicable to the Series 2015A/B Bonds.

(b) Bond Purchase Agreement. The Authorized Officials are, and each of them is, authorized and directed to execute and deliver the Bond Purchase Agreement between the Authority and the Series 2015A/B Original Purchasers, substantially in the form presented to this Authority, but with such changes not inconsistent with the Indenture and this Resolution and not substantially adverse to the Authority as may be approved by the Authorized Official executing the same on behalf of the Authority. The approval of any such changes by such Authorized Official and the determination by such Authorized Official that no such change is substantially adverse to the Authority shall be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Official. The price for and terms of the Series 2015A/B Bonds and the sale thereof, all as provided in this Resolution, the Bond Purchase Agreement, the Certificate of Award, and the Eighteenth Supplemental Indenture, are hereby approved and determined to be in the best interests of the Authority.

(c) Certificate of Award. Such sale and award shall be further evidenced by the Certificate of Award executed by an Authorized Official. The terms of the Series 2015A/B Bonds approved in the Certificate of Award shall be incorporated into the Eighteenth Supplemental Indenture. The Certificate of Award, subject to the restrictions set forth herein, shall: (i) with respect to each series or subseries of the Series 2015A/B Bonds, specify the aggregate principal amount, the purchase price, the first Interest Payment Dates, the interest rate or rates, the principal retirement dates, the mandatory sinking fund requirements (if any), the redemption dates, and the redemption prices thereof; (ii) specify whether a municipal bond insurance policy, letter of credit, or other credit or liquidity facility shall be obtained with respect to the Series 2015A/B Bonds and, if so, from whom and on what terms; (iii) specify the amount, if any, of the Series 2015A Debt Service Reserve Requirement and the Series 2015B Debt Service Reserve Requirement and determine whether it shall be met entirely with (A) cash and Permitted Investments (as defined in the Indenture); (B) a Qualified Reserve Credit Facility (as defined in the Indenture); or (C) a specified combination of (A) and (B); and (iv) include any additional information that may be required or permitted to be stated therein by the terms of this Resolution and the Bond Purchase Agreement.

(d) Authorization of Bond Insurance and Qualified Reserve Credit Facilities. The submission of any applications to: (i) recognized providers of municipal bond insurance requesting the issuance of one or more municipal bond insurance policies to insure the Authority's obligation to make payments of principal of and interest on the Series 2015A/B Bonds, and (ii) potential providers of Qualified Reserve Credit Facilities, is hereby ratified and approved. The Authorized Officials are, and each of them is, hereby authorized to specify in the Certificate of Award that the Authority shall accept one or more commitments for insurance from such providers, and one or more commitments for a Qualified Reserve Credit Facility. There is hereby authorized to be paid from the moneys deposited in the Series 2015A Costs of Issuance Subaccount such amount as is required to pay the premium and expenses for such insurance policies and Qualified Reserve Credit Facilities relating to the Series 2015A Bonds. There is hereby authorized to be paid from the moneys deposited in the Series 2015B Costs of Issuance Subaccount such amount as is required to pay the premium and expenses for such insurance policies and Qualified Reserve Credit Facilities relating to the Series 2015B Bonds. The Authorized Officials are, and each of them is, hereby further authorized to enter into a reimbursement agreement with the provider of any Qualified Reserve Credit Facility to provide for the Authority's reimbursement of the provider for any amounts drawn under the Qualified

Reserve Credit Facility in a manner consistent with the Indenture. Any determination of the Authorized Officials under this paragraph shall be based on the written advice of the Financial Advisor.

(e) Certificates. The Authorized Officials are, and each of them is, authorized and directed, in their official capacities, to execute and deliver to the Series 2015A/B Original Purchasers the certificates required by the Bond Purchase Agreement to be executed on behalf of the Authority.

(f) Delivery of Bonds. The Authorized Officials are, and each of them is, authorized and directed to make the necessary arrangements with the Series 2015A/B Original Purchasers to establish the date, location, procedure and conditions for the delivery of the Series 2015A/B Bonds to the Series 2015A/B Original Purchasers. The Authorized Officials are, and each of them is, further authorized and directed to make the necessary arrangements for the printing of the Series 2015A/B Bonds, and the execution, authentication and delivery of the Series 2015A/B Bonds to DTC for the accounts of the Series 2015A/B Original Purchasers in accordance with this Resolution and the Indenture, and upon the receipt of payment of the purchase price, to cause such amount to be applied in accordance with the terms and provisions of this Resolution and the Indenture.

Section 5. Allocation of Proceeds of the Series 2015A/B Bonds; Tax Covenants.

(a) Allocation of Proceeds of the Series 2015A/B Bonds. The proceeds from the sale of the Series 2015A/B Bonds shall be allocated, deposited and credited for the purposes approved in this Resolution and as specified in the Eighteenth Supplemental Indenture.

(b) Tax Covenants. The Board authorizes the Authorized Officials to approve the tax covenants, authorizations and agreements necessary to achieve and maintain the tax-exempt status of the Series 2015A/B Bonds.

Section 6. Eighteenth Supplemental Indenture and Other Documents. The Authorized Officials are, and each of them is, authorized in connection with the issuance of the Series 2015A/B Bonds, to execute, acknowledge and deliver in the name of and on behalf of the Authority, the Eighteenth Supplemental Indenture, substantially in the form thereof submitted to the Authority at or prior to this meeting, but with such changes therein as may be permitted by the Indenture and this Resolution and approved by the Authorized Officer executing the document on behalf of the Authority. The approval of those changes shall be conclusively evidenced by the execution of the document by an Authorized Official.

The Authorized Officials and any other member, officer or employee of the Authority are each authorized to execute and deliver, on behalf of the Authority, such other certificates, documents and instruments related to the Series 2015A/B Bonds as are necessary in connection with the transactions authorized in this Resolution, and to do all other things required of them or the Authority pursuant to the Indenture, the Eighteenth Supplemental Indenture, the Bond Purchase Agreement and this Resolution.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board nor any officer of the Authority executing the Series 2015A/B Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to this Resolution or the Indenture or any other document authorized by this Resolution, provided such member, officer, employee, agent or advisor acts in good faith.

Section 7. Official Statement; Continuing Disclosure. The Authorized Officials shall cause to be prepared and issued on behalf of the Authority, an official statement (the "Official Statement") relating to the original issuance of the Series 2015A/B Bonds. The Authorized Officials are, and each of them is, authorized to execute the Official Statement on behalf of the Authority, which shall be in substantially the form of the Official Statement submitted to the Authority at this meeting, with such changes as the Authorized Official who executes it may approve, the execution thereof on behalf of the Authority by an Authorized Official to be conclusive evidence of such authorization and approval (including approval of any such changes), and copies thereof are hereby authorized to be prepared and furnished to the Series 2015A/B Original Purchasers for distribution to prospective purchasers of the Series 2015A/B Bonds and other interested persons. The preliminary Official Statement, dated September ____, 2015, is "deemed substantially final" by the Authority within the meaning of Rule 15c2-12 of the Securities Exchange Commission, subject to completion as provided below.

The distribution by the Authority and by the Series 2015A/B Original Purchasers of the preliminary Official Statement is hereby ratified. The distribution by the Authority and by the Series 2015A/B Original Purchasers of the Official Statement, in such form and with any changes as may be approved in writing by an Authorized Official, is hereby authorized and approved.

The Authority shall make sufficient copies of the Official Statement, with any supplements, available to the Series 2015A/B Original Purchasers to sell book entry interests in the Series 2015A/B Bonds, and will provide copies as appropriate to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access.

The Authorized Officials are each hereby authorized to furnish such information, to execute such instruments and to take such other action in cooperation with the Series 2015A/B Original Purchasers as may be reasonably requested to qualify the Series 2015A/B Bonds for offer and sale under the Blue Sky or other securities laws and regulations and to determine their eligibility for investment under the laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Series 2015A/B Original Purchasers; provided, however, that the Authority shall not be required to register as a dealer or broker in any such state or jurisdiction or become subject to the service of process in any jurisdiction in which the Authority is not now subject to such service.

The Authorized Officials are each hereby further authorized: (i) to supplement and complete the "deemed substantially final" preliminary Official Statement by affixing thereto or

inserting therein information to identify the Series 2015A/B Original Purchasers and to specify the final principal amount, interest rates and redemption provisions of the Series 2015A/B Bonds, the price of the Series 2015A/B Bonds to the general public, any credit enhancement provisions with respect to the Series 2015A/B Bonds and any change in ratings of the Series 2015A/B Bonds resulting from such credit enhancement, and such other information as is necessary to supplement and complete the Official Statement with the approved and agreed upon terms of Series 2015A/B Bonds, and (ii) to make such other changes to the preliminary Official Statement or the Official Statement as are, in the judgment of an Authorized Official, necessary and appropriate in order to make the preliminary Official Statement or the Official Statement not materially misleading and to comply with applicable securities laws or otherwise to enable the Authority to fulfill its obligations regarding the preliminary Official Statement or the Official Statement under the Bond Purchase Agreement.

The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Resolution or the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Holder of Series 2015A/B Bonds may, and the Trustee may (and, at the request of the Holders of at least 25% in aggregate principal amount of Outstanding Series 2015A/B Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this paragraph. The Authorized Officials are, and each of them is, hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in substantially the form submitted to the Authority at or prior to this meeting with such changes therein as may be approved by the officer executing the Continuing Disclosure Agreement. The approval of those changes shall be conclusively evidenced by the execution of the Continuing Disclosure Agreement by an Authorized Official.

Section 8. General. The appropriate officers and employees of the Authority will do all things necessary and proper to implement and carry out the orders and agreements set forth or approved in this Resolution for the proper fulfillment of the purposes thereof. The Authority shall furnish to the Series 2015A/B Original Purchasers of the Series 2015A/B Bonds a true and certified transcript of all proceedings relating to the authorization and issuance of the Series 2015A/B Bonds along with other information as is necessary or proper with respect to the Series 2015A/B Bonds.

Section 9. Multiple Series. Notwithstanding anything herein to the contrary, each of the Series 2015A Bonds and the Series 2015B Bonds may be issued in one or more separate series or subseries, each bearing a distinctive designation, provided that the Series 2015A/B Bonds of all series in the aggregate, must satisfy the requirements and comply with the restrictions of this Resolution and the Indenture. Separate series and subseries of Series 2015A/B Bonds may be issued at the same or different times and so may have different dates of issuance. The Series 2015A/B Bonds of each series and subseries shall be designated as provided in the applicable Certificate of Award. A separate Certificate of Award may be delivered for each series or subseries, and each reference in this Resolution to the Certificate of Award shall refer to each and all such Certificates of Award. A separate Supplemental Trust Indenture may be entered into for each series or subseries, and each reference in this Resolution to the Eighteenth Supplemental

Indenture shall refer to each and all such Supplemental Trust Indentures, but any Supplemental Trust Indenture subsequent to the Eighteenth Supplemental Indenture shall bear a different designation. A separate Bond Purchase Agreement and Continuing Disclosure Agreement may be entered into for each series or subseries, and each reference in this Resolution to the Bond Purchase Agreement or to the Continuing Disclosure Agreement shall refer to each and all such Bond Purchase Agreements or Continuing Disclosure Agreements, respectively. A separate Official Statement may be prepared for each series or subseries, and each reference in this Resolution to the Official Statement shall refer to each and all such Official Statements.

Section 10. Amendment of Resolution # 15-21. By Resolution # 15-21, adopted February 5, 2015, the Board authorized the issuance of bonds (the “Refunding Bonds”) to refund some or all (or, if appropriate, none) of the Authority's outstanding Public Utility Subordinated Lien Revenue Bonds, Series 2007A, Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2008A, and Public Utility Senior Lien Revenue Bonds Series 2009A. Nothing in this Resolution shall diminish the authorization granted in Resolution #15-21. The Board has determined that Resolution # 15-21 should be amended to extend the date by which the Refunding Bonds may be issued. Section 3(b) of Resolution #15-21 is hereby amended to replace the words “September 30, 2015” with “March 31, 2016”. Additionally, the Board authorizes the person executing the Certificate of Award for the Refunding Bonds or the Series 2015A/B Bonds, as applicable, to redesignate as provided in the applicable Certificate of Award the Supplemental Indenture as necessary as well as the series and subseries of the Refunding Bonds or the Series 2015A/B Bonds, as applicable. The Board also authorizes such conforming changes and updates resulting from such redesignations to the form of the documents approved by the Board as may be approved by the Authorized Officials executing the same on behalf of the Authority.

Section 11. Effective Date. This Resolution shall take effect immediately.

Secretary to the Board of Directors

SPB DRAFT: 8/27/2015

EIGHTEENTH SUPPLEMENTAL INDENTURE OF TRUST

between

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

and

**WELLS FARGO BANK, N.A.
AS TRUSTEE**

Dated October __, 2015

THIS EIGHTEENTH SUPPLEMENTAL INDENTURE OF TRUST dated the ____ day of October, 2015 (as defined in more detail below, the “**Eighteenth Supplemental Indenture**”), by and between the District of Columbia Water and Sewer Authority (the “**Authority**”), an independent authority of the District of Columbia (the “**District**”), and Wells Fargo Bank, N.A., a national banking association, having a corporate trust office in Columbia, Maryland, as trustee (in such capacity, together with any successor in such capacity, herein called the “**Trustee**”), provides:

WHEREAS, the Authority and the Trustee (its predecessor in that capacity having been Norwest Bank, N.A.) entered into the Master Indenture of Trust, dated as of April 1, 1998 (the “**Master Indenture**” and, as previously supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, the Sixteenth Supplemental Indenture and the Seventeenth Supplemental Indenture, all as hereinafter defined, and as it may further be supplemented and amended in accordance with its terms, the “**Indenture**”), to provide for financing or refinancing the acquisition, construction, operation, maintenance and extension of the System (as defined in the Master Indenture) by the issuance of bonds, notes and other obligations payable solely from Net Revenues (as defined in the Master Indenture); and

WHEREAS, pursuant to the First Supplemental Indenture of Trust, dated as of April 1, 1998 (the “**First Supplemental Indenture**”), between the Authority and the Trustee, the Authority issued its Public Utility Revenue Bonds, Series 1998 (the “**Series 1998 Senior Lien Bonds**”) in the aggregate principal amount of \$266,120,000, to finance Costs of the System (as defined in the Master Indenture) and to refund then outstanding debt of the Authority; and

WHEREAS, the Master Indenture permits the Authority, for certain purposes and subject to certain conditions, to issue Other System Indebtedness (as defined therein) secured on a parity with the Series 1998 Senior Lien Bonds and referred to collectively with the Series 1998 Senior Lien Bonds as “Senior Debt,” and also permits the Authority to issue Subordinate Debt (as defined therein), to which it has pledged to its payment Net Revenues, as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt; and

WHEREAS, pursuant to the Second Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Second Supplemental Indenture**”), between the Authority and the Trustee, the Authority amended and supplemented the Master Indenture in accordance with its terms to clarify provisions thereof related to certain forms of Indebtedness (as defined in the Master Indenture, i.e., Senior Debt and Subordinate Debt) and thereby facilitate the issuance of such forms of Indebtedness; and

WHEREAS, pursuant to the Third Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Third Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Commercial Paper Notes, Series A (the “**2001 Series A Notes**”) to finance certain Costs of the System, and its Commercial Paper Notes, Series B (the

“**2001 Series B Notes**” and, together with the 2001 Series A Notes, the “**Series 2001 Notes**”) in the aggregate principal amount of \$50,000,000 to finance certain Costs of the System, (ii) designated the Series 2001 Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series 2001 Notes and of the Reimbursement Obligations to the Bank that provided the Letters of Credit (all as defined therein) that secure the Series 2001 Notes; and

WHEREAS, pursuant to the Fourth Supplemental Indenture of Trust, dated August 12, 2003 (the “**Fourth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2003, dated August 12, 2003 (the “**Series 2003 Subordinated Bonds**”), in the aggregate principal amount of \$176,220,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2003 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2003 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fifth Supplemental Indenture of Trust, dated August 3, 2004 (the “**Fifth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2004, as Subseries 2004A-1, Subseries 2004A-2, Subseries 2004B-1 and Subseries B-2 (collectively, the “**Series 2004 Subordinated Bonds**”) in the aggregate principal amount of \$295,000,000 to finance certain Costs of the System, (ii) designated the Series 2004 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2004 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Sixth Supplemental Indenture of Trust, dated June 6, 2007 (the “**Sixth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2007A (the “**Series 2007A Subordinated Bonds**”), in the aggregate principal amount of \$218,715,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2007A Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007A Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007B Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Seventh Supplemental Indenture of Trust, dated June 6, 2007 (the “**Seventh Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Taxable Revenue Bonds, Series 2007B (the “**Series 2007B Subordinated Bonds**”), in the aggregate principal amount of \$59,000,000 to finance certain Costs of the System, (ii) designated the Series 2007B Subordinated Bonds as

Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007B Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eighth Supplemental Indenture of Trust, dated April 24, 2008 (the “**Eighth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2008 (the “**Series 2008 Subordinated Bonds**”), in the aggregate principal amount of \$290,375,000 to (a) currently refund all of the outstanding Series 2004 Subordinated Bonds and a portion of the Series 2007B Subordinated Bonds, and (b) pay issuance costs of the Series 2008 Subordinated Bonds, (ii) designated the Series 2008 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2008 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2007B Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Ninth Supplemental Indenture of Trust, dated December 19, 2008 (the “**Ninth Supplemental Indenture**”), between the Authority and the Trustee, the Authority agreed to confer on the Holders of the Series 2003 Subordinated Bonds additional rights related to the Reserve Credit Facility (as defined therein) and to cure any ambiguity or omission in the Indenture regarding the obligations of the Authority as a consequence of a downgrade of the Reserve Policy related to the Series 2003 Subordinated Bonds, or in the event that the Reserve Policy were to cease to be in effect; and

WHEREAS, pursuant to the Tenth Supplemental Indenture of Trust, dated February 12, 2009 (the “**Tenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Senior Lien Revenue Bonds, Series 2009A (the “**Series 2009A Senior Lien Bonds**”), in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2009A Senior Lien Bonds as Senior Debt for purposes of the Indenture, and (iii) secured the Series 2009A Senior Lien Bonds by a pledge of Net Revenues on a parity with the pledge of Net Revenues that secures the 1998 Senior Lien Bonds and other Senior Debt, including, without limitation, other Senior Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eleventh Supplemental Indenture of Trust, dated June 2, 2010, as supplemented and amended by the First Amendment to Eleventh Supplemental Indenture of Trust, dated April 5, 2013, and by the Second Amendment to Eleventh Supplemental Indenture of Trust, dated May 18, 2015 (together, the “**Eleventh Supplemental Indenture**”), each between the Authority and the Trustee, the Authority: (i) authorized the issuance of its (a) Commercial Paper Notes, Series A (the “**2010 Series A Notes**”) in the aggregate principal amount of \$0 to finance certain Costs of the System, (b) Commercial Paper

Notes, Series B (the “**2010 Series B Notes**”) in the aggregate principal amount of \$100,000,000 to finance certain Costs of the System, and (c) Commercial Paper Notes, Series C (the “**2010 Series C Notes**”) and, together with the 2010 Series A Notes and the 2010 Series B Note, the “**Series 2010 Notes**”) in the aggregate principal amount of \$50,000,000 to finance certain Costs of the System, (ii) designated the Series 2010 Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series 2010 Notes and of the Authority’s reimbursement obligations to the Bank (as defined in the Eleventh Supplemental Indenture) that provided the Substitute Letters of Credit (as defined in the Eleventh Supplemental Indenture) that secure the Series 2010 Notes; and

WHEREAS, pursuant to the Twelfth Supplemental Indenture of Trust, dated October 27, 2010 (the “**Twelfth Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2010A (Federally Taxable – Issuer Subsidy – Build America Bonds) (the “**Series 2010A Subordinated Bonds**”) in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System and fund capitalized interest on a portion of the Series 2010A Subordinate Bonds, subject to specified limitations, (ii) designated the Series 2010A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secured the Series 2010A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2013 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2007B Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, and (iv) included provisions in the Indenture related to potential Direct Payments (as defined therein) received or expected to be received by the Authority, including certain provisions requiring the consent of the holders of a majority of Outstanding Bonds; and

WHEREAS, pursuant to the Thirteenth Supplemental Indenture of Trust, dated March 22, 2012 (the “**Thirteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i)(a) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “**Series 2012A Subordinate Bonds**”) in the aggregate principal of \$177,430,000 to finance certain Costs of the System and pay certain costs of issuance, (b) designated the Series 2012A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, (ii)(a) issued its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (the “**Series 2012B Subordinate Bonds**”) in the aggregate principal amount of \$100,000,000 to finance certain Costs of the System, fund capitalized interest on a portion of the Series 2012B Subordinate Bonds subject to specified limitations, and pay certain costs of issuance, (b) designated the Series 2012B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds,

the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, and (iii)(a) issued its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “**Series 2012C Subordinate Bonds**”) in the aggregate principal amount of \$163,215,000, and applied the proceeds thereof, together with any other funds of the Authority, to advance refund the Series 2003 Subordinated Bonds and caused them to be deemed paid and no longer Outstanding for purposes of the Indenture, and paid certain costs of issuance, (b) designated the Series 2012C Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012C Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fourteenth Supplemental Indenture of Trust, dated as of August 1, 2013 (the “**Fourteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2013A in the aggregate principal amount of \$300,000,000 (the “**Series 2013A Subordinate Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated the Series 2013A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2013A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fifteenth Supplemental Indenture of Trust, dated July 23, 2014 (the “**Fifteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Senior Lien Revenue Bonds, Series 2014A (Federally Taxable) (Green Bonds) in the aggregate principal amount of \$350,000,000 (the “**Series 2014A Senior Lien Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated the Series 2014A Senior Lien Bonds as Senior Debt for purposes of the Indenture, and (iii) secured the Series 2014A Senior Lien Bonds by a pledge of Net Revenues on a parity with the pledge of Net Revenues that secures the Series 1998 Senior Lien Bonds, the Series 2009A Senior Lien Bonds, and other Senior Debt, including, without limitation, other Senior Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Sixteenth Supplemental Indenture of Trust, dated July 23, 2014 (the “**Sixteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2014B, in the aggregate principal amount of \$100,000,000 (the “**Series 2014B Subordinate Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated

the Series 2014B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2014B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Seventeenth Supplemental Indenture of Trust, dated November 20, 2014 (the “**Seventeenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2014C, in the aggregate principal amount of \$377,700,000 (the “**Series 2014C Subordinate Bonds**”) to (a) advance refund all a portion of the Authority’s outstanding Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, and the Series 2009A Senior Lien Bonds, and current refund all of the Authority’s outstanding Subseries 2012B-1 of the Series 2012 Subordinate Bonds, and (b) pay issuance costs of the Series 2014C Subordinate Bonds, (ii) designated the Series 2014C Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2014C Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, Series 2014B Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, the Authority now intends to: (i)(a) issue Public Utility Subordinate Lien Revenue Bonds, Series 2015A in the aggregate principal amount of \$_____ (the “**Series 2015A Subordinate Bonds**”) to (1) finance certain Costs of the System, and (2) pay issuance costs of the Series 2015A Subordinate Bonds, (b) designate the Series 2015A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secure the Series 2015A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, the Series 2014B Subordinate Bonds, the Series 2015B Subordinate Bonds, and other Subordinate Debt, including, without limitation, any other Subordinate Debt that the Authority may issue from time to time in the future, and (ii)(a) issue the Public Utility Subordinate Lien Revenue Bonds, Series 2015B in an aggregate principal amount of \$_____ (the “**Series 2015B Subordinate Bonds**”) and, together with the Series 2015A Subordinate Bonds, the “**Series 2015A/B Subordinate Bonds**”) to (1) finance certain Costs of the System, (2) pay principal of and interest on all or a portion of the outstanding 2010 Series B Notes, and (3) pay issuance costs of the Series 2015B Subordinate Bonds, (b) designate

the Series 2015B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secure the Series 2015B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, the Series 2014B Subordinate Bonds, the Series 2015A Subordinate Bonds, and other Subordinate Debt, including, without limitation, any other Subordinate Debt that the Authority may issue from time to time in the future; and

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree, as follows:

**ARTICLE I
EIGHTEENTH SUPPLEMENTAL INDENTURE**

Section 101. Authorization of Eighteenth Supplemental Indenture.

This Eighteenth Supplemental Indenture is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Articles III and X of the Master Indenture. All terms, covenants, conditions and agreements of the Indenture shall apply with full force and effect to the Series 2015A/B Subordinate Bonds as Subordinate Debt and to the Holders thereof as Holders of Subordinate Debt, except as otherwise provided in this Eighteenth Supplemental Indenture.

Section 102. Definitions.

Except as otherwise defined in this Eighteenth Supplemental Indenture, capitalized words and terms defined in the Master Indenture as amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, the Sixteenth Supplemental Indenture, and the Seventeenth Supplemental Indenture are used in this Eighteenth Supplemental Indenture with the meanings assigned to them therein. In addition, the following words as used in this Eighteenth Supplemental Indenture have the following meanings unless the context or use clearly indicates another or different intent or meaning:

“Book-entry form” or “book-entry system” means a form or system under which the physical Series 2015A/B Subordinate Bond certificates in fully registered form are issued only to a Depository or its nominee as Holder, with the certificated Series 2015A/B Subordinate Bonds held by and “immobilized” in the custody of the Depository, and the book-entry system, maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Authority or the Trustee, is the record that identifies, and records the

transfer of the interests of, the owners of beneficial, book-entry interests in the Series 2015A/B Subordinate Bonds.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in Series 2015A/B Subordinate Bonds, and to effect transfers of book-entry interests in Series 2015A/B Subordinate Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company) (“DTC”), New York, New York.

“Eighteenth Supplemental Indenture” means this Eighteenth Supplemental Indenture of Trust, dated October __, 2015, between the Authority and the Trustee, which supplements and amends the Master Indenture, as previously supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, the Sixteenth Supplemental Indenture, and the Seventeenth Supplemental Indenture.

“Interest Payment Dates” for the Series 2015A/B Subordinate Bonds means each April 1 and October 1 commencing [April 1], 2016, and thereafter during the time the Series 2015A/B Subordinate Bonds are outstanding.

“Series 2015A Construction Account” means the Series 2015A Construction Account established by this Eighteenth Supplemental Indenture in the Construction Fund.

“Series 2015A Costs of Issuance Subaccount” means the Series 2015A Costs of Issuance Subaccount established by this Eighteenth Supplemental Indenture in the Series 2015A Construction Account of the Construction Fund.

“Series 2015B Construction Account” means the Series 2015B Construction Account established by this Eighteenth Supplemental Indenture in the Construction Fund.

“Series 2015B Costs of Issuance Subaccount” means the Series 2015B Costs of Issuance Subaccount established by this Eighteenth Supplemental Indenture in the Series 2015B Construction Account of the Construction Fund.

“Series 2015A/B Rebate Fund” means the Series 2015A Rebate Fund established by this Eighteenth Supplemental Indenture.

“Series 2015A/B Resolution” means Resolution No. 15-__, adopted by the Authority’s Board on October 1, 2015, authorizing the Series 2015A/B Subordinate Bonds.

“Series 2015A/B Subordinate Bond Event of Default” means any of the events defined as such in Section 703 of this Eighteenth Supplemental Indenture.

“Series 2015A/B Subordinate Bondholder” or “holder of Series 2015A/B Subordinate Bonds” means the registered owner of a Series 2015A/B Subordinate Bond.

“Series 2015A/B Subordinate Bonds Interest Subaccount” means the Series 2015A/B Subordinate Bonds Interest Subaccount established by this Eighteenth Supplemental Indenture in the Subordinate Interest Account in the Subordinate Bond Fund.

“Series 2015A/B Subordinate Bonds Principal Subaccount” means the Series 2015A/B Subordinate Bonds Principal Subaccount established by this Eighteenth Supplemental Indenture in the Subordinate Principal Account in the Subordinate Bond Fund.

“Series B Interest Subaccount” means the Series B Interest Subaccount of the Subordinate Interest Account of the Subordinate Bond Fund established by the Eleventh Supplemental Indenture and relating to the 2010 Series B Notes.

“Series B Principal Subaccount” means the Series B Principal Subaccount of the Subordinate Principal Account of the Subordinate Bond Fund established by the Eleventh Supplemental Indenture and relating to the 2010 Series B Notes.

Section 103. Reference to Articles and Sections.

Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this Eighteenth Supplemental Indenture.

**ARTICLE II
AUTHORIZATION, DETAILS AND FORM
OF SERIES 2015A/B SUBORDINATE BONDS**

Section 201. Authorization of Series 2015A/B Subordinate Bonds.

Pursuant to Article III of the Master Indenture and, specifically, Section 305 thereof, and the Series 2015A/B Resolution, the Authority is authorized to issue:

(i) Series 2015A Subordinate Bonds in the aggregate principal amount of \$_____, for the purpose of (a) financing Costs of the System, and (b) paying issuance costs of the Series 2015A Subordinate Bonds. The Series 2015A Subordinate Bonds shall be issued as Subordinate Debt pursuant to the Indenture; and

(ii) Series 2015B Subordinate Bonds in the aggregate principal amount of \$_____, for the purpose of (a) financing Costs of the System, (b) paying principal of and interest on all or a portion of the outstanding 2010 Series B Notes, and (c) paying issuance costs of the Series 2015B Subordinate Bonds. The Series 2015B Subordinate Bonds shall be issued as Subordinate Debt pursuant to the Indenture.

Section 202. Details of Series 2015A/B Subordinate Bonds.

The Series 2015A Subordinate Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds)”, shall be dated October __, 2015, shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof, shall be numbered RA-1 upward and shall bear interest at rates, payable semiannually on the Interest Payment Dates, until their final payment or maturity, and shall mature on October 1 in years and amounts, as follows:

<u>October 1</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
-------------------------------------	-----------------------------------	--------------------------------

The Series 2015B Subordinate Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2015B”, shall be dated October __, 2015, shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof, shall be numbered RB-1 upward and shall bear interest at rates, payable semiannually on the Interest Payment Dates, until their final payment or maturity, and shall mature on October 1 in years and amounts, as follows:

<u>October 1</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
-------------------------------------	-----------------------------------	--------------------------------

Each Series 2015A/B Subordinate Bond shall bear interest: (a) from its date, if such Series 2015A/B Subordinate Bond is authenticated prior to the first Interest Payment Date, or (b) otherwise from the Interest Payment Date that is, or immediately precedes, the date on which such Series 2015A/B Subordinate Bond is authenticated; provided, however, that if at the time of authentication of any Series 2015A/B Subordinate Bond payment of interest is in default, such Series 2015A/B Subordinate Bond shall bear interest from the date to which interest has been paid. The interest payable on the Series 2015A/B Subordinate Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Principal of and premium, if any, on the Series 2015A/B Subordinate Bonds shall be payable to the registered owners thereof upon the surrender of the applicable Series 2015A/B Subordinate Bonds at the designated office of the Trustee. Interest on the Series 2015A/B Subordinate Bonds shall be payable by check or draft mailed to the registered owners at their addresses as they appear on the fifteenth day of the month preceding the Interest Payment Date on the registration books kept by the Trustee; provided, however, if the Series 2015A/B

Subordinate Bonds are registered in the name of a Depository or its nominee as registered owner or at the option of a registered owner of at least \$1,000,000 of Series 2015A/B Subordinate Bonds, payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee with respect to each such payment from such registered owner. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America.

Section 203. Form of Bonds.

The Series 2015A/B Subordinate Bonds shall be in substantially the forms set forth in **Exhibits A-1 and A-2**, with such appropriate variations, omissions and insertions as are permitted or required by the Indenture.

Section 204. Depository Provisions.

The Series 2015A/B Subordinate Bonds shall initially be issued to a Depository for holding in a book-entry system. Those Series 2015A/B Subordinate Bonds shall be registered in the name of the Depository or its nominee, as registered owner, and immobilized in the custody of the Depository or the Trustee on behalf of the Depository; and shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository, without further action by the Authority.

If any Depository determines not to continue to act as a Depository for the Series 2015A/B Subordinate Bonds for holding in a book-entry system or the Authority determines to remove the Series 2015A/B Subordinate Bonds from a Depository, the Authority may attempt to have established a securities depository/book-entry system relationship with another qualified Depository. If the Authority does not or is unable to do so, the Authority, after making provision for notification of the owners of book-entry interests by appropriate notice to the then Depository and any other arrangements it deems necessary, shall permit withdrawal of the Series 2015A/B Subordinate Bonds from the Depository, and shall execute and direct the Trustee to authenticate and deliver Series 2015A/B Subordinate Bond certificates, in fully registered form, to the assigns of the Depository or its nominee (if such Series 2015A/B Subordinate Bonds were held by a nominee), all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Series 2015A/B Subordinate Bonds), if the event is not the result of Authority action or inaction, of those persons requesting that authentication and delivery. Series 2015A/B Subordinate Bond certificates authenticated and delivered pursuant to this paragraph shall be in authorized denominations. In the event that Series 2015A/B Subordinate Bonds shall cease to be in book-entry form, then the Authority or the Depository shall provide to the Trustee the name, address of record and taxpayer identification number of each registered holder thereof. The Trustee may rely on such information without any investigation.

If the Series 2015A/B Subordinate Bonds are withdrawn from a Depository and printed bond certificates in fully registered form are or are to be authenticated and delivered pursuant to this Section, and if, in the opinion of Bond Counsel addressed to the Trustee, the delivery of coupon bonds payable to bearer would not result in the interest on any of the Series 2015A/B Subordinate Bonds then outstanding becoming includable in gross income for federal income tax purposes, the Authority, without the consent of or notice to any of the holders of the Series 2015A/B Subordinate Bonds, may authorize the exchange of Series 2015A/B Subordinate Bond

certificates in fully registered form or Series 2015A/B Subordinate Bonds under a book-entry system for coupon bonds payable to bearer, in an aggregate principal amount not exceeding the then unmatured and unredeemed principal amount of the Series 2015A/B Subordinate Bonds, bearing interest at the same rate and maturing on the same date, with coupons attached representing all unpaid interest due or to become due thereon. Such certificated Series 2015A/B Subordinate Bonds will be registrable, transferable and exchangeable as set forth in Section 204 and Section 205 of the Master Indenture.

So long as a Depository holds the Series 2015A/B Subordinate Bonds in a book-entry system (i) it or its nominee shall be the registered owner of the Series 2015A/B Subordinate Bonds, (ii) notwithstanding anything to the contrary in this Eighteenth Supplemental Indenture, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices shall be the responsibility of the Depository and shall be effected pursuant to rules and procedures established by such Depository, (iii) the Authority and the Trustee shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Depository, its participants or persons acting through such participants, and (iv) references in this Eighteenth Supplemental Indenture to registered owners of the Series 2015A/B Subordinate Bonds shall mean such Depository or its nominee and shall not mean the beneficial owners of the Series 2015A/B Subordinate Bonds.

Section 205. Delivery of Series 2015A/B Subordinate Bonds.

The Trustee shall authenticate and deliver the Series 2015A/B Subordinate Bonds when there have been filed with or delivered to it the following items:

(i) An original executed counterpart of this Eighteenth Supplemental Indenture;

(ii) A certified copy of applicable resolution(s) of the Board of Directors of the Authority and related Certificate of Award: (a) authorizing the execution and delivery of the Eighteenth Supplemental Indenture, and (b) authorizing the issuance, sale, award, execution and delivery of the Series 2015A/B Subordinate Bonds.

(iii) A certificate signed by an Authorized Representative of the Authority and dated the date of such issuance, to the effect that:

(a) Either: (1) upon and immediately following such issuance, no Event of Default has occurred which has not been cured or waived, and no event or condition exists which, with the giving of notice or lapse of time or both, would become an Event of Default, or (2) if any such event or condition is happening or existing, specifying such event or condition, stating that the Authority will act with due diligence to correct such event or condition after the issuance of the Series 2015A/B Subordinate Bonds, and describing in reasonable detail the actions to be taken by the Authority toward such correction; and

(b) All required approvals, limitations, conditions and provisions precedent to the issuance of the Series 2015A/B Subordinate Bonds have been obtained, observed, met and satisfied.

(iv) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, substantially to the effect that this Eighteenth Supplemental Indenture has been duly authorized, executed and delivered to the Trustee and is a valid, binding and enforceable obligation of the Authority.

(v) An opinion or opinions of Bond Counsel, subject to customary exceptions and qualifications, substantially to the effect that the issuance of the Series 2015A/B Subordinate Bonds has been duly authorized, and that the Series 2015A/B Subordinate Bonds are valid and binding limited obligations of the Authority.

(vi) A certificate of an Authorized Representative of the Authority, stating that rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of the Series 2015A/B Subordinate Bonds.

(vii) A request and authorization of the Authority, signed by an Authorized Representative of the Authority, to the Trustee to authenticate and deliver such Bonds to the purchaser upon payment to the Trustee in immediately available funds for the account of the Authority of a specified sum plus accrued interest to the date of delivery.

ARTICLE III REDEMPTION OF SERIES 2015A/B SUBORDINATE BONDS

Section 301. Redemption Dates and Prices.

The Series 2015A/B Subordinate Bonds may not be called for redemption by the Authority except as provided below:

(i) Optional Redemption. (a) The Series 2015A Subordinate Bonds are subject to redemption prior to maturity at the option of the Authority on and after October 1, 20__, from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

(b) The Series 2015B Subordinate Bonds are subject to redemption prior to maturity at the option of the Authority on and after October 1, 20__, from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date

(ii) Mandatory Redemption. (a) The Series 2015A Subordinate Bonds maturing on October 1, 20__ (the "Term Series 2015A Subordinate Bonds"), are required to be redeemed prior to maturity on October 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

The Term Series 2015A Subordinate Bonds are subject to mandatory sinking fund redemption on each October 1 as set forth below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

(b) The Series 2015B Subordinate Bonds maturing on October 1, 20__ (the “Term Series 2015B Subordinate Bonds” and, together with the Term Series 2015A Subordinate Bonds, the “Term Series 2015A/B Subordinate Bonds”), are required to be redeemed prior to maturity on October 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

The Term Series 2015B Subordinate Bonds are subject to mandatory sinking fund redemption on each October 1 as set forth below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

The Trustee shall provide for a mandatory redemption of the Term Series 2015A/B Subordinate Bonds in accordance with the schedules set forth above; provided, however, that on or before the 70th day next preceding any such mandatory redemption date, the Authority may:

(i) deliver to the Trustee for cancellation Term Series 2015A/B Subordinate Bonds of the maturity required to be redeemed on such mandatory redemption date in any aggregate principal amount desired; or

(ii) instruct the Trustee in writing to apply a credit against the Authority’s next mandatory redemption obligation for any such Term Series 2015A/B Subordinate Bonds that previously have been redeemed (other than through mandatory redemption) and canceled but not theretofore applied as a credit against any mandatory redemption obligation.

Upon the occurrence of any of the events described in clauses (i) or (ii) of the preceding sentence, the Trustee shall credit against the Authority’s mandatory redemption obligation on the next mandatory redemption date the amount of such Term Series 2015A/B Subordinate Bonds so delivered or previously redeemed. Any principal amount of such Term Series 2015A/B Subordinate Bonds in excess of the principal amount required to be redeemed on such mandatory

redemption date shall be similarly credited in an amount equal to the principal of such Term Series 2015A/B Subordinate Bonds so purchased towards the sinking fund installments for the Term Series 2015A/B Subordinate Bonds of such maturity on a pro rata basis in accordance with a certificate of an Authorized Representative of the Authority, which will direct the reduction of a ratable portion of each annual mandatory sinking fund installment requirement in accordance with the procedures set forth below. Within seven days of receipt of such Term Series 2015A/B Subordinate Bonds or instructions to apply as a credit, any amounts remaining in the Sinking Fund Account in excess of the amount required to fulfill the remaining required mandatory redemption obligation on the next mandatory redemption date shall be used in such manner as determined at the written direction of the Authority.

The particular maturities of the Series 2015A/B Subordinate Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If fewer than all of the Series 2015A/B Subordinate Bonds are called for redemption, they shall be called in such order of maturity as the Authority may determine and direct the Trustee in writing. If less than all of the Series 2015A/B Subordinate Bonds of any maturity date is called for redemption, the Series 2015A/B Subordinate Bonds to be redeemed shall be selected by the Depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. The portion of any Series 2015A/B Subordinate Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof. In selecting Series 2015A/B Subordinate Bonds for redemption, each Series 2015A/B Subordinate Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Series 2015A/B Subordinate Bond by \$5,000. If a portion of a Series 2015A/B Subordinate Bond shall be called for redemption, a new Series 2015A/B Subordinate Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

Section 302. Notice of Redemption.

Notice of redemption of Series 2015A/B Subordinate Bonds shall be given in the manner set forth in Section 402 of the Master Indenture, as though the Series 2015A/B Subordinate Bonds constituted "Bonds" for purposes of that Section; provided, however, that notices of redemption of Series 2015A/B Subordinate Bonds sent pursuant to Section 402 of the Master Indenture shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2015A/B Subordinate Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2015A/B Subordinate Bonds to be redeemed is on deposit in the applicable fund or account. Notwithstanding the foregoing and the otherwise applicable requirement of Section 402 of the Master Indenture that the Trustee send notice of a call for redemption not fewer than 30 days prior to the redemption date, the Trustee may send any notice of redemption of Series 2015A/B Subordinate Bonds not fewer than 20 days prior to the redemption date or such shorter period of time as may be acceptable to the Depository while the Series 2015A/B Subordinate Bonds are in book-entry form and registered with a Depository, initially DTC.

**ARTICLE IV
APPLICATION OF PROCEEDS OF SERIES 2015A/B SUBORDINATE BONDS**

Section 401. Application of Proceeds of Series 2015A/B Subordinate Bonds; Application of Related Amounts.

The net proceeds of the Series 2015A/B Subordinate Bonds in the amount of \$_____, which represents the par amount of the Series 2015A/B Subordinate Bonds (\$_____), minus the underwriters' discount (\$_____), and [plus]/[minus] [net] original issue [premium]/[discount] (\$_____) by the Original Purchasers, at the request and direction of the Authority shall be applied as follows:

(i) \$_____ shall be deposited in the Series 2015A Construction Account.

(ii) \$_____ shall be deposited in the Series 2015B Construction Account.

(iii) \$_____ shall be deposited in the Series B Subordinate Principal Subaccount.

(iv) \$_____ shall be deposited in the Series B Subordinate Interest Subaccount.

(v) \$_____ shall be deposited in the Series 2015A Costs of Issuance Subaccount of the Series 2015A Construction Account of the Construction Fund and used to pay costs of issuance of the Series 2015A Subordinate Bonds.

(vi) \$_____ shall be deposited in the Series 2015B Costs of Issuance Subaccount of the Series 2015B Construction Account of the Construction Fund and used to pay costs of issuance of the Series 2015B Subordinate Bonds.

**ARTICLE V
FUNDS AND ACCOUNTS**

Section 501. Series 2015A Construction Account and Series 2015B Construction Account.

(i) In the Construction Fund, there shall be established a Series 2015A Construction Account and, within that Account, a Series 2015A Costs of Issuance Subaccount. The portion of the proceeds of the Series 2015A Subordinate Bonds specified in Section 401(iii) shall be deposited in the Series 2015A Costs of Issuance Subaccount and used to pay costs of issuance related to the Series 2015A Subordinate Bonds. When all costs of issuance have been paid or moneys have been reserved to pay all remaining unpaid costs of issuance, the balance of any Series 2015A Subordinate Bond proceeds remaining in excess of the amount to be reserved for payment of unpaid costs of issuance shall be deposited in the Subordinate Bond Fund to be used

solely to pay principal of and interest on the Series 2015A Subordinate Bonds, in either case to the extent approved by Bond Counsel.

(ii) In the Construction Fund, there shall be established a Series 2015B Construction Account and, within that Account, a Series 2015B Costs of Issuance Subaccount. The portion of the proceeds of the Series 2015B Subordinate Bonds specified in Section 401(iv) shall be deposited in the Series 2015B Costs of Issuance Subaccount and used to pay costs of issuance related to the Series 2015B Subordinate Bonds. When all costs of issuance have been paid or moneys have been reserved to pay all remaining unpaid costs of issuance, the balance of any Series 2015B Subordinate Bond proceeds remaining in excess of the amount to be reserved for payment of unpaid costs of issuance shall be deposited in the Subordinate Bond Fund to be used solely to pay principal of and interest on the Series 2015B Subordinate Bonds, in either case to the extent approved by Bond Counsel.

Section 502. Series 2015A/B Subordinate Bonds Subaccounts in the Subordinate Interest Account and Subordinate Principal Account.

(i) Within the Subordinate Interest Account there shall be established a “Series 2015A/B Subordinate Bonds Interest Subaccount.” Within the Subordinate Principal Account there shall be established a “Series 2015A/B Subordinate Bonds Principal Subaccount.”

(ii) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series 2015A/B Subordinate Bond Interest Subaccount on or prior to the last Business Day of each of the six months prior to any month in which an Interest Payment Date occurs, in an amount equal to one-sixth (1/6) of the interest due and payable on the Series 2015A/B Subordinate Bonds on such Interest Payment Date.

(iii) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series 2015A/B Subordinate Bonds Principal Subaccount on or prior to the last Business Day of each of the twelve months prior to any month in which principal of Series 2015A/B Subordinate Bonds is payable on their stated maturity date or pursuant to mandatory redemption requirements, in an amount equal to one-twelfth (1/12) of the principal amount scheduled to be due and payable on the Series 2015A/B Subordinate Bonds in such month.

Section 503. Series 2015A/B Rebate Fund. There is hereby established the Series 2015A/B Rebate Fund which shall be used in accordance with (i) Article VIII hereof, and (ii) the Authority’s covenants in the Tax Compliance Certificate of the Issuer, executed by the Authority, dated as of October __, 2015.

**ARTICLE VI
SECURITY FOR SERIES 2015A/B SUBORDINATE BONDS**

Section 601. Security for Series 2015A/B Subordinate Bonds.

The Series 2015A/B Subordinate Bonds shall be secured as Subordinate Debt under the Indenture, including, without limitation, by a pledge of: (i) Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures Subordinate Debt, including, without limitation, any other Subordinate

Debt that the Authority may issue in the future, without preference, priority or distinction of any Series 2015A/B Subordinate Bond over any other Series 2015A/B Subordinate Bond or of any Subordinate Debt over any other Subordinate Debt, as provided in the Indenture; and (ii) the moneys and Permitted Investments in the Subordinate Bond Fund on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, any other Subordinate Debt that the Authority may issue in the future, without preference, priority or distinction of any Series 2015A/B Subordinate Bond over any other Series 2015A/B Subordinate Bond or of any Subordinate Debt over any other Subordinate Debt, as provided in the Indenture.

Pursuant to the WASA Act (as defined in the Master Indenture), the Authority hereby includes in this Eighteenth Supplemental Indenture the pledge of the District to the Authority and any holders of its bonds that, except as provided in the WASA Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of the bonds, or in any way impair the rights and remedies of the holders of the bonds until the bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the bonds are fully met and discharged.

ARTICLE VII DEFAULTS AND REMEDIES

Section 701. Application of Article IX and Other Remedies Provisions of the Master Indenture.

The Series 2015A/B Subordinate Bonds do not constitute “Bonds” under the Master Indenture. Accordingly, the provisions of Article IX of the Master Indenture that confer certain rights upon the Holders of Bonds or a specified percentage thereof do not apply to the Series 2015A/B Subordinate Bonds or to the Series 2015A/B Subordinate Bondholders. Pursuant to Section 305 of the Master Indenture, the Series 2015A/B Subordinate Bonds, as Subordinate Debt, may not be accelerated if any Senior Debt is outstanding.

Section 702. Rights of Series 2015A/B Subordinate Bondholders Upon Occurrence of Events of Default.

In addition to and in furtherance and implementation of the rights that Series 2015A/B Subordinate Bondholders have under the penultimate paragraph of Section 906 of the Master Indenture, Sections 703 through 711, inclusive, of this Eighteenth Supplemental Indenture shall apply to the Series 2015A/B Subordinate Bonds.

Section 703. Events of Default.

Each of the following events shall be a Series 2015A/B Subordinate Bond Event of Default:

- (i) Default in the due and punctual payment of the principal of or premium, if any, on any Series 2015A/B Subordinate Bond (whether at maturity or call for redemption);

(ii) Default in the due and punctual payment of the interest on any Series 2015A/B Subordinate Bond;

(iii) Failure of the Authority to make the deposits required by subsection (e) or subsection (f) of Section 604 of the Master Indenture at the time and in the amount required from Net Revenues available for such deposit under the Indenture; or

(iv) Failure of the Trustee to apply moneys in accordance with the penultimate paragraph of Section 906 of the Master Indenture.

Section 704. Remedies of Series 2015A/B Subordinate Bondholders.

Upon the occurrence and continuation of a Series 2015A/B Subordinate Bond Event of Default, the Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of outstanding Series 2015A/B Subordinate Bonds and if indemnified to its reasonable satisfaction, shall proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance.

No remedy conferred by this Indenture upon or reserved to the Trustee and Series 2015A/B Subordinate Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee and Series 2015A/B Subordinate Bondholders hereunder or now or hereafter existing at law, in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Series 2015A/B Subordinate Bond Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Series 2015A/B Subordinate Bond Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Series 2015A/B Subordinate Bond Event of Default hereunder by the Trustee or Series 2015A/B Subordinate Bondholders shall extend to or shall affect any subsequent Series 2015A/B Subordinate Bond Event of Default or shall impair any rights or remedies consequent thereon.

Section 705. Right of Series 2015A/B Subordinate Bondholders to Direct Proceedings.

The holders of a majority in aggregate principal amount of Series 2015A/B Subordinate Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Eighteenth Supplemental Indenture or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Section 706. Application of Moneys.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or reasonably anticipated to be made by the Trustee, and its fees and the expenses of the Authority in carrying out this Eighteenth Supplemental Indenture, be deposited in the Series 2015A/B Subordinate Bonds Interest Subaccount or the Series 2015A/B Subordinate Bonds Principal Subaccount, as the case may be, and applied as follows and for no other purpose:

- (i) All such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Series 2015A/B Subordinate Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2015A/B Subordinate Bonds; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Series 2015A/B Subordinate Bonds which shall have become due (other than Series 2015A/B Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Series 2015A/B Subordinate Bonds due on any particular date, then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest shall cease to accrue on the amounts of principal to be paid. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Section 707. Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Eighteenth Supplemental Indenture or under any of the Series 2015A/B Subordinate Bonds may be enforced by the Trustee without the possession of any of the Series 2015A/B Subordinate Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity

of joining as plaintiffs or defendants any Series 2015A/B Subordinate Bondholders, and any recovery of judgment shall be for the equal benefit of the Series 2015A/B Subordinate Bondholders.

Section 708. Limitation on Suits.

Except to enforce the rights given under Sections 704 and 705 of this Eighteenth Supplemental Indenture, no Series 2015A/B Subordinate Bondholder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy hereunder, unless: (i) a Series 2015A/B Subordinate Bond Event of Default has occurred and is continuing and the Holders of 25% in aggregate principal amount of Series 2015A/B Subordinate Bonds then outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (ii) such requesting Series 2015A/B Subordinate Bondholders have offered to the Trustee indemnity as provided in Section 1101(1) of the Master Indenture, (iii) the Trustee has thereafter failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (iv) no direction inconsistent with such written request has been given to the Trustee by the holders of a majority in aggregate principal amount of Series 2015A/B Subordinate Bonds then outstanding, and (v) notice of such action, suit or proceeding is given to the Trustee; it being understood and intended that no one or more Series 2015A/B Subordinate Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its or their action or to enforce any rights hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of all Series 2015A/B Subordinate Bondholders then outstanding. The notification, request and offer of indemnity set forth above, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of this Eighteenth Supplemental Indenture and to any action or cause of action for the enforcement of this Eighteenth Supplemental Indenture or for any other remedy hereunder.

Section 709. Termination of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Eighteenth Supplemental Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 710. Waivers of Events of Default.

Subject to the Indenture (including, without limitation, Section 1101 of the Master Indenture), the Trustee may in its discretion waive any Series 2015A/B Subordinate Bond Event of Default hereunder or any action taken pursuant to any Series 2015A/B Subordinate Bond Event of Default, and shall do so at the written request of the holders of: (i) a majority in aggregate principal amount of Series 2015A/B Subordinate Bonds then outstanding in respect of

which default in the payment of principal and/or premium, if any, and/or interest exists, or (ii) a majority in aggregate principal amount of Series 2015A/B Subordinate Bonds then outstanding in the case of any other Series 2015A/B Subordinate Bond Event of Default; provided, however, that there shall not be waived without the written consent of all then Outstanding Series 2015A/B Subordinate Bondholders (a) any Series 2015A/B Subordinate Bond Event of Default in the payment of the principal of any Outstanding Series 2015A/B Subordinate Bonds (whether at maturity or by mandatory redemption), or (b) any default in the payment when due of the interest on any such Series 2015A/B Subordinate Bonds unless, prior to such waiver or rescission,

(1) there shall have been paid or provided for all arrears of interest with interest, to the extent permitted by law, at the rate borne by the Series 2015A/B Subordinate Bonds on overdue installments of interest, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and

(2) in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Authority, the Trustee, and the Series 2015A/B Subordinate Bondholders shall be restored to their former positions and rights hereunder respectively.

No such waiver or rescission relating to the Series 2015A/B Subordinate Bonds shall extend to any subsequent or other default or impair any right consequent thereon.

Section 711. Non-Impairment of Authority's Obligation to Pay Principal, Premium and Interest.

Nothing in this Eighteenth Supplemental Indenture shall, however, affect or impair the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Series 2015A/B Subordinate Bonds to the respective Holders thereof at the time and place, from the source and in the manner specified in the Indenture.

**ARTICLE VIII
TAX COVENANTS**

Section 801. Tax Covenants – General.

(i) The Authority covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2015A/B Subordinate Bonds in such manner and to such extent as may be necessary so that (a) the Series 2015A/B Subordinate Bonds will not constitute private activity bonds, arbitrage bonds or hedge bonds under Sections 141, 148 or 149 of the Code, or be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest on the Series 2015A/B Subordinate Bonds will not be treated as an item of tax preference under Section 57 of the Code.

(ii) The Authority further covenants that (a) it will take or cause to be taken such actions that may be required of it for the interest on the Series 2015A/B Subordinate Bonds to be and remain excluded from gross income for federal income tax purposes, (b) it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (c) it, or persons acting for it, will, among other acts of compliance, (1) apply the proceeds of the Series 2015A/B Subordinate Bonds to the governmental purposes of the borrowing, (2) restrict the yield on investment property, (3) make timely and adequate payments to the federal government, including but not limited to the required payment of any Rebate Amounts under Section 148(f) of the Code, as further provided in Section 802 hereof, (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure that exclusion of that interest under the Code.

(iii) The Authorized Representative of the Authority is hereby authorized (a) to make or effect any election, selection, designation, choice, consent, approval or waiver on behalf of the Authority with respect to the Series 2015A/B Subordinate Bonds as the Authority is permitted to make or give under the federal income tax laws, including, without limitation, any of the elections provided for or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2015A/B Subordinate Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by the Authorized Representative of the Authority, which action shall be in writing and signed by the Authorized Representative of the Authority, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Authority, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2015A/B Subordinate Bonds, and (c) to give one or more appropriate certificates, for inclusion in the transcript of proceedings for the Series 2015A/B Subordinate Bonds, setting forth the reasonable expectations of the Authority regarding the amount and use of all the proceeds of the Series 2015A/B Subordinate Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2015A/B Subordinate Bonds.

Section 802. Calculation and Payment of Rebate.

(i) As used in this Section 802:

“Bond Year” means the annual period (or such shorter period from the date of issuance of the Series 2015A/B Subordinate Bonds) provided for the computation of the Rebate Amount for the Series 2015A/B Subordinate Bonds under Section 148(f) of the Code. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the issuance of the Series 2015A/B Subordinate Bonds unless the Authority selects another date on which to end a Bond Year in the manner permitted by the Code, and notifies the Trustee in writing of such selection.

“Computation Date” means:

(i) (a) the last day of each fifth Bond Year while the Series 2015A/B Subordinate Bonds are outstanding, and (b) the date on which the last Series 2015A/B Subordinate Bonds are retired, or

(ii) such other date or dates elected by the Authority as may be permitted under the Code for computation of the Rebate Amount.

“Rebate Amount” means, as of any Computation Date, the amount then payable (or payable within 60 days of such date) to the United States pursuant to Section 148(f) of the Code and the applicable Treasury Regulations (final or temporary) thereunder.

(ii) Promptly after each Computation Date, the Authority, or an independent public accounting firm or Bond Counsel engaged by or on behalf of the Authority, shall calculate the Rebate Amount, if any, as of that Computation Date.

(iii) Within 60 days after each Computation Date, and at any other time directed by the Authorized Representative of the Authority, the Authority shall pay to the United States in accordance with Section 148(f), from any lawfully available funds, an amount equal to 90% (or such greater percentage not in excess of 100% as the Authorized Representative of the Authority may determine to pay) of the Rebate Amount determined from the Delivery Date to the end of such fifth Bond Year (but less any portion of the Rebate Amount previously paid to the United States pursuant to this Section). Within 60 days after the payment in full of all outstanding Series 2015A/B Subordinate Bonds, the Authorized Representative of the Authority, on behalf of the Authority shall pay to the United States in accordance with Section 148(f), from any lawfully available funds, an amount equal to 100% of the Rebate Amount determined from the Delivery Date to the date of such payment in full of all outstanding Series 2015A/B Subordinate Bonds (but less any portion of the Rebate Amount previously paid to the United States pursuant to this Section 802(c).

(iv) The Authority shall keep or provide for the keeping of records of the computations made pursuant to this Section 802, payments made pursuant to this Section and all original source documents pertaining to the investment of gross proceeds and the expenditure of gross proceeds for at least six years after the maturity or retirement of the Series 2015A/B Subordinate Bonds.

(v) The Authority, in connection with investments of the proceeds of the Series 2015A/B Subordinate Bonds in nonpurpose investments, will not pay or agree to pay to a party other than the United States any portion of the Rebate Amount with respect to the Series 2015A/B Subordinate Bonds through a transaction or series of transactions that reduce the aggregate amount earned on all nonpurpose investments in which gross proceeds of the Series 2015A/B Subordinate Bonds are invested or that result in a smaller profit or a larger loss than would have resulted in an arm’s length transaction in which yield on the Series 2015A/B Subordinate Bonds was not relevant to the Authority or the other party.

(vi) If the Authority and the Trustee receive a written opinion of Bond Counsel that such action would not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2015A/B Subordinate Bonds, the Authorized Representative of the Authority may, without the consent of or notice to any bondholders, adopt supplements to this Eighteenth Supplemental Indenture to the extent necessary or desirable to modify, supplement or replace this Section 802 consistent with the other covenants of the Authority in this Eighteenth Supplemental Indenture.

(vii) If at any time the Authority receives a written opinion of Bond Counsel that failure to comply with this Section 802 or any part of this Section 802 would not adversely affect the exclusion of interest on the Series 2015A/B Subordinate Bonds from gross income for federal income tax purposes, the Authority may discontinue compliance with this Section 802 or part of this Section 802 to the extent set forth in that opinion.

ARTICLE IX MISCELLANEOUS

Section 901. Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Eighteenth Supplemental Indenture or the Series 2015A/B Subordinate Bonds is intended or shall be construed to give to any person other than the parties hereto, the Series 2015A/B Subordinate Bondholders any legal or equitable right, remedy or claim under or in respect to this Eighteenth Supplemental Indenture or any covenants, conditions and agreements herein contained since this Eighteenth Supplemental Indenture and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the Series 2015A/B Subordinate Bondholders as herein provided.

Section 902. Severability.

If any provision of this Eighteenth Supplemental Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof, and this Eighteenth Supplemental Indenture shall be construed and enforced as if such illegal provision had not been contained herein.

Section 903. Successors and Assigns.

This Eighteenth Supplemental Indenture shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 904. Limitations on Liability.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Directors of the Authority or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board of Directors of the Authority nor any officer of the Authority executing the Series 2015A/B Subordinate Bonds shall be liable personally on the Series 2015A/B Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board of Directors of the Authority or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him or her pursuant to this Eighteenth Supplemental Indenture or the Indenture or any other document authorized by the Indenture, provided such member, officer, employee, agent or advisor acts in good faith.

Section 905. Applicable Law.

This Eighteenth Supplemental Indenture shall be governed by the applicable laws of the District of Columbia.

Section 906. Counterparts.

This Eighteenth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

[Balance of page intentionally left blank]

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Eighteenth Supplemental Indenture to be executed in their respective corporate names as of the date first above written.

**DISTRICT OF COLUMBIA WATER
AND SEWER AUTHORITY**

By _____
Chief Financial Officer

**WELLS FARGO BANK, N.A.,
AS TRUSTEE**

By _____
Its _____

EXHIBIT A-1

SERIES 2015A BOND FORM

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED NO.
R-__

REGISTERED
\$ _____

UNITED STATES OF AMERICA

DISTRICT OF COLUMBIA

WATER AND SEWER AUTHORITY

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BOND,
SERIES 2015A
(Green Bonds)**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	October 1, 20__	October __, 2015	254845 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The District of Columbia Water and Sewer Authority (the “Authority”), for value received, hereby promises to pay upon surrender hereof at the designated corporate trust office of Wells Fargo Bank, N.A., as trustee, or its successor in trust (the “Trustee”), under the Indenture, as hereinafter defined, solely from the sources and as hereinafter provided, to the registered owner hereof, or registered assigns or legal representative, the principal sum stated above on the maturity date stated above, subject to prior redemption as hereinafter provided, and to pay, solely from such sources, interest hereon semiannually on each April 1 and October 1, beginning [April 1, 2016], at the annual rate stated above, calculated on the basis of a 360-day year of twelve 30-day months. Interest is payable (a) from the date of this Series 2015A Subordinate Bond, if this Series 2015A Subordinate Bond is authenticated prior to October 1, 2015, or (b) otherwise from the interest payment date that is, or immediately precedes, the date on which this Series 2015A Subordinate Bond is authenticated (unless payment of interest hereon is in default, in which case

this Series 2015A Subordinate Bond shall bear interest from the date to which interest has been paid). Interest is payable by check or draft mailed to the registered owner hereof at its address as it appears on the fifteenth day of the month preceding each interest payment date on registration books kept by the Trustee; provided, however, that if the Series 2015A Subordinate Bonds, as hereinafter defined, are registered in the name of a securities depository or its nominee as registered owner or at the option of a registered owner of at least \$1,000,000 of Series 2015A Subordinate Bonds, payment will be made by wire transfer pursuant to the most recent wire instructions received by the Trustee from such registered owner. Principal, premium, if any, and interest are payable in lawful money of the United States of America. Capitalized terms which are not defined herein shall have the meanings set forth in the Indenture.

Notwithstanding any other provision hereof, this Series 2015A Subordinate Bond is subject to book-entry form maintained by The Depository Trust Company (“DTC”), and the payment of principal, premium, if any, and interest, the providing of notices and other matters shall be made as described in the Authority’s Blanket Letter of Representations to DTC.

This Series 2015A Subordinate Bond is one of an issue of \$_____ Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds) (the “Series 2015A Subordinate Bonds”), of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity. The Series 2015A Subordinate Bonds are being issued on the same day as the Authority’s \$_____ Public Utility Subordinate Lien Revenue Bonds, Series 2015B (the “Series 2015B Subordinate Bonds” and, together with the Series 2015A Subordinate Bonds, the “Series 2015A/B Subordinate Bonds”). The Series 2015A Subordinate Bonds are issued under a Master Indenture of Trust, dated as of April 1, 1998, between the Authority and the Trustee (f.k.a. Norwest Bank, N.A.) (the “Master Indenture”), as amended and supplemented by the First Supplemental Indenture of Trust, dated as of April 1, 1998, the Second Supplemental Indenture of Trust, dated as of November 1, 2001, the Third Supplemental Indenture of Trust, dated as of November 1, 2001, the Fourth Supplemental Indenture of Trust, dated August 12, 2003, the Fifth Supplemental Indenture of Trust, dated as of August 3, 2004, the Sixth Supplemental Indenture of Trust, dated June 6, 2007, the Seventh Supplemental Indenture of Trust, dated June 6, 2007, the Eighth Supplemental Indenture of Trust, dated April 24, 2008, the Ninth Supplemental Indenture of Trust, dated December 19, 2008, the Tenth Supplemental Indenture of Trust, dated February 12, 2009, the Eleventh Supplemental Indenture of Trust, dated June 2, 2010, the Twelfth Supplemental Indenture of Trust, dated October 27, 2010, the Thirteenth Supplemental Indenture of Trust, dated March 22, 2012, the Fourteenth Supplemental Indenture of Trust, dated August 1, 2013, the Fifteenth Supplemental Indenture of Trust, dated as July 23, 2014, the Sixteenth Supplemental Indenture of Trust, dated July 23, 2014, the Seventeenth Supplemental Indenture of Trust, dated November 20, 2014, and the Eighteenth Supplemental Indenture of Trust, dated October __, 2015, each between the Authority and the Trustee (collectively, the “Indenture”). The Series 2015B Subordinate Bonds are secured under the Indenture as Subordinate Debt by a pledge of Net Revenues subordinate to the pledge that secures Senior Debt and on a parity with the pledge that secures other Subordinate Debt. Reference is hereby made to the Indenture for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority and the Trustee, the rights of the holders of the Series 2015A Subordinate Bonds and the terms upon which the Series 2015A Subordinate Bonds are issued and secured. Additional Senior Debt secured by a pledge of Net Revenues senior to the pledge that secures the Series 2015A

Subordinate Bonds and other Subordinate Debt, and additional Subordinate Debt secured on a parity with the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2014B Subordinate Bonds, the Series 2014C Subordinate Bonds, and the Series 2015B Subordinate Bonds may be issued under the terms and conditions set forth in the Indenture.

The Series 2015A Subordinate Bonds and the premium, if any, and the interest thereon are limited obligations of the Authority payable from Net Revenues of the System, subject to the prior payment therefrom of the principal of and interest due and payable on all Senior Debt heretofore and hereafter issued or incurred by the Authority, and from certain other funds and accounts pledged thereto by, and on the terms set forth in, the Indenture. The Series 2015A Subordinate Bonds shall be without recourse to the District of Columbia (the "District"). The Series 2015A Subordinate Bonds shall not be general obligations of the District, shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, and shall not constitute lending of the public credit for private undertakings.

The Series 2015A Bonds are subject to redemption prior to maturity at the option of the Authority on and after October 1, 20__, from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

The Term Series 2015A Subordinate Bonds maturing on October 1, 20__, are required to be redeemed prior to maturity on October 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

The Term Series 2015A Subordinate Bonds maturing October 1, 20__, are subject to mandatory sinking fund redemption on each October 1 as set forth below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

If fewer than all of the Series 2015A Subordinate Bonds are called for redemption, they shall be called in such order of maturity as the Authority may determine and direct the Trustee in writing. If less than all of the Series 2015A Subordinate Bonds of any maturity date are called for redemption, the Series 2015A Subordinate Bonds to be redeemed shall be selected by DTC pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. The portion of any Series 2015A Subordinate Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof. In selecting Series 2015A Subordinate Bonds for

redemption, each Series 2015A Subordinate Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Series 2015A Subordinate Bond by \$5,000. If a portion of a Series 2015A Subordinate Bond shall be called for redemption, a new Series 2015A Subordinate Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

If any of the Series 2015A Subordinate Bonds or portions thereof are called for redemption, the Trustee shall send notice of the call for redemption, identifying the Series 2015A Subordinate Bonds or portions thereof to be redeemed, not fewer than 30 nor more than 60 days prior to the redemption date, by facsimile, registered or certified mail or overnight express delivery, to the registered owner of each the Series 2015A Subordinate Bond. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Series 2015A Subordinate Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Indenture and shall not be deemed to be Outstanding under the provisions of the Indenture. If a portion of the Series 2015A Subordinate Bonds shall be called for redemption, a new Series 2015A Subordinate Bond in principal amount equal to the unredeemed portion hereof will be issued to DTC or its nominee upon the surrender hereof, or if the book-entry system is discontinued, to the registered owners of the Series 2015A Subordinate Bonds.

The registered owner of this Series 2015A Subordinate Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein or to take any action with respect to any Event of Default or Series 2015A Subordinate Bond Event of Default under the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. Specifically, and without limiting the generality of the foregoing, the Series 2015A Subordinate Bonds, as Subordinate Debt, may not be accelerated if any Senior Debt is outstanding. Modifications or alterations of the Indenture, or of any supplement thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Directors of the Authority or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board of Directors of the Authority nor any officer of the Authority executing the Series 2015A Subordinate Bonds shall be liable personally on the Series 2015A Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board of Directors of the Authority or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him or her pursuant to this Series 2015A Subordinate Bond, the Eighteenth Supplemental Indenture or the Indenture or any other document authorized by the Indenture, provided such member, officer, employee, agent or advisor acts in good faith.

The Series 2015A Subordinate Bonds are issuable as registered bonds in denominations of \$5,000 and integral multiples thereof. Upon surrender for transfer or exchange of this Series 2015A Subordinate Bond at the principal corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, the Authority shall execute,

and the Trustee shall authenticate and deliver in exchange, a new Series 2015A Subordinate Bond or Series 2015A Subordinate Bonds in the manner and subject to the limitations and conditions provided in the Indenture, having an equal aggregate principal amount, in authorized denominations, of the same series, form and maturity, bearing interest at the same rate and registered in the name or names as requested by the then registered owner hereof or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the Authority, except that the Trustee may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the fifteenth day of the month preceding each interest payment date.

All acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Series 2015A Subordinate Bond have happened, exist and have been performed.

This Series 2015A Subordinate Bond shall not become obligatory for any purpose or be entitled to any security or benefit under the Indenture or be valid until the Trustee shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

IN WITNESS WHEREOF, the DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY has caused this Series 2015A Subordinate Bond to be executed by the manual or facsimile signatures of the Chairman of the Board of Directors, its seal to be affixed hereto or a facsimile to be printed hereon and attested by the manual or facsimile signature of the Secretary to the Authority, and this Series 2015A Subordinate Bond to be dated _____, 2016.

ATTEST:

Secretary to the Authority

Chairman

[SEAL]

CERTIFICATE OF AUTHENTICATION

Date Authenticated: _____

This Series 2015A Subordinate Bond is one of the Series 2015A Subordinate Bonds described in the within mentioned Indenture.

Wells Fargo Bank, N.A.,
Trustee

By _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address, including zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

: :
: :
: :

the within Series 2015A Subordinate Bond and all rights thereunder, hereby irrevocably
constituting _____ and _____ appointing

_____, Attorney, to transfer said Series
2015A Subordinate Bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed
by an Eligible Guarantor Institution such
as a Commercial Institution such as a
Commercial Bank, Trust Company,
Securities Broker/Dealer, Credit Union, or
Savings Association who is a member of a
medallion program approved by The
Securities Transfer Association, Inc.

NOTICE: The signature above must
correspond with the name of the registered
owner as it appears on the front of this Series
2015A Subordinate Bond in every particular,
without alteration or enlargement or any
change whatsoever.

EXHIBIT A-2

SERIES 2015B BOND FORM

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED NO.
R-__

REGISTERED
\$ _____

UNITED STATES OF AMERICA

DISTRICT OF COLUMBIA

WATER AND SEWER AUTHORITY

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE BOND,
SERIES 2015B**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	October 1, 20__	October __, 2015	254845 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The District of Columbia Water and Sewer Authority (the “Authority”), for value received, hereby promises to pay upon surrender hereof at the designated corporate trust office of Wells Fargo Bank, N.A., as trustee, or its successor in trust (the “Trustee”), under the Indenture, as hereinafter defined, solely from the sources and as hereinafter provided, to the registered owner hereof, or registered assigns or legal representative, the principal sum stated above on the maturity date stated above, subject to prior redemption as hereinafter provided, and to pay, solely from such sources, interest hereon semiannually on each April 1 and October 1, beginning [April 1], 2016, at the annual rate stated above, calculated on the basis of a 360-day year of twelve 30-day months. Interest is payable (a) from the date of this Series 2015B Subordinate Bond, if this Series 2015B Subordinate Bond is authenticated prior to October 1, 2015, or (b) otherwise from the interest payment date that is, or immediately precedes, the date on which this Series 2015B Subordinate Bond is authenticated (unless payment of interest hereon is in default, in which case

this Series 2015B Subordinate Bond shall bear interest from the date to which interest has been paid). Interest is payable by check or draft mailed to the registered owner hereof at its address as it appears on the fifteenth day of the month preceding each interest payment date on registration books kept by the Trustee; provided, however, that if the Series 2015B Subordinate Bonds, as hereinafter defined, are registered in the name of a securities depository or its nominee as registered owner or at the option of a registered owner of at least \$1,000,000 of Series 2015B Subordinate Bonds, payment will be made by wire transfer pursuant to the most recent wire instructions received by the Trustee from such registered owner. Principal, premium, if any, and interest are payable in lawful money of the United States of America. Capitalized terms which are not defined herein shall have the meanings set forth in the Indenture.

Notwithstanding any other provision hereof, this Series 2015B Subordinate Bond is subject to book-entry form maintained by The Depository Trust Company (“DTC”), and the payment of principal, premium, if any, and interest, the providing of notices and other matters shall be made as described in the Authority’s Blanket Letter of Representations to DTC.

This Series 2015B Subordinate Bond is one of an issue of \$_____ Public Utility Subordinate Lien Revenue Bonds, Series 2015B (the “Series 2015B Subordinate Bonds”), of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity. The Series 2015B Subordinate Bonds are being issued on the same day as the Authority’s \$_____ Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds) (the “Series 2015A Subordinate Bonds” and, together with the Series 2015B Subordinate Bonds, the “Series 2015A/B Subordinate Bonds”). The Series 2015B Subordinate Bonds are issued under a Master Indenture of Trust, dated as of April 1, 1998, between the Authority and the Trustee (f.k.a. Norwest Bank, N.A.) (the “Master Indenture”), as amended and supplemented by the First Supplemental Indenture of Trust, dated as of April 1, 1998, the Second Supplemental Indenture of Trust, dated as of November 1, 2001, the Third Supplemental Indenture of Trust, dated as of November 1, 2001, the Fourth Supplemental Indenture of Trust, dated August 12, 2003, the Fifth Supplemental Indenture of Trust, dated as of August 3, 2004, the Sixth Supplemental Indenture of Trust, dated June 6, 2007, the Seventh Supplemental Indenture of Trust, dated June 6, 2007, the Eighth Supplemental Indenture of Trust, dated April 24, 2008, the Ninth Supplemental Indenture of Trust, dated December 19, 2008, the Tenth Supplemental Indenture of Trust, dated February 12, 2009, the Eleventh Supplemental Indenture of Trust, dated June 2, 2010, the Twelfth Supplemental Indenture of Trust, dated October 27, 2010, the Thirteenth Supplemental Indenture of Trust, dated March 22, 2012, the Fourteenth Supplemental Indenture of Trust, dated August 1, 2013, the Fifteenth Supplemental Indenture of Trust, dated as July 23, 2014, the Sixteenth Supplemental Indenture of Trust, dated July 23, 2014, the Seventeenth Supplemental Indenture of Trust, dated November 20, 2014, and the Eighteenth Supplemental Indenture of Trust, dated October __, 2015, each between the Authority and the Trustee (collectively, the “Indenture”). The Series 2015B Subordinate Bonds are secured under the Indenture as Subordinate Debt by a pledge of Net Revenues subordinate to the pledge that secures Senior Debt and on a parity with the pledge that secures other Subordinate Debt. Reference is hereby made to the Indenture for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority and the Trustee, the rights of the holders of the Series 2015B Subordinate Bonds and the terms upon which the Series 2015B Subordinate Bonds are issued and secured. Additional Senior Debt secured by a pledge of Net Revenues senior to the pledge that secures the Series 2015B

Subordinate Bonds and other Subordinate Debt, and additional Subordinate Debt secured on a parity with the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2014B Subordinate Bonds, the Series 2014C Subordinate Bonds, and the Series 2015A Subordinate Bonds may be issued under the terms and conditions set forth in the Indenture.

The Series 2015B Subordinate Bonds and the premium, if any, and the interest thereon are limited obligations of the Authority payable from Net Revenues of the System, subject to the prior payment therefrom of the principal of and interest due and payable on all Senior Debt heretofore and hereafter issued or incurred by the Authority, and from certain other funds and accounts pledged thereto by, and on the terms set forth in, the Indenture. The Series 2015B Subordinate Bonds shall be without recourse to the District of Columbia (the "District"). The Series 2015B Subordinate Bonds shall not be general obligations of the District, shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, and shall not constitute lending of the public credit for private undertakings.

The Series 2015B Bonds are subject to redemption prior to maturity at the option of the Authority on and after October 1, 20__, from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

The Term Series 2015B Subordinate Bonds maturing on October 1, 20__, are required to be redeemed prior to maturity on October 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

The Term Series 2015B Subordinate Bonds maturing October 1, 20__, are subject to mandatory sinking fund redemption on each October 1 as set forth below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

If fewer than all of the Series 2015B Subordinate Bonds are called for redemption, they shall be called in such order of maturity as the Authority may determine and direct the Trustee in writing. If less than all of the Series 2015B Subordinate Bonds of any maturity date are called for redemption, the Series 2015B Subordinate Bonds to be redeemed shall be selected by DTC pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. The portion of any Series 2015B Subordinate Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof. In selecting Series 2015B Subordinate Bonds for redemption,

each Series 2015B Subordinate Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Series 2015B Subordinate Bond by \$5,000. If a portion of a Series 2015B Subordinate Bond shall be called for redemption, a new Series 2015B Subordinate Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

If any of the Series 2015B Subordinate Bonds or portions thereof are called for redemption, the Trustee shall send notice of the call for redemption, identifying the Series 2015B Subordinate Bonds or portions thereof to be redeemed, not fewer than 30 nor more than 60 days prior to the redemption date, by facsimile, registered or certified mail or overnight express delivery, to the registered owner of each the Series 2015B Subordinate Bond. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Series 2015B Subordinate Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Indenture and shall not be deemed to be Outstanding under the provisions of the Indenture. If a portion of the Series 2015B Subordinate Bonds shall be called for redemption, a new Series 2015B Subordinate Bond in principal amount equal to the unredeemed portion hereof will be issued to DTC or its nominee upon the surrender hereof, or if the book-entry system is discontinued, to the registered owners of the Series 2015B Subordinate Bonds.

The registered owner of this Series 2015B Subordinate Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein or to take any action with respect to any Event of Default or Series 2015B Subordinate Bond Event of Default under the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. Specifically, and without limiting the generality of the foregoing, the Series 2015B Subordinate Bonds, as Subordinate Debt, may not be accelerated if any Senior Debt is outstanding. Modifications or alterations of the Indenture, or of any supplement thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Directors of the Authority or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board of Directors of the Authority nor any officer of the Authority executing the Series 2015B Subordinate Bonds shall be liable personally on the Series 2015B Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board of Directors of the Authority or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him or her pursuant to this Series 2015B Subordinate Bond, the Eighteenth Supplemental Indenture or the Indenture or any other document authorized by the Indenture, provided such member, officer, employee, agent or advisor acts in good faith.

The Series 2015B Subordinate Bonds are issuable as registered bonds in denominations of \$5,000 and integral multiples thereof. Upon surrender for transfer or exchange of this Series 2015B Subordinate Bond at the principal corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, the Authority shall execute,

and the Trustee shall authenticate and deliver in exchange, a new Series 2015B Subordinate Bond or Series 2015B Subordinate Bonds in the manner and subject to the limitations and conditions provided in the Indenture, having an equal aggregate principal amount, in authorized denominations, of the same series, form and maturity, bearing interest at the same rate and registered in the name or names as requested by the then registered owner hereof or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the Authority, except that the Trustee may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the fifteenth day of the month preceding each interest payment date.

All acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Series 2015B Subordinate Bond have happened, exist and have been performed.

This Series 2015B Subordinate Bond shall not become obligatory for any purpose or be entitled to any security or benefit under the Indenture or be valid until the Trustee shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

IN WITNESS WHEREOF, the DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY has caused this Series 2015B Subordinate Bond to be executed by the manual or facsimile signatures of the Chairman of the Board of Directors, its seal to be affixed hereto or a facsimile to be printed hereon and attested by the manual or facsimile signature of the Secretary to the Authority, and this Series 2015B Subordinate Bond to be dated October __, 2015.

ATTEST:

Secretary to the Authority

Chairman

[SEAL]

CERTIFICATE OF AUTHENTICATION

Date Authenticated: _____

This Series 2015B Subordinate Bond is one of the Series 2015B Subordinate Bonds described in the within mentioned Indenture.

Wells Fargo Bank, N.A.,
Trustee

By _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address, including zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

: :
: :
: :

the within Series 2015B Subordinate Bond and all rights thereunder, hereby irrevocably
constituting _____ and _____ appointing

_____, Attorney, to transfer said Series
2015B Subordinate Bond on the books kept for the registration thereof, with full power of
substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or Savings Association who is a member of a medallion program approved by The Securities Transfer Association, Inc.

NOTICE: The signature above must correspond with the name of the registered owner as it appears on the front of this Series 2015B Subordinate Bond in every particular, without alteration or enlargement or any change whatsoever.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2015

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED IN IT ARE SUBJECT TO COMPLETION AND AMENDMENT IN A FINAL OFFICIAL STATEMENT. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds offered hereby, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor’s: []
 Moody’s: []
 Fitch: []
 See “RATINGS” herein

In the opinion of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2015A/B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Series 2015A/B Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series 2015A/B Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see “TAX MATTERS” herein.

[DC Water Logo]

\$ _____*
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds,
Series 2015A
(Green Bonds)

\$ _____*
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds,
Series 2015B

Dated: Date of Delivery

Due: As shown on inside cover

The Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds) (the “Series 2015A Bonds”) and the Public Utility Subordinate Lien Revenue Bonds, Series 2015B (the “Series 2015B Bonds”) and, together with the Series 2015A Bonds, the “Series 2015A/B Bonds”) are being issued by the District of Columbia Water and Sewer Authority (the “Authority,” also commonly referred to as “DC Water”) pursuant to a Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture”), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”), as amended and supplemented from time to time, including as amended and supplemented by the Eighteenth Supplemental Indenture of Trust, by and between the Authority and the Trustee, dated [_____] 2015 (the “Eighteenth Supplemental Indenture” and, together with the Master Indenture, as previously amended and supplemented, the “Indenture”). The proceeds of the Series 2015A/B Bonds will be used to pay (i) a portion of the costs of the Authority’s DC Clean Rivers Project (the “DC Clean Rivers Project”) (the “Series 2015A Project”), (ii) a portion of the costs of certain other capital improvements to the System (the “Series 2015B Project”), (iii) principal of and interest on all or a portion of the Authority’s outstanding Commercial Paper Notes, Series B (the “Series B CP Notes”), and (iv) costs of issuing the Series 2015A/B Bonds. The Series 2015A/B Bonds will be secured by a pledge of Net Revenues that will be subordinate to the pledge of Net Revenues that secures the Outstanding Senior Debt and any other Senior Debt the Authority may issue from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and any other Subordinate Debt the Authority may issue from time to time in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt, all as further described and defined herein. The Series 2015A/B Bonds will not be secured by a Debt Service Reserve Fund. See “SECURITY FOR THE SERIES 2015A/B BONDS.”

The Series 2015A/B Bonds will be issued initially in denominations of \$5,000 or any integral multiple thereof and in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) under the book-entry only system maintained by DTC or its nominee. So long as Cede & Co. is the registered owner of the Series 2015A/B Bonds, the principal of and premium, if any, and interest on the Series 2015A/B Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the Series 2015A/B Bonds, as more fully described herein. See APPENDIX E – “DTC Book-Entry Only System.”

Interest on the Series 2015A/B Bonds will be calculated on the basis of a 360-day year of 12 30-day months, payable semi-annually on each April 1 and October 1, commencing [April 1, 2016].

The Series 2015A/B Bonds are subject to redemption prior to maturity, as more fully described herein. See “THE SERIES 2015A/B BONDS – Redemption Provisions.”

The Series 2015A Project consists of a portion of the DC Clean Rivers Project. Based upon independent assessment of the DC Clean Rivers Project and of the Authority conducted by Vigeo Enterprises applying environmental, social and governance criteria, the Authority has designated the Series 2015A Project as a “Green Project” and has designated the Series 2015A Bonds as “Green Bonds.” See “PLAN OF FINANCE” and APPENDIX G – “Opinion of Independent Sustainability Consultant.”

[Clean Rivers Logo]

The Series 2015A/B Bonds shall be special, limited obligations of the Authority payable solely from the Net Revenues of the Authority. The Series 2015A/B Bonds shall be without recourse to the District of Columbia (the “District”). The Series 2015A/B Bonds shall not be general obligations of the District or of the Authority. The Series 2015A/B Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction (as defined herein) or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series 2015A/B Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act (as defined herein). The Authority has no taxing power.

The Series 2015A/B Bonds are offered when, as and if issued by the Authority and received by the Underwriters (as hereinafter defined). Certain legal matters with respect to the issuance of the Series 2015A/B Bonds are subject to the approval of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel to the Authority. Squire Patton Boggs (US) LLP and Leftwich LLC also serve as Co-Disclosure Counsel to the Authority in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the Authority by its General Counsel and for the Underwriters by Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates, Co-Underwriters’ Counsel. It is expected that the Series 2015A/B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about [_____] 2015.

BARCLAYS
Citigroup

GOLDMAN, SACHS & CO.
J.P. Morgan

LOOP CAPITAL MARKETS
Morgan Stanley

RAMIREZ
US Bancorp

This cover page, including the inside cover page, contains certain information for quick reference only. It is not a summary of this Official Statement. Prospective purchasers must read the entire Official Statement to obtain the information essential to the making of an informed investment decision.

Dated: [_____] 2015

* Preliminary; subject to change.

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds
Series 2015A
(Green Bonds)

Serial Bonds

Year (Oct. 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
	\$	%	%	

Term Bonds

\$[_____] [%] Term Bonds, due October 1, 20__, Yield [____]%* CUSIP 254845 [____]†

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds
Series 2015B

Serial Bonds

Year (Oct. 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
	\$	%	%	

Term Bonds

\$[_____] [%] Term Bonds, due October 1, 20__, Yield [____]%* CUSIP 254845 [____]†

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers are provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2015A/B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015A/B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015A/B Bonds.

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
(202) 787-2000
www.dcwater.com

Principal Board Members

Matthew T. Brown*, Chairman
 Ellen O. Boardman
 Rachna Butani
 Elisabeth Feldt
 Timothy L. Firestine
 Bradley Frome
 Edward L. Long, Jr.†
 Nicholas A. Majett
 Robert Mallett
 Obiora “Bo” Menkiti
 Alan J. Roth*

Jurisdiction

District of Columbia
District of Columbia
District of Columbia
Montgomery County
Montgomery County
Prince George’s County
Fairfax County
Prince George’s County
District of Columbia
District of Columbia
District of Columbia

Alternate Board Members

Shirley Branch
 Bonnie Kirkland
 David W. Lake
 Adam Ortiz
 James Patteson‡
 Brenda L. Richardson
Vacant
Vacant
Vacant
Vacant
Vacant

Jurisdiction

Prince George’s County
Montgomery County
Montgomery County
Prince George’s County
Fairfax County
District of Columbia
District of Columbia
District of Columbia
District of Columbia
District of Columbia

Authority Staff

George S. Hawkins
 Mark T. Kim
 Leonard R. Benson
 Randy Hayman
 Biju George
 Mustaafo Dozier
 Aklile Tesfaye
 Charles Kiely
 Carlton Ray

Title

General Manager
Chief Financial Officer
Chief Engineer
General Counsel
Chief Operating Officer
Chief of Staff
Assistant General Manager of Wastewater Treatment
Assistant General Manager of Customer Care & Operations
Director of DC Clean Rivers Project

Authority Consultants and Counsel

Squire Patton Boggs (US) LLP and Leftwich LLC
 Amawalk Consulting Group LLC
 Johnson, Mirmiran, and Thompson, Inc.
 Public Financial Management, Inc. and G~Entry Principle, P.C.
 Vigeo Enterprises

Co-Bond Counsel and
Co-Disclosure Counsel
Financial Feasibility Consultant
Engineering Feasibility Consultant
Co-Financial Advisors
Sustainability Consultant

* Term ends in September 2015, and continues until renominated and appointed or a successor is nominated and appointed.
 † Term ends September 12, 2015; will not be reappointed, but will continue in position until successor’s term begins.
 ‡ Will replace Edward L. Long, Jr., as a principal member of the Board upon official order of the Mayor of the District of Columbia.

IMPORTANT NOTICES

This Official Statement is provided in connection with the issuance of the Series 2015A/B Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Authority and other sources which are believed to be reliable. Additional information, including financial information, concerning the Authority is available from the Authority's website. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to this offering, other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015A/B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2015A/B Bonds have not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exceptions contained in the Act. Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Series 2015A/B Bonds or passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with this offering, the underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2015A/B Bonds at a level above that which might otherwise prevail in the open market; such stabilizing, if commenced, may be discontinued at any time.

This Official Statement is being provided to prospective purchasers either in bound printed form ("original bound format") or in electronic format on the following website: www.munios.com. This Official Statement may be relied upon only if it is in its original bound format or as printed in its entirety directly from such website.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Some statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

TABLE OF CONTENTS

	Page
IMPORTANT NOTICES	ii
CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT	ii
INTRODUCTION	1
General	1
District of Columbia Water and Sewer Authority	1
Use of the Series 2015A/B Bond Proceeds	2
Security and Source of Payment.....	2
Rate Covenant and Financial Forecast	3
Capital Improvement Program	3
Concurrent Financings of the Authority	3
Miscellaneous	4
THE SERIES 2015A/B BONDS	5
General	5
Book-Entry Only System	5
Redemption Provisions.....	5
PLAN OF FINANCE	7
SOURCES AND USES OF FUNDS.....	8
SECURITY FOR THE SERIES 2015A/B BONDS	8
Pledge of the Master Indenture.....	8
Direct Payment Bonds and the Effect of Sequestration on Direct Payments	9
Limited Remedies of Holders of Subordinate Debt	10
Flow of Funds.....	10
Certain Reserve Funds.....	13
Rate Covenant	14
Additional Senior Debt.....	15
Additional Subordinate Debt	16
DEBT SERVICE REQUIREMENTS	17
Outstanding Senior and Subordinate Debt	17
List of Outstanding Indebtedness	19
Outstanding Senior Debt	19
Outstanding Subordinate Debt	20
Interest Rate Exchange Agreements and Guaranteed Investment Contracts	20
THE AUTHORITY	21
General	21
Purposes and Powers.....	22
Board of Directors	22
Organizational Structure.....	25
Senior Management.....	25
Authority’s Relationship to District	27
Employees and Labor Relations	28
Retirement/Pension Plan	29
Risk Management and Insurance.....	29
THE SYSTEM.....	30
The Wastewater System	30
Wastewater Regulation and Permits.....	32
The Water System	33
Water System Regulation and Permits	36
Protection of the Water System and Wastewater System.....	38
CAPITAL IMPROVEMENT PROGRAM	38
General	38
Categories of CIP Projects	41

CIP Financing Sources	42
Cost Estimates	43
CUSTOMER BASE, RATES AND CHARGES	44
Customer Categories and Accounts	44
Customer Base	44
Customer Demand	45
Rate-Setting Authority	47
Components of Retail Rates and Charges	48
Historical and Projected Water and Wastewater Retail Rates	50
Retail Rate Comparison	51
Collections	53
Special Accounts	54
Customer Assistance Programs	54
Customer Service Operations	55
FINANCIAL OPERATIONS	55
Historical Financial Operations	55
Annual Budget	57
Projected Financial Operations	58
System Revenues	62
System Expenditures	65
Reserve Funds	68
Financial Policies	68
ENGINEERING FEASIBILITY REPORT	70
FINANCIAL FEASIBILITY OPINION LETTER	70
INDEPENDENT SUSTAINABILITY CONSULTANT OPINION LETTER	72
TAX MATTERS	72
General	72
Risk of Future Legislative Changes and/or Court Decisions	73
Original Issue Discount and Original Issue Premium	73
COVENANT BY THE DISTRICT OF COLUMBIA	74
LITIGATION	74
LEGAL MATTERS	74
INDEPENDENT AUDITORS	75
THE TRUSTEE	75
RATINGS	75
CONTINUING DISCLOSURE	75
FINANCIAL ADVISORS	75
UNDERWRITING	75
LEGALITY FOR INVESTMENT	76
RELATIONSHIP OF PARTIES	76
MISCELLANEOUS	77
APPENDIX A	FINANCIAL FEASIBILITY OPINION LETTER OF AMAWALK CONSULTING GROUP LLC, DATED AUGUST 20, 2015
APPENDIX B	AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEARS ENDED SEPTEMBER 30, 2014, AND 2013
APPENDIX C	GLOSSARY AND SUMMARY OF THE INDENTURE
APPENDIX D	FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX E	DTC BOOK-ENTRY ONLY SYSTEM
APPENDIX F	PROPOSED FORM OF OPINION OF CO-BOND COUNSEL
APPENDIX G	OPINION LETTER OF INDEPENDENT SUSTAINABILITY CONSULTANT, DATED SEPTEMBER [] , 2015

OFFICIAL STATEMENT

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds)

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2015B

INTRODUCTION

General

This Official Statement, including the cover page and the appendices hereto (the “Official Statement”), is provided in connection with the issuance by the District of Columbia Water and Sewer Authority (the “Authority,” also commonly referred to as “DC Water”) of its Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds), in the original principal amount of \$ _____ * (the “Series 2015A Bonds”) and its Public Utility Subordinate Lien Revenue Bonds, Series 2015B Bonds, in the original principal amount of \$ _____ * (the “Series 2015B Bonds” and the Series 2015A Bonds, each a “Series” and, together, the “Series 2015A/B Bonds”).

Subject to final authorization by the Board of Directors (the “Board”) of the Authority, the Series 2015A/B Bonds are being issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture”), as amended and supplemented to the date of delivery of the Series 2015A/B Bonds (the “Indenture”), including by the Eighteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Series 2015A/B Bonds (the “Eighteenth Supplemental Indenture”), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”).

The Finance and Budget Committee of the Board, at its September 10, 2015, meeting approved a recommendation that the Board formally adopt a resolution authorizing the issuance of the Series 2015A/B Bonds (the “Authorizing Resolution”). The Board is expected to consider the adoption of the Authorizing Resolution at its meeting on October 1, 2015. The distribution of this Preliminary Official Statement neither obligates the Board to adopt the Authorizing Resolution or otherwise authorize the issuance of the Series 2015A/B Bonds, nor does it create a contractual obligation of the Authority to proceed with the issuance of the Series 2015A/B Bonds.

Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed thereto in APPENDIX C – “Glossary and Summary of the Indenture.”

District of Columbia Water and Sewer Authority

The Authority is an independent authority of the District of Columbia (the “District”), which was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the “Council”), which is entitled the “Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996” (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the “Act”), and an act of the U.S. Congress entitled the “District of Columbia Water and Sewer Authority Act of 1996” (Public Law 104-184) (the “Federal Act”). The Council was authorized to adopt the Act pursuant to the authority set forth in the District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat 777; D.C. Official Code, 2006 Repl., §§ 1-201 *et seq.*), as amended (the “Home Rule Act”). See “THE AUTHORITY.”

The Authority provides retail water and wastewater services to approximately 650,000 residents in the District and wholesale wastewater conveyance and treatment to approximately 1.6 million people in major suburban areas of Prince George’s and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia (collectively, the “User Jurisdictions”). Pursuant to the Act, the District authorized the Authority to use all of the property and assets of the water distribution system (the “Water System”) and the wastewater collection, treatment and disposal system (the “Wastewater System” and, together with the Water System, the “System”) formerly operated by the District, for as long as any revenue bonds of the Authority, including the Series 2015A/B Bonds, remain outstanding. In accordance with the Act, the District retains full legal title to and a complete equitable interest in the System. See “THE SYSTEM.”

* Preliminary; subject to change.

The Authority's service area consists of the District and certain areas of the User Jurisdictions and, therefore, certain demographic, economic and statistical information relating to the District and the User Jurisdictions may be relevant to prospective purchasers of the Series 2015A/B Bonds. The Authority makes no representation as to the accuracy or completeness of information derived from other sources.

Use of the Series 2015A/B Bond Proceeds

The proceeds of the Series 2015A/B Bonds will be used to pay (i) the costs of the Series 2015A Project (as hereinafter defined), (ii) the costs of the Series 2015B Project (as hereinafter defined), (iii) principal of and interest on all or a portion of the outstanding Commercial Paper Notes, Series B (the "Series B CP Notes"), and (iv) costs of issuing the Series 2015A/B Bonds. See "PLAN OF FINANCE."

The proceeds of the Series 2015A Bonds will be used to pay a portion of the costs of the construction and development of tunnels associated with the DC Clean Rivers Project (as hereinafter defined) (the "Series 2015A Project"). For a description of the DC Clean Rivers Project, see "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Combined Sewer Overflow Projects." Based on the results of an independent assessment by Vigeo Enterprises ("Vigeo") of the Series 2015A Project's environmental, social, and governance characteristics, the Authority has designated the Series 2015A Project as a "Green Project" and the Series 2015A Bonds as "Green Bonds." The terms "Green Project" and "Green Bond" are neither defined in, nor related to the Indenture, and their use herein is for identification purposes only and is not intended to provide or imply to provide that a holder of the Series 2015A Bonds is entitled to any additional security other than as provided in the Indenture. For a description of Vigeo's assessment process, see APPENDIX G – "Opinion of Independent Sustainability Consultant."

The proceeds of the Series 2015A Bonds will be deposited in a segregated account of the Construction Fund established and maintained under the Indenture (the "2015A Construction Account") and used to pay costs of the Series 2015A Project. Such proceeds will be invested in Permitted Investments pursuant to the Indenture. The Authority will report annually on the allocation of such proceeds to the Green Project and on certain environmental and social outcomes of the Green Project.

A portion of the proceeds of the Series 2015B Bonds will be deposited in a segregated account of the Construction Fund established and maintained under the Indenture (the "2015B Construction Account") and used to pay costs of certain capital improvements to the System (the "Series 2015B Project"). Such proceeds will be invested in Permitted Investments pursuant to the Indenture. The portion of the proceeds of the Series 2015B Bonds used to pay, at their stated maturity, Series B CP Notes will be deposited in the Series B Subordinate Interest Subaccount of the Subordinate Interest Account of the Subordinate Bond Fund and in the Series B Subordinate Principal Subaccount of the Subordinate Principal Account of the Subordinate Bond Fund, in accordance with the Eleventh Supplemental Indenture of Trust (the "Eleventh Supplemental Indenture") by and between the Authority and the Trustee, dated as of June 1, 2010.

Security and Source of Payment

Under the Indenture, the Authority may issue "Senior Debt" and "Subordinate Debt" from time to time. The Series 2015A/B Bonds will constitute Subordinate Debt under the Indenture. The Series 2015A/B Bonds will be secured by a pledge of Net Revenues that is subordinate to the pledge of Net Revenues that secures the Outstanding Senior Debt and any other Senior Debt the Authority may issue from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and any other Subordinate Debt the Authority may issue from time to time in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt. Prior to the issuance of the Series 2015A/B Bonds, \$1,833,041,188* aggregate principal amount of Subordinate Debt and \$676,870,000* aggregate principal amount of Senior Debt will be outstanding. See "OUTSTANDING INDEBTEDNESS." The Series 2015A/B Bonds will be payable solely from Net Revenues after the funding of certain Funds and Accounts established under the Indenture. The principal sources of Net Revenues are the payments received by the Authority pursuant to its rates and charges imposed for the use of and the services furnished by the System, as described in the Indenture. See "RATES AND CHARGES." The Series 2015A/B Bonds will not be secured by a Debt Service Reserve Fund.

The Series 2015A/B Bonds shall be special and limited obligations of the Authority. The Series 2015A/B Bonds shall be without recourse to the District. The Series 2015A/B Bonds shall not be general obligations of the District or of the Authority. The Series 2015A/B Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction, nor any agency or instrumentality of any User Jurisdiction shall

* Reflects principal payments to be made on October 1, 2015.

be liable thereon. The Series 2015A/B Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act of the District. The Authority has no taxing power.

The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt is outstanding. The right of acceleration of the Series 2015A/B Bonds is also subject to the requirement that acceleration of the Series 2015A/B Bonds may occur only in connection with the acceleration of all Subordinate Debt, and accordingly shall be subject to the rights of the holders (including bond insurers acting on behalf of the bondholders to the extent their policies so provide) of other Subordinate Debt. The Eighteenth Supplemental Indenture confers upon the holders of the Series 2015A/B Bonds comparable rights to direct the Trustee in the exercise of remedies (other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series 2015A/B Bonds from moneys in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series 2015A/B Bonds are discretionary with the Trustee and subject to the herein-described rights of the holders of the Bonds (the term "Bonds" as defined in the Indenture does not include Other System Indebtedness and Subordinate Debt). See "SECURITY FOR THE SERIES 2015A/B BONDS."

Rate Covenant and Financial Forecast

The Master Indenture includes a rate covenant as described below. Rates, fees and charges are established by the Authority and are not subject to regulatory approval, nor are they subject to other regulations under current law. In general, and as more fully described herein, the Rate Covenant provides that the Authority covenants to fix, charge, revise and collect rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that:

(i) Revenues collected by the Authority in such Fiscal Year will be sufficient to pay at least the actual Operating Expenses and required deposits and payments; and

(ii) Net Revenues shall be sufficient in each Fiscal Year to be at least equal to the sum of (a) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (b) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

See "SECURITY FOR THE SERIES 2015A/B BONDS – Rate Covenant." Financial information, including projections and projected debt service coverages are included in "FINANCIAL OPERATIONS – Projected Financial Operations" herein.

Capital Improvement Program

The Authority utilizes an annually adopted ten-year Capital Improvement Program (the "Capital Improvement Program" or the "CIP") to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its water and wastewater systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority, operations staff and senior management. The Authority intends to finance the costs of the CIP from a number of sources, including proceeds of the Series 2015A/B Bonds, future bonds and other forms of indebtedness, grants, certain operating revenues and wholesale customer contributions. As more fully described herein, the Authority estimates the cost of the current ten-year CIP at \$3.8 billion on a cash disbursement basis. The Board approved the CIP on February 5, 2015. See "CAPITAL IMPROVEMENT PROGRAM."

Concurrent Financings of the Authority

Concurrently with the authorization of the Series 2015A/B Bonds, the Authority expects to authorize an extendable municipal commercial paper program as Subordinate Debt (the "EMCP Notes"), in an amount not to exceed \$100 million, pursuant to the Indenture, as supplemented by a Nineteenth Supplemental Indenture. The following description is of the EMCP Notes as currently contemplated by the Authority.

The EMCP Notes will be Subordinate Debt, and issued from time to time to finance certain Costs of the System. The EMCP Notes will be issued pursuant to the Nineteenth Supplemental Indenture and an Issuing and Paying Agency Agreement between the Authority and U.S. Bank National Association, in its capacity as Issuing and Paying Agent (the "Issuing and Paying Agency Agreement"). Pursuant to the Issuing and Paying Agency Agreement, the Authority may issue EMCP Notes with an original maturity date that is neither less than one day nor greater than 90 days from the original issuance date thereof; provided, however, the Authority may elect to extend the maturity date of any such issued EMCP Notes to a date that is not later than 270 days after the original issue date of the relevant EMCP

Notes. If the maturity of any EMCP Note is extended by the Authority, such EMCP Note will bear interest at a predetermined rate as prescribed in the Issuing and Paying Agency Agreement. The EMCP Notes will not be secured by credit facility or liquidity facility, but will be solely secured by the Authority's pledge of Net Revenues subordinate to the pledge of Net Revenues that secures the Outstanding Senior Debt and any other Senior Debt the Authority may issues from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and any other Subordinate Debt the Authority may issue from time to time, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt. The Authority anticipates using any of cash, proceeds of other EMCP Notes, or proceeds of bonds to pay principal of outstanding EMCP Notes upon their maturity.

The issuance of the Series 2015A/B Bonds is not dependent upon the authorization of the EMCP Notes, and such Series 2015A/B Bonds will be sold separately and independently from the any EMCP Notes.

Miscellaneous

This Official Statement contains brief descriptions of the Series 2015A/B Bonds, the Authority, the System, the Capital Improvement Program, the Indenture and certain provisions of the Act. Such descriptions and the summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be comprehensive or definitive, and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Authority. All references to the Series 2015A/B Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority or the Underwriters and the purchasers or owners of any of the Series 2015A/B Bonds.

Inquiries regarding information about the Authority and the financial matters contained in this Official Statement may be directed to the Chief Financial Officer of the Authority at (202) 787-2000.

THE SERIES 2015A/B BONDS

General

The Series 2015A/B Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2015A/B Bonds will be calculated on the basis of a 360-day year of 12 30-day months, payable semi-annually on each April 1 and October 1, commencing [April 1, 2016] (each, an "Interest Payment Date"), and will mature on the dates and in the principal amounts as set forth on the inside cover page of this Official Statement.

Book-Entry Only System

The Series 2015A/B Bonds will be issued in fully registered form and, when issued, will be held by DTC or its nominee, as securities depository with respect to the Series 2015A/B Bonds. Individual purchases of interests in the Series 2015A/B Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Individual purchasers will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Series 2015A/B Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2015A/B Bonds will mean Cede & Co. and will not mean the beneficial owners ("Beneficial Owners") of the Series 2015A/B Bonds. Beneficial interests in the Series 2015A/B Bonds may be held through DTC directly as a participant or indirectly through organizations that are participants in such system. See APPENDIX E – "DTC Book-Entry Only System."

As long as the Series 2015A/B Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same-day funds on each Interest Payment Date. If the book-entry only system is discontinued, bond certificates will be delivered as described in the Indenture, and Beneficial Owners (as defined herein) will become registered owners of the Series 2015A/B Bonds (the "Bondholders"). If the book-entry only system is discontinued, interest on the Series 2015A/B Bonds shall be payable on each Interest Payment Date by check or draft mailed to the registered owner at the address as it appears on the 15th day of the month preceding an Interest Payment Date on the registration books kept by the Trustee.

Neither the Authority, the Trustee nor the Underwriters will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any beneficial owner to receive payment in the event of a partial redemption of the Series 2015A/B Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2015A/B Bonds. For more information on DTC and the book-entry only system, see APPENDIX E – "DTC Book-Entry Only System."

Redemption Provisions

*Optional Redemption**

The Series 2015A Bonds maturing on or after October 1, 20[___], are subject to optional redemption prior to maturity on or after October 1, 20[___], from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

The Series 2015B Bonds maturing on or after October 1, 20[___], are subject to optional redemption prior to maturity on or after October 1, 20[___], from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

*Mandatory Redemption**

The Series 2015A Bonds maturing on October 1 in the years 20[___] (the "Series 2015A Term Bonds"), are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in " – Selection of the Series 2015A/B Bonds to be Redeemed"), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Series 2015A Bonds called for redemption plus interest accrued to the redemption date.

* Preliminary; subject to change.

Series 2015A Term Bonds

Year	Amount
†	
† Final Maturity	

The Series 2015B Bonds maturing on October 1 in the years 20[___] (the “Series 2015B Term Bonds”), are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in “ – Selection of the Series 2015A/B Bonds to be Redeemed”), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Series 2015B Bonds called for redemption plus interest accrued to the redemption date.

Series 2015B Term Bonds

Year	Amount
†	
† Final Maturity	

The principal amount of the Series 2015A/B Bonds required to be redeemed on any redemption date pursuant to the operation of mandatory sinking fund redemption provisions will be reduced, at the option of the Authority, by the principal amount of any Series 2015A/B Bond scheduled for redemption on such redemption date or dates, that, at least 45 days prior to the mandatory sinking fund redemption date, (i) has been acquired by the Authority and delivered to the Trustee for cancellation, (ii) has been acquired and canceled by the Trustee, at the direction of the Authority, at a price not exceeding the principal amount of such Series 2015A/B Bond plus accrued interest to the date of acquisition thereof, or (iii) has been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory redemption. Upon such purchase of such Series 2015A/B Bonds, the Trustee shall then credit an amount equal to the principal of such Series 2015A/B Bonds so purchased towards the sinking fund installments for the Series 2015A/B Bonds of such maturity in such order as may be determined by the Authority in a certificate of an Authorized Official, which will direct the reduction of a ratable portion of each annual mandatory sinking fund installment requirement in accordance with the procedures set forth under “ – Selection of the Series 2015A/B Bonds to be Redeemed” below.

Selection of the Series 2015A/B Bonds to be Redeemed

The particular maturities of the Series 2015A/B Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If less than all of a Series 2015A/B Bond of a maturity is called for prior redemption and if the Series 2015A/B Bonds are registered in book-entry only form and DTC or a successor securities depository is the sole registered owner of such Series 2015A/B Bonds, the particular Series 2015A/B Bonds or portions thereof to be redeemed shall be selected by DTC in accordance with DTC procedures, or, if the book-entry only system is discontinued, by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (i) the portion of any Series 2015A/B Bond to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and (ii) in selecting Series 2015A/B Bonds for redemption, each Series 2015A/B Bond shall be considered as representing that number of the Series 2015A/B Bonds that is obtained by dividing the principal amount of such Series 2015A/B Bond by \$5,000.

Notice of Redemption

The Authority shall not be responsible for mailing a notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2015A/B Bonds. If no qualified securities depository is the registered owner of the Series 2015A/B Bonds, a

notice of redemption shall be mailed to the registered owners of the Series 2015A/B Bonds. See “THE SERIES 2015A/B BONDS – Book-Entry Only System.”

The Trustee shall send notice of the call for redemption, identifying the Series 2015A/B Bonds or portions thereof to be redeemed, not fewer than 20 days prior to the redemption date or such shorter period as may be acceptable to DTC while the Series 2015A/B Bonds are in book-entry form and registered to DTC (i) by registered or certified mail or overnight express delivery, to the holder of each Series 2015A/B Bond to be redeemed at the address as it appears on the registration books kept by the Trustee, (ii) by registered or certified mail or overnight express delivery, to all organizations registered as securities depositories with the SEC and (iii) to each nationally recognized municipal securities information repository designated as such by the SEC. Failure to give any notice specified in (i) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2015A/B Bond with respect to which no such failure or defect has occurred. Failure to give any notice specified in (ii) or (iii) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2015A/B Bond with respect to which the notice specified in (i) above is correctly given. If the notices of redemption are sent before there is sufficient money on deposit in the applicable fund or account to pay the full redemption price of the Series 2015A/B Bonds, the notice of redemption of the Series 2015A/B Bonds shall specify that the redemption is conditional upon there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2015A/B Bonds to be redeemed.

Any notice of redemption shall be mailed by first-class mail, postage prepaid. Notice of redemption also shall be given by Electronic Means to a Depository. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

PLAN OF FINANCE

A portion of the proceeds of the Series 2015A Bonds will be used to pay the costs of the Series 2015A Project. For a description of the DC Clean Rivers Project in this Official Statement, see “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Combined Sewer Overflow Projects.” Such proceeds will be deposited in the 2015A Construction Account. The proceeds therein will be invested in Permitted Investments pursuant to the Indenture. As shown below in “SOURCES AND USES OF FUNDS”, the remainder of the proceeds of the Series 2015A Bonds will be used to pay costs of issuing the Series 2015A Bonds.

Based on the results of an independent assessment by Vigeo of the Series 2015A Project’s environmental, social, and governance characteristics, the Authority has designated the Series 2015A Project as a “Green Project” and the Series 2015A Bonds as “Green Bonds.”* The Authority will report annually on the allocation of proceeds to the Series 2015A Project and on certain environmental and social outcomes of the Series 2015A Project. See “INDEPENDENT SUSTAINABILITY CONSULTANT OPINION LETTER” and APPENDIX G – “Opinion of Independent Sustainability Consultant.”

A portion of the proceeds of the Series 2015B Bonds will be used to pay the costs of the Series 2015B Project. See “CAPITAL IMPROVEMENT PROGRAM.” Such proceeds will be deposited in the 2015B Construction Account. The proceeds therein will be invested in Permitted Investments pursuant to the Indenture. A separate portion of the proceeds of Series 2015B Bonds will be used to pay, at their stated maturity, principal of and interest on the Series B CP Notes. As shown below in “SOURCES AND USES OF FUNDS”, the remainder of the proceeds of the Series 2015B Bonds will be used to pay costs of issuing the Series 2015B Bonds.

* The terms “Green Bond” and “Green Project” are not defined in and do not relate to the Indenture, and are used herein for identification purposes only.

SOURCES AND USES OF FUNDS*

The proceeds of the Series 2015A/B Bonds are expected to be applied as follows:

Sources of Funds*	
Par Amount of Series 2015A Bonds	\$
Par Amount of Series 2015B Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	\$
 Uses of Funds*	
Deposit to 2015A Construction Account	\$
Deposit to 2015B Construction Account	
Retire Series B CP Notes	
Underwriters' Discount	
Other Costs of Issuance	
Total Uses	\$

SECURITY FOR THE SERIES 2015A/B BONDS

Pledge of the Master Indenture

General

Upon adoption of the Authorizing Resolution, the Series 2015A/B Bonds will be authorized and when issued will be done so in accordance with the statutes of the District and the United States, and will constitute valid and legally binding special and limited obligations of the Authority.

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go in effect to meet the Rate Covenant (as defined herein) immediately after the issuance of such Subordinate Debt under the Indenture, payable solely from the Net Revenues of the System, subject to the prior payment of the principal of and interest due and payable on the Outstanding Senior Debt and any other Senior Debt hereafter issued or incurred by the Authority, the replenishment of the Debt Service Reserve Fund for the Senior Debt and the funding of the Operating Reserve Fund and the Renewal and Replacement Reserve Fund.

The Series 2015A/B Bonds will constitute Subordinate Debt under the Indenture, payable solely from the Net Revenues of the System. The Series 2015A/B Bonds are payable and secured on a subordinate basis with the Outstanding Senior Debt and any other Senior Debt hereafter issued or incurred by the Authority pursuant to the Indenture, and on a parity basis with the Outstanding Subordinate Debt and any other Subordinate Debt hereafter issued or incurred by the Authority pursuant to the Indenture. The Authority expects to issue additional Senior Debt and Subordinate Debt in the future. For a list of the Authority's Outstanding Senior Debt and Subordinate Debt, see "OUTSTANDING INDEBTEDNESS."

The Master Indenture defines "Senior Debt" as Bonds and Other System Indebtedness, and "Bonds" as bonds, notes or other obligations issued pursuant to the Master Indenture, but not including Other System Indebtedness and Subordinate Debt. "Other System Indebtedness" means any indebtedness issued or incurred in connection with the System that the Authority is required, or has elected, to treat as payable on a parity basis with the Bonds with respect to the pledge of Net Revenues. "Subordinate Debt" means bonds, notes or other obligations issued in connection with the System that are expected to be paid from and have pledged to their payment Net Revenues on a subordinate lien basis after the pledge of Net Revenues to Senior Debt.

The Indenture pledges to the payment of the principal of and premium, if any, and interest on all Senior Debt and Subordinate Debt (at their respective levels of priority of security) that may from time to time be outstanding: (i) all right, title and interest of the Authority in and to the Net Revenues; (ii) all moneys or securities in any of the funds or Accounts established under the Indenture (other than the Operating Fund, and all Accounts in the Construction Fund other than the Construction Account, except to the extent a specific Account or subaccount therein relates, and is

* Preliminary; subject to change.

pledged, solely to specific series of Bonds or Subordinate Debt); and (iii) all rights and privileges of every kind and nature appurtenant to, all proceeds of, and all right, title and claim which the Authority now or may hereafter acquire in the aforesaid property, subject only to the provisions of the Indenture and the Act relating to the use and application thereof. Furthermore, the Indenture provides for specific Accounts in the Debt Service Reserve Fund to be pledged solely to the Senior Debt to which they relate and specific Accounts in the Subordinate Debt Service Reserve Fund to be pledged solely to the Subordinate Debt to which they relate. No Account in the Debt Service Reserve Fund has been established for any Outstanding Subordinate Debt or will be established for the Series 2015A/B Bonds.

Direct Payment Bonds and the Effect of Sequestration on Direct Payments

The Direct Payments on the Series 2010A Bonds (as described herein) do not constitute Revenues under the Indenture and so are not part of the pledged Net Revenues, but the Twelfth Supplemental Indenture provides that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied.

On October, 26, 2010, the Twelfth Supplemental Indenture amended the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment is related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment is related to Subordinate Debt. This amendment became effective upon the execution of the Twelfth Supplemental Indenture.

On November 20, 2014, the Twelfth Supplemental Indenture amended the Master Indenture to provide that, for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made (whether previously issued or proposed to be issued by the Authority) in connection with any proposed issuance of additional Bonds or Other System Indebtedness, the amount of any Direct Payment expected to be received by the Authority or the Trustee in the then current or any future Fiscal Year shall be credited against the Annual Debt Service on such Direct Payment BABs. This amendment became effective upon the issuance of the Authority's Series 2014C Bonds, in connection with which the Authority obtained the required consent of a majority (specifically, 50.5%) of the Holders of the Outstanding Bonds.

The Series 2010A Bonds are Build America Bonds, a form of "direct payment bonds." An amount equal to thirty-five percent (35%) of the Authority's semiannual interest payments on the Series 2010A Bonds is to be paid to the Authority by the federal government in the form of Direct Payments. It is possible that the Direct Payments could be reduced or discontinued or that the timing of their receipt could be changed. For example, the Direct Payments expected to be received by the Authority with respect to the Series 2010A Bonds will be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (the "Budget Control Act"), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration – automatic spending cuts to federal spending in designated agencies and programs – was triggered. Sequestration resulted in cuts in federal programs to states and localities, including payments to issuers of direct payment bonds such as the Series 2010A Bonds.

On February 2, 2015, the President signed an executive order (the "Sequestration Order") reducing the spending authority in accounts subject to sequestration in accordance with the Report of the Office of Management and Budget ("OMB") to the Congress for Fiscal Year 2016. According to the OMB report for Fiscal Year 2016, interest subsidy payments to issuers of direct payment bonds processed on or after October 1, 2015, through and including September 30, 2016, will be reduced by 6.8%, unless intervening Congressional action changes the reduction percentage.

The Sequestration Order does not affect interest subsidy payments for future years, but under the Budget Control Act there may be additional sequester orders for future fiscal years through and including fiscal year 2024. Any such additional sequester order signed by the President may or may not establish a different reduction value – e.g., the fiscal year 2015 reduction was 7.3%.

The largest Direct Payment the Authority currently expects to collect in any future year is \$5,710,149; 6.8% of that amount is approximately \$388,290. The Authority cannot predict by what percentage, if any, cuts may be made to interest subsidy payments in the future. The projected financial operations of the Authority, as presented herein (see "FINANCIAL OPERATIONS – Projected Financial Operations"), assume that Direct Payments will be 32% of the interest payments on Series 2010A Bonds in each year starting in Fiscal Year 2017. The projected debt service shown in "DEBT SERVICE REQUIREMENTS – Outstanding Senior and Subordinate Debt" reflects the known subsidy

reduction of 7.3% for Fiscal Year 2015 and 6.8% for Fiscal Year 2016, and assumes Direct Payments equal to 32% of the interest payments on Series 2010A Bonds in each year starting in Fiscal Year 2017. The Authority is obligated to make all payments of principal of and interest on the Series 2010A Bonds whether or not such Direct Payments are received.

Limited Remedies of Holders of Subordinate Debt

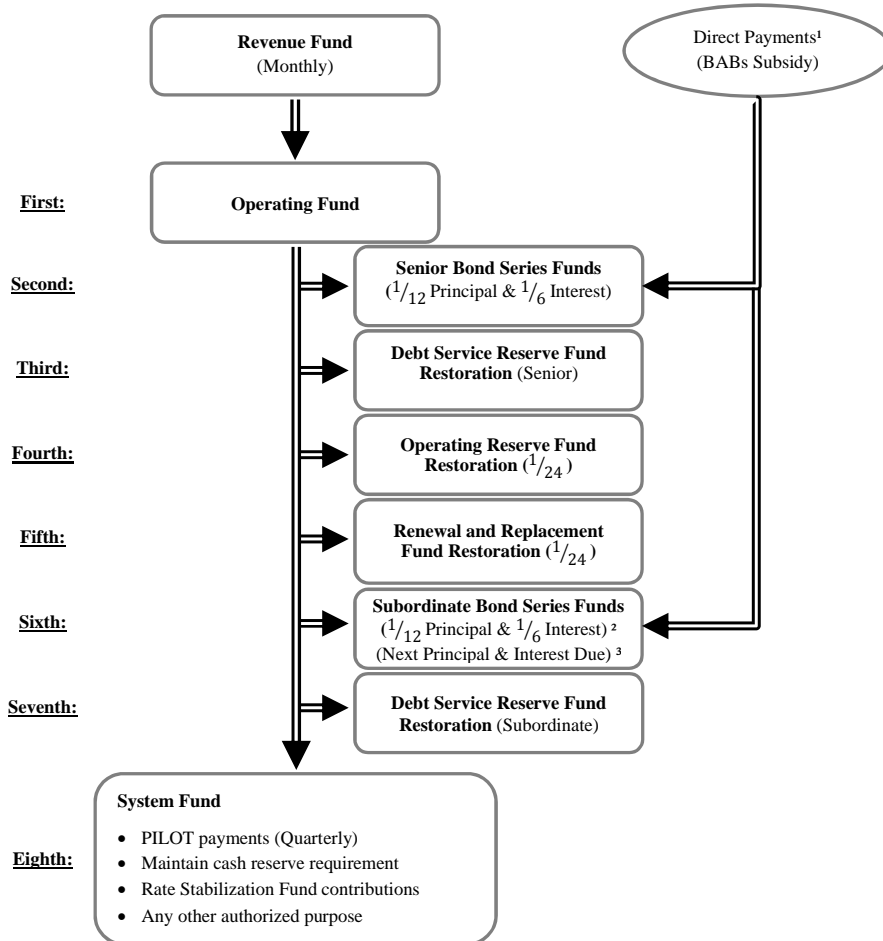
The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt (including Bonds) is outstanding. In addition, the acceleration of the Series 2015A/B Bonds may occur only in connection with the acceleration of all Subordinate Debt. Therefore, the right of acceleration of the Series 2015A/B Bonds also is subject to the rights of the holders (including bond insurers acting on behalf of the holders to the extent their bond insurance policies provide) of other Subordinate Debt. The Indenture confers upon the holders of not less than 25% of the aggregate principal amount of Outstanding Bonds (which includes Senior Debt only, not Subordinate Debt) the right to direct the Trustee to protect and enforce their rights by mandamus or other suit, action or proceeding, and confers upon the holders of a majority of the aggregate principal amount of Outstanding Bonds the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, in accordance with the provisions of law and the Indenture. The Indenture does not confer those rights upon any specified percentage of the holders of Subordinate Debt, including the Series 2015A/B Bonds. The Eighteenth Supplemental Indenture confers upon the holders of the Series 2015A/B Bonds comparable rights to direct the Trustee in the exercise of remedies (other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series 2015A/B Bonds from money in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series 2015A/B Bonds is discretionary with the Trustee and subject to the above-described rights of the holders of Bonds.

Flow of Funds

The Authority deposits all revenues, as received, in the Revenue Fund. The chart below depicts a simplified flow of Revenues required by the Indenture after being deposited into the Revenue Fund. This chart is for illustrative purposes only, is in no way comprehensive or definitive, and must be read in conjunction with the entire Official Statement.

[Balance of page intentionally left blank]

Indenture Revenue Flow of Funds



¹ The Twelfth Supplemental Indenture amended the above-described deposit requirements in the Master Indenture by providing that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied.

²For fixed rate Subordinate Debt

³For variable rate Subordinate Debt

Finance and Budget Committee - 4. Action Items

Pursuant to the Indenture, all Revenues received by the Authority shall be deposited in the Revenue Fund to be held by the Authority; provided, however, that upon an Event of Default, the Authority will transfer all amounts in all Authority-held funds to the Trustee, and the Trustee shall hold such moneys in trust for the benefit of the holders of Indebtedness.

Each month, the Authority shall transfer from the Revenue Fund to the Operating Fund an amount sufficient to pay Operating Expenses during such month. Thereafter, Net Revenues shall be disbursed on the last Business Day of each month in the following order (as noted above, the term "Series of Bonds" refers to Senior Debt):

- i. To the subaccounts in the Interest Account established for each Series of Bonds the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds, and an amount equal to 1/6 of the interest due on each Series of Bonds to pay interest required to be paid on any interest payment date related to such Series of Bonds.
- ii. On a parity with (i) above, to the subaccounts in the Principal Account established for each Series of Bonds and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds and an amount equal to 1/12 of the principal due on each Series of Bonds.
- iii. To the applicable Account in the Debt Service Reserve Fund with respect to each Series of Bonds the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement. For a description of the requirements for and the uses of the Debt Service Reserve Fund, see "Certain Reserve Funds – Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund" below.
- iv. To the Operating Reserve Fund the amounts, if any, necessary to restore the amounts on deposit therein to the Operating Reserve Requirement, which requirement shall be funded within 24 months of any withdrawal and replenished from time to time by depositing 1/24 of the Operating Reserve Requirement on the last Business Day of each month after such withdrawal, if necessary. For a description of the requirements for and the uses of the Operating Reserve Fund, see "Certain Reserve Funds – Operating Reserve Fund" below.
- v. To the Renewal and Replacement Reserve Fund, to the extent that there has been a withdrawal from such fund, the Authority shall deposit Net Revenues to the fund, in the amounts necessary to make the amounts on deposit therein equal to the Renewal and Replacement Reserve Requirement. Such withdrawn amounts shall be funded within 24 months by depositing in such fund 1/24 of the Renewal and Replacement Reserve Requirement on the last Business Day of each month after such withdrawal. For a description of the uses of the Renewal and Replacement Reserve Fund, see "Certain Reserve Funds – Renewal and Replacement Reserve Fund" below.
- vi. To the Subordinate Bond Fund, the amount equal to the deposits to such funds and Accounts required by the related Supplemental Indentures or other documents evidencing such debt. Generally, an amount equal to 1/6 of the interest and 1/12 of the principal next due on any fixed rate Subordinate Debt shall be deposited each month, and generally an amount equal to interest and principal next due on any variable rate Subordinate Debt shall be deposited prior to any date on which such interest and principal is due.
- vii. To the applicable Account, if any, in the Subordinate Debt Service Reserve Fund with respect to each Subordinate Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Subordinate Debt Reserve Requirement or to reimburse the provider of any Qualified Reserve Credit Facility for amounts drawn thereunder and to pay related costs.
- viii. To the System Fund, any moneys remaining in the Revenue Fund, after all deposits and transfers required by (i) through (vii) above have been made. Moneys in the System Fund may be used for any authorized purpose. On the following dates, moneys on deposit in the System Fund shall be used to make the following payments:
 - (a) on each May 15, and quarterly thereafter, to the District to make the payment in lieu of taxes (the "PILOT") required by the District Memorandum of Understanding relating to the PILOT dated January 29, 1998, as amended;

- (b) on each September 1, an amount retained by the Authority in the System Fund necessary to satisfy the Cash Reserve Requirement (\$125.5 million as of the date of this Official Statement); and
- (c) on each September 30, to the Rate Stabilization Fund, the amount that the Board determines based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval not later than its regularly scheduled meeting in July of each Fiscal Year. For a description of the uses of the Rate Stabilization Fund, see "Certain Reserve Funds – Rate Stabilization Fund" below.

The Twelfth Supplemental Indenture amended the above-described deposit requirements in the Master Indenture by providing that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied. See "– Pledge of Master Indenture – Direct Payment Bonds and Effect of Sequestration on Direct Payments" above.

For a more extensive discussion of the terms and provisions of the Indenture including the security for the Series 2015A/B Bonds, the funds and Accounts established by the Indenture and the purposes to which moneys in such funds and Accounts may be applied, see APPENDIX C – "Glossary and Summary of the Indenture."

Certain Reserve Funds

Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund. The Indenture creates a Debt Service Reserve Fund and a Subordinate Debt Service Reserve Fund, each to be held by the Trustee. The Indenture permits, but does not require, the Authority to specify a debt service reserve requirement for each issuance of Senior Debt or Subordinate Debt and to make provision for the means by which any such reserve requirements will be met. The Authority will not specify a debt service reserve requirement for the Series 2015A/B Bonds.

Operating Reserve Fund. The Master Indenture creates an Operating Reserve Fund in which the Authority must maintain a balance equal to at least 60 days of operating and maintenance expenses of the prior year. Money in the Operating Reserve Fund shall be used to pay, to the extent necessary, Operating Expenses of the Authority. In addition, to the extent that amount on deposit in the Bond Fund is insufficient to make the required interest and principal payments on Senior Debt, money in the Operating Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Board has adopted a policy of funding operating reserves to a level in excess of that required by the Master Indenture. See "– Discretionary Reserves" below. As of March 31, 2015, the balance in the Operating Reserve Fund was \$46.1 million, which represents 60 days of operating and maintenance expenses.

Renewal and Replacement Reserve Fund. The Master Indenture creates a Renewal and Replacement Reserve Fund to be held by the Authority to provide funding for unforeseen or emergency needs. Money in the Renewal and Replacement Reserve Fund may be used to pay for any capital expenditures related to the System. In addition, to the extent that the amounts on deposit in the Bond Fund and the Operating Reserve Fund are insufficient to make the required interest and principal payments on Senior Debt, money in the Renewal and Replacement Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Master Indenture allows this requirement to be met if an amount equal to 2% of original plant in service cost, or some other amount as approved by the Board, is held by the Authority. The Board has adopted a policy requiring the Authority to maintain a balance of at least \$35 million in the Renewal and Replacement Reserve Fund. As of March 31, 2015, the balance in the Renewal and Replacement Reserve Fund was \$35.0 million.

Rate Stabilization Fund. The Master Indenture creates a Rate Stabilization Fund to be held by the Authority, the moneys in which may be transferred by the Authority to the Revenue Fund at any time. The Board has adopted a policy allowing moneys to be transferred to the Rate Stabilization Fund from the System Fund annually based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval during the fourth quarter of each Fiscal Year, and at other times at the direction of the Board. The Authority withdrew moneys from the Rate Stabilization Fund in 2014, and expects to withdraw additional funds in 2015, 2017, and 2019, to reduce rate increases that might otherwise be required. See "FINANCIAL OPERATIONS – Reserve Funds – Rate Stabilization Fund." The Rate Stabilization Fund has no minimum balance requirements. As of March 31, 2015, the balance in the Rate Stabilization Fund was \$22.5 million. See also "FINANCIAL OPERATIONS – Projected Financial Operations."

Discretionary Reserves. The Board has adopted a policy of funding operating reserves at a level in excess of the 60-day operating and maintenance reserve required by the Master Indenture. To comply with the Board's policy, the Authority is required to have cash reserves equal to 120 days of budgeted operating and maintenance costs calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. For purposes of calculating this requirement, the balances in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund are included. For Fiscal Year 2015, the operating reserves requirement is \$125.5 million. As of March 31, 2015, the Authority had an operating reserve cash balance of \$146.0 million which exceeded the Board's policy requirement.

In Fiscal Year 2013, Amawalk independently evaluated the adequacy of the Authority's reserves and concluded that the current Board policy provides for an appropriate level of reserves.

Rate Covenant

Master Indenture Covenant. The Master Indenture includes a rate covenant (the "Rate Covenant") as described below. Rates, fees and charges are established by the Authority and are not subject to regulatory approval, nor are they subject to other regulations under current law. (For a description of the pledge of the District not to limit or alter rights vested in the Authority to fulfill agreements made with holders of its bonds, see "COVENANT BY THE DISTRICT OF COLUMBIA.") The Authority has never failed to satisfy the Rate Covenant, which provides that the Authority shall fix, charge, revise and collect rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that:

- i. Revenues collected by the Authority in such Fiscal Year will be sufficient to pay at least: (a) the actual Operating Expenses; (b) Annual Debt Service on Senior Debt; (c) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (d) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (e) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (f) any amount necessary to make any PILOT payments in such Fiscal Year; and
- ii. Net Revenues shall be sufficient in each Fiscal Year to be at least equal to the sum of (a) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (b) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

If at the end of any Fiscal Year the Authority is not in compliance with the Rate Covenant, or if the Authority fails for three consecutive months to make the deposits required under the Indenture to the Interest Account and the Principal Account (or the Sinking Fund Account, as applicable) or there is a deficiency in a Series Debt Service Reserve Account for longer than three consecutive months, the Authority shall immediately request a Qualified Independent Consultant to submit a written report and recommendations with respect to increases in the Authority's rates, fees and other charges and improvements in the operations of and the services rendered by the System and the Authority's accounting and billing procedures necessary to bring the Authority into compliance with the Rate Covenant. The report and recommendations shall be filed with the Trustee and the Authority within 120 days from the date of discovery of noncompliance with the Rate Covenant. The Authority shall promptly revise its rates, fees and charges, and alter its operations and services to conform with the report and recommendations of the Qualified Independent Consultant to the extent permitted by law.

Deposit and Crediting of Direct Payments. The Twelfth Supplemental Indenture amended the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment related to Subordinate Debt. This amendment became effective upon the execution of the Twelfth Supplemental Indenture. See "SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

Additional Board Policy. In addition to the Rate Covenant described above, in 1997, the Board adopted a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. See "FINANCIAL OPERATIONS – Financial Policies." To date, the Authority consistently has met or exceeded this policy goal. There

can be no assurance, however, that the Board will not change this financial policy or that the Authority will continue to meet this policy goal.

Additional Senior Debt

The Indenture provides that the Authority may issue additional Senior Debt and Other System Indebtedness, including Bonds, to pay Costs of the System only upon satisfaction of certain requirements, including, among other things, receipt by the Trustee of the following:

- iii. evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement; and
- iv. either: (a) a certificate of the Authorized Representative of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant taking into account (1) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (2) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds; or (b) a written statement of a Qualified Independent Consultant, which projects Operating Expenses, Revenues and Net Revenues for five full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and which demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

If any Bonds are issued to refund any Indebtedness, the Trustee must receive the following:

- i. evidence that the Authority has made provision as required by the Indenture for the payment or redemption of all Indebtedness to be refunded; and
- ii. either: (a) a written determination by the Authorized Representative of the Authority that the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Indebtedness not to be refunded will not increase more than 5% over what the Annual Debt Service requirements for such Fiscal Year would have been on all Senior Debt immediately prior to the issuance of such Bonds, and that the final maturity of Indebtedness being refunded has not been extended; or (b) a certificate of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant, taking into account (1) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (2) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds; or (c) a written statement of a Qualified Independent Consultant, that projects Operating Expenses, Revenues and Net Revenues for five full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and that demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

The Authority may incur or refinance Other System Indebtedness provided that: (i) the documents relating to the Other System Indebtedness acknowledge that such debt constitutes Other System Indebtedness under the Master Indenture and is subject to the applicable terms and conditions thereof, and specify the amounts and due dates of Annual Debt Service with respect to the Other System Indebtedness; (ii) the conditions of the Master Indenture regarding the issuance of Bonds have been met as if the Other System Indebtedness was an additional Series of Bonds; (iii) the Trustee receives written notice of the issuance of the Other System Indebtedness and the material terms and conditions thereof, and the Trustee shall register the holder as owner thereof as such on its books and records; and (iv) the Trustee receives an Opinion of Counsel that the documents creating the Other System Indebtedness have been duly authorized, executed and delivered on behalf of the Authority and constitute valid, binding and enforceable obligations. In connection with the incurrence of any Other System Indebtedness, the Trustee shall enter into an intercreditor arrangement with the holder of such Other System Indebtedness, the terms of which shall be determined at the time of incurrence of such Other System Indebtedness.

The Authority has modified the Master Indenture to include provisions regarding the crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds or Other System Indebtedness. See "SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

Additional Subordinate Debt

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. The Authority has modified the Master Indenture to include provisions regarding the crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or other Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds, Subordinate Debt or Other System Indebtedness. See “SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payment Bonds and the Effect of Sequestration on Direct Payments.”

[Balance of page intentionally left blank]

Finance and Budget Committee - 4. Action Items

DEBT SERVICE REQUIREMENTS

Outstanding Senior and Subordinate Debt

The following tables set forth the annual principal and interest requirements for (i) Outstanding Senior Debt, (ii) Outstanding Subordinate Debt and (iii) the Series 2015A/B Bonds, as well as annual and aggregate totals.

Fiscal Year Ending September 30	Total Senior Debt ¹	Outstanding Subordinate Debt 1, 2, 3, 4, 5, 6	Direct payments Relating to Series 2010A Bonds	Series 2015A Bonds			Series 2015B Bonds			Total Subordinate Debt ¹⁰	Total Senior and Subordinate Debt
				Principal	Interest	Total	Principal	Interest	Total		
2015	\$ 55,146,139	\$ 97,140,140	\$ (5,293,308)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,846,832	\$ 146,992,971	
2016	\$ 52,121,700	\$ 100,228,939	\$ (5,321,859)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,907,081	\$ 147,028,781	
2017	\$ 52,331,650	\$ 101,865,506	\$ (5,220,707)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,644,799	\$ 148,976,449	
2018	\$ 52,592,800	\$ 101,663,602	\$ (5,220,707)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,442,894	\$ 149,035,694	
2019	\$ 52,960,475	\$ 101,869,802	\$ (5,220,707)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,649,094	\$ 149,609,569	
2020	\$ 47,917,125	\$ 110,502,610	\$ (5,220,707)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,281,902	\$ 153,199,027	
2021	\$ 47,914,250	\$ 110,430,411	\$ (5,161,933)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,268,478	\$ 153,182,728	
2022	\$ 47,914,125	\$ 110,363,379	\$ (5,099,176)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,264,203	\$ 153,178,328	
2023	\$ 47,918,725	\$ 110,289,788	\$ (5,033,083)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,256,705	\$ 153,175,430	
2024	\$ 32,659,750	\$ 125,471,143	\$ (4,963,430)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,507,713	\$ 153,167,463	
2025	\$ 32,663,475	\$ 125,369,588	\$ (4,878,673)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,490,914	\$ 153,154,389	
2026	\$ 32,663,225	\$ 125,283,837	\$ (4,791,835)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,492,002	\$ 153,155,227	
2027	\$ 32,663,175	\$ 125,182,776	\$ (4,702,827)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,479,949	\$ 153,143,124	
2028	\$ 32,662,225	\$ 125,090,178	\$ (4,611,477)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,478,701	\$ 153,140,926	
2029	\$ 24,549,275	\$ 132,985,368	\$ (4,426,435)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,558,933	\$ 153,108,208	
2030	\$ 24,549,275	\$ 132,777,919	\$ (4,232,061)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,545,858	\$ 153,095,133	
2031	\$ 24,549,275	\$ 132,429,472	\$ (4,034,152)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,395,320	\$ 152,944,595	
2032	\$ 24,549,275	\$ 132,347,846	\$ (3,830,589)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,517,257	\$ 153,066,532	
2033	\$ 24,549,275	\$ 132,107,614	\$ (3,618,456)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,489,158	\$ 153,038,433	
2034	\$ 24,549,275	\$ 133,594,264	\$ (3,399,962)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,194,302	\$ 154,743,577	
2035	\$ 24,549,275	\$ 127,075,150	\$ (3,174,929)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,900,221	\$ 148,449,496	
2036	\$ 56,629,275	\$ 95,037,223	\$ (2,944,242)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,092,981	\$ 148,722,256	
2037	\$ 56,734,875	\$ 94,242,546	\$ (2,705,427)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,537,120	\$ 148,271,995	
2038	\$ 56,827,625	\$ 92,721,561	\$ (2,459,985)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,261,576	\$ 147,089,201	
2039	\$ 57,007,575	\$ 91,856,578	\$ (2,207,298)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,649,279	\$ 146,656,854	
2040	\$ 16,849,000	\$ 131,615,304	\$ (1,948,692)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,666,612	\$ 146,515,612	
2041	\$ 16,849,000	\$ 110,520,470	\$ (971,165)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,549,305	\$ 126,398,305	
2042	\$ 16,849,000	\$ 112,217,364	\$ (741,097)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,476,268	\$ 128,325,268	
2043	\$ 16,849,000	\$ 112,078,534	\$ (502,723)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,575,811	\$ 128,424,811	
2044	\$ 16,849,000	\$ 111,942,852	\$ (255,779)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,687,073	\$ 128,536,073	
2045	\$ 16,849,000	\$ 40,071,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,071,266	\$ 56,920,266	
2046	\$ 16,849,000	\$ 40,074,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,074,675	\$ 56,923,675	
2047	\$ 16,849,000	\$ 40,072,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,072,775	\$ 56,921,775	
2048	\$ 16,849,000	\$ 40,075,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,075,313	\$ 56,924,313	
2049	\$ 16,849,000	\$ 11,875,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,875,123	\$ 28,724,123	
2050	\$ 16,849,000	\$ 11,873,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,873,750	\$ 28,722,750	
2051 - 2104 ⁷	\$ 16,849,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,849,000	
2105	\$ 44,918,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,000	
2106	\$ 44,917,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,917,758	
2107	\$ 44,918,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,480	
2108	\$ 44,917,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,917,986	
2109	\$ 44,918,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,053	
2110	\$ 44,918,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,215	
2111	\$ 44,917,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,917,860	
2112	\$ 44,918,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,233	
2113	\$ 44,918,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,340	
2114	\$ 44,918,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,918,040	
Total⁸	\$ 2,563,539,078	\$ 3,630,344,666	\$ (112,193,422)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,518,151,244	\$ 6,081,690,323	

Finance and Budget Committee - 4. Action Items

¹ Amounts due October 1 are shown as debt service for the preceding Fiscal Year ending September 30 (since the amounts actually are required to be set aside in such Fiscal Year). For example, debt service payments due October 1, 2015, are shown in the Fiscal Year ending September 30, 2015.

² Outstanding Subordinate Debt is calculated excluding the impact of the direct payment of the federal BABs subsidy related to the Series 2010A Bonds.

³ Series 2012B-2 Bonds have a variable rate based on SIFMA plus a spread to that benchmark of 58 bps. For calculation of the debt service requirement, the all-inclusive rate was assumed to be 1.00% in 2015, 2% in 2016 and 3.25% thereafter.

⁴ The Authority currently has \$91.2 million of Commercial Paper outstanding, of which DC Water intends to repay all or a portion with the Series 2015B Bonds. Debt service is based on a hypothetical amortization of the full outstanding amount at 20 years with an assumed interest rate of 3.25%.

⁵ Includes the Authority's Debt Service requirements for Government Notes associated with Jennings Randolph.

⁶ Series 2014B Bonds are weekly-reset variable rate bonds payable through a Liquidity Facility provided by TD Bank, N.A. For calculation of the projected debt service requirement, the all-inclusive rate was assumed to be 1.00% in 2015, 2% in 2016 and 3.25% thereafter. The debt is assumed to amortize in FY 2041 - FY 2050.

⁷ Amounts shown for FY 2051 - FY 2104 are annual totals for each fiscal year and do not represent the cumulative total.

⁸ Amounts represent cumulative totals for all fiscal years shown. Totals from consolidated rows are included.

⁹ [Reserved]

¹⁰ Total Subordinate Debt is calculated including the impact of the direct payment of the federal BABs subsidy related to the Series 2010A Bonds. With respect to the effect of sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, a reduction of 7.3% was applied for 2015 and a reduction of 6.8% was applied for 2016. Thereafter, the subsidy amount is assumed to be 32% of the interest payments. See "SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

List of Outstanding Indebtedness

A table summarizing the Authority’s existing indebtedness as of August 26, 2015, is set forth below. For a summary of the annual debt service payments for the Authority’s existing indebtedness, see “FINANCIAL OPERATIONS – Debt Service.”

Outstanding Indebtedness				
(\$ in thousands)				
	Original Principal Amount	Interest Rates	Final Maturity	Amount Outstanding ¹
Senior Debt				
Series 1998 Bonds	\$ 266,120	5.50-6.00%	2028	\$ 183,660
Series 2009A Bonds	300,000	3.00-5.50	2039	159,520
Series 2014A Bonds	350,000	4.814	2114	350,000
Total Senior Debt				\$ 693,180
Subordinate Debt				
Series 2007A Bonds	\$ 218,715	4.75-5.00%	2038	\$ 115,580
Series 2008A Bonds	290,375	5.00	2034	168,190
Series 2010A Bonds	300,000	4.07-5.52 ²	2044	300,000
Series 2012A Bonds	177,430	3.00-5.00	2037	168,405
Series 2012B-2 Bonds	47,310	N/A ³	2040	47,310
Series 2012C Bonds	163,215	4.00-5.00	2033	163,215
Series 2013A Bonds	300,000	4.75-5.00	2048	300,000
Series 2014B Bonds	100,000	N/A ⁵	2050	100,000
Series 2014C Bonds	377,700	3.00-5.00	2044	377,700
Government Notes				
Jennings Randolph Reservoir Debt	\$ 18,269	3.25%	2041	\$ 13,216
Commercial Paper Notes (“CP Notes”)⁶				
Series B CP Notes (tax-exempt)	N/A	0.05-0.11%	2020 ⁴	62,000
Series C CP Notes (taxable)	N/A	0.16-0.18	2020 ⁴	29,200
Total Subordinate Debt				\$ 1,844,816
Total				\$ 2,537,946

¹ Amounts outstanding do not reflect any amortization of accrued principal.

² Taking into account the Direct Payment subsidy, the Series 2010A Bonds had an all-in-true interest cost of 3.6%. With respect to the effect of sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, see “SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payments and the Effect of Sequestration on Direct Payments.”

³ Series 2012B-2 Bonds have a variable rate based on SIFMA plus 58 basis points. As of [____], 2015, SIFMA was [__] basis points.

⁴ Final maturity of the CP Notes reflects expiration of current credit facility.

⁵ The Series 2014B Bonds are weekly-reset variable rate bonds supported by a Liquidity Facility provided by TD Bank, N.A.

⁶ Maximum amount authorized for the CP Notes is \$150 million; the Series A CP Notes have been retired.

Source: Authority records.

Outstanding Senior Debt

As indicated above, as of August 26, 2015, the Authority had Senior Debt outstanding in the aggregate principal amount of \$693,180,000 consisting of its Public Utility Senior Lien Revenue Bonds, Series 1998 (the “Series 1998 Senior Bonds”), its Public Utility Senior Lien Revenue Bonds, Series 2009A (the “Series 2009A Senior Bonds”), and its Public Utility Senior Lien Revenue Bonds, Series 2014A (Federally Taxable) (Green Bonds) (the “Series 2014A Senior Bonds”). The Authority expects to issue additional Senior Debt in the future to finance capital improvements to the System. See “CAPITAL IMPROVEMENT PROGRAM.” Upon the issuance of the Series 2015A/B Bonds, the amount of Outstanding Senior Debt will be \$676,870,000.

Outstanding Subordinate Debt

The Subordinate Debt summarized above consists of the following categories of outstanding debt: (i) Subordinate bonds; (ii) Government Notes; and (iii) Commercial Paper Notes. As of August 26, 2015, the Authority had Subordinate Debt outstanding in the aggregate principal amount of \$1,844,816,188. Upon the issuance of the Series 2015A/B Bonds, the amount of Outstanding Subordinate Debt will be \$2,185,041,188.

Subordinate Bonds. As of August 26, 2015, the Authority had Subordinate bonds outstanding in the aggregate principal amount of \$1,740,400,000 consisting of its Public Utility Subordinate Lien Revenue Bonds, Series 2007A (the “Series 2007A Subordinate Bonds”), its Public Utility Subordinated Lien Revenue Bonds, Series 2008A (the “Series 2008A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2010A (the “Series 2010A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “Series 2012A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012B (the “Series 2012B Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012C (the “Series 2012C Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2013A (the “Series 2013A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2014B (the “Series 2014B Subordinate Bonds”), and its Public Utility Subordinate Lien Revenue Bonds, Series 2014C (the “Series 2014C Subordinate Bonds”). The Authority expects to issue additional Subordinate bonds in the future to finance capital improvements to the System. See “CAPITAL IMPROVEMENT PROGRAM.” Notably, the Authority has previously authorized the issuance of additional Subordinate bonds to refund all or a portion of the Series 2009A Senior Bonds; however, such bonds will only be issued under appropriate market conditions.

Upon the issuance of the Series 2015A/B Bonds, the amount of Outstanding Subordinate bonds will be \$2,078,625,000.

Government Notes. The Authority is responsible for debt service on notes payable to the federal government for the construction of the Jennings Randolph Reservoir. Previous obligations of the Authority regarding the Little Seneca Reservoir have been paid in full. As of August 26, 2015, the Authority had \$13.22 million of Government Notes outstanding. Upon the issuance of the Series 2015A/B Bonds, the amount of outstanding Government Notes will be \$13,216,188.

Commercial Paper Notes. The Authority has established a commercial paper program to provide interim financing for Costs of the System. The Board has authorized the three series of notes to be issued under the commercial paper program in the aggregate principal amounts as follows: (i) the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed \$0, (ii) the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed \$100 million, and (iii) the taxable Series C CP Notes in an aggregate principal amount not to exceed \$50 million (collectively, the “Commercial Paper Notes”), each as Subordinate Debt. See “OUTSTANDING INDEBTEDNESS – Outstanding Senior Debt.” To provide liquidity and credit support for the Commercial Paper Notes, the Authority obtained irrevocable, direct-pay letters of credit (the “Letters of Credit”) issued by Landesbank Hessen-Thüringen Girozentrale, New York Branch (the “Bank”) which currently expire on May 15, 2020. In connection with the Bank’s issuance of the Letters of Credit, the Authority and the Bank entered into a Reimbursement Agreement for each series of CP Notes, each dated as of May 1, 2015, each as amended (collectively, the “Reimbursement Agreements”) that obligates the Authority to pay Bank Obligations and Reimbursement Obligations (both as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and Fee Obligations (as defined in each Reimbursement Agreement) to the Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are Subordinate Debt under the Indenture. The amount of the Commercial Paper Notes outstanding as of August 26, 2015, was \$91.2 million. Upon the issuance of the Series 2015A/B Bonds, the amount of outstanding Commercial Paper Notes will be \$91,200,000.

Extendable Municipal Commercial Paper Notes. As stated above in “INTRODUCTION – Concurrent Financings of the Authority”, the Authority expects to authorize the EMCP Notes concurrently with the issuance of the Series 2015A/B Bonds, in an amount not to exceed \$100 million. The Authority, however, does not anticipate issuing any EMCP Notes prior to the issuance of the Series 2015A/B Bonds.

Interest Rate Exchange Agreements and Guaranteed Investment Contracts

The Authority has not entered into any interest rate exchange agreements or any guaranteed investment contracts.

THE AUTHORITY

General

The Authority is a corporate body and an independent authority created pursuant to the Act that has a separate legal existence within the District government. It was created in 1996 to expedite the repair, replacement, rehabilitation, modernization and extension of existing water distribution and sewage collection, treatment and disposal systems, and the financing, on a self-sustaining basis, of capital and operation expenses relating thereto. The Authority began operations on October 1, 1996, and in June 2010, adopted a new logo and rebranded itself as “DC Water.” Prior to creation of the Authority, the District, through its Department of Public Works, Water and Sewer Utility Administration (“WASUA”), owned, operated and maintained the System. In accordance with the Act, the District authorized the Authority to use all of the property and assets of the System and transferred to the Authority any liabilities of the District that were directly attributable to the System. The District has retained full legal title to, and a complete equitable interest in, the System. In accordance with the Act, however, the System must remain under the control of the Authority for as long as any Authority revenue bonds remain outstanding.

The Authority currently provides retail water and wastewater services to approximately 650,000 residents of the District of Columbia and wholesale wastewater conveyance and treatment to approximately 1.6 million residents of Prince George’s and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia. In addition, the Authority annually serves approximately 17.8 million visitors to the area and approximately 700,000 workers in the District. In addition to providing services to the White House, the U.S. Congress and the Supreme Court, the Authority also counts among its customers a number of international organizations, including the International Monetary Fund and numerous diplomatic embassies. The Authority also provides services to a number of nationally recognized cultural and educational institutions, including the John F. Kennedy Center for the Performing Arts, and Georgetown, Howard, American, Catholic and George Washington Universities.

The Authority operates the largest advanced wastewater treatment facility in the United States and is in compliance with all requisite permits. Since its creation as an independent authority of the District, the Authority has become a leader in the water and wastewater industry. The Board has provided stable leadership and a focus on establishing long-term policies and planning, particularly financial stability. Under its leadership, the Authority has adopted and implemented financial and rate-setting policies that have enhanced financial performance. The Authority’s unrestricted cash, cash equivalents and investment balances have increased from \$20.5 million as of September 30, 1997, to \$240 million as of September 30, 2014. The Authority’s operating revenues have increased, from \$221.5 million in Fiscal Year 1997 to \$473.8 million in Fiscal Year 2015.

The Authority’s accomplishments have been recognized by several industry associations and publications (only awards for 2014 and 2015 indicated below):

- *American Council of Engineering Companies of Metropolitan Washington*: Engineering Excellence Merit Award in Design (2014).
- *American Council of Engineering Companies of Maryland*: Honor Award in Engineering Design (2014).
- *American Academy of Environmental Engineers*: Excellence in Environmental Engineering for Environmental Communications Award (2014).
- *American Academy of Environmental Engineers*: Edward J. Cleary Award for exemplary management of environmental protection enterprises (2014).
- *American Academy of Environmental Engineers*: Grand Prize for Research for developing new approach for anammox retention in deammonification process (2014).
- *Bond Buyer*: “Deal of the Year” Northeast Region (2014).
- *Engineering News Record* (Mid-Atlantic): Owner of the Year (2014).
- *Government Finance Officers Association*: Certificate of Achievement for Excellence in Financial Reporting Program (2014).

Finance and Budget Committee - 4. Action Items

- *Government Finance Officers Association*: Distinguished Budget Presentation Award Program (2014).
- *Government Fleet*: DC Water fleet named one of 100 Best Fleets (2014).
- *Government Fleet*: DC Water fleet named a Notable Leading Fleet (2014).
- *Greater Washington Clean Cities Coalition*: Member of the Year (2014)
- *International Water Association*: Global Honor Award for mainstream deammonification research (2014).
- *International Water Association*: Global Honor Award in research for mainstream deammonification (2014).
- *National Association of Clean Water Agencies*: Gold Peak Performance Award for wastewater treatment facilities that have achieved outstanding plant effluent quality and 100 percent compliance with the NPDES requirements at Blue Plains (2014).
- *National Association of Clean Water Agencies*: Platinum Award for Excellence in Management (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – First place, Social Media: Advocacy (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – Second Place, Social Media: Apps (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – Second Place, Brochure in Print: Blue Plains Advanced Wastewater Treatment Plant Brochure (2014).
- *Water Environment Federation*: Camp Applied Research Award (2014).
- *Water Environment Federation Annual Technical Exhibition and Conference*: Residuals and Biosolids Committee – Platinum Award for ten years of successful biosolids management (2014).
- *Global Water Intelligence*: Water Deal of the Year (2015).

Purposes and Powers

The Act requires the Authority to establish, fix and revise fees, rates or other charges for the use of, or services furnished, rendered or made available by the System, owned, leased or utilized by the Authority at least in an amount sufficient, together with other revenues available to the Authority, if any, to pay its costs, the principal of and interest on and other requirements pertaining to its bonds, and to make transfers to the District of amounts equal to the debt service payments on the District General Obligation Bonds, which financed WASUA capital projects, as such debt service and transfers become due and payable. All such General Obligation Bonds are now retired.

Pursuant to the Home Rule Act, the Council delegated to the Authority, under the Act, its power to issue revenue bonds, including the Series 2015A/B Bonds, for the purpose of financing “water and sewer facilities” (as such term is defined in the Home Rule Act). Pursuant to the Home Rule Act and the Act, the Authority is required to submit its annual operating budget to the District for its review and recommendations; however, the District has no power to change the annual budget of the Authority. After receiving the Authority’s budget, the District then submits its annual operating budget, of which the Authority’s budget is a part, to the United States Congress for approval. See “FINANCIAL OPERATIONS – Annual Budget.”

Board of Directors

The Authority is governed by a Board of Directors consisting of 11 principal and 11 alternate members, each appointed for a staggered four-year term. Six principal members (appointed by the Mayor of the District with the advice and consent of the Council) represent the District and five principal members (appointed by the Mayor on the recommendations of the User Jurisdictions) represent the User Jurisdictions, two each from Prince George’s and

Finance and Budget Committee - 4. Action Items

Montgomery Counties in Maryland, and one from Fairfax County, Virginia. The powers of the Authority are vested in and exercised by the Board at meetings duly called and held where a quorum of at least six members is present. All Board members participate in decisions directly affecting the management of joint-use facilities which are those facilities used by all three jurisdictions. Only the six members appointed to represent the District participate in those matters that affect District ratepayers and in setting rates, fees and charges for various services that affect only District residents. The Board meets monthly and operates through various standing and ad-hoc committees. The committees include Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget, Human Resources and Labor Relations, Audit, Strategic Planning, Governance, and District of Columbia Retail Water and Sewer Rates. The current principal members of the Board are listed below:

Principal Board Members	Appointing Authority	Term Start Date*	Term Expiration
Matthew T. Brown, Chairman	District of Columbia	January 2015	September 2015**
Ellen O. Boardman	District of Columbia	July 2013	September 2016
Rachna Butani	District of Columbia	July 2012	September 2018
Elisabeth Feldt	Montgomery County	June 2015	May 2019
Timothy L. Firestine	Montgomery County	February 2007	May 2016
Bradley Frome	Prince George's County	June 2015	May 2019
Edward L. Long, Jr.	Fairfax County	June 2012	September 2015**
Nicholas A. Majett	Prince George's County	June 2014	September 2018
Robert Mallett	District of Columbia	April 2013	September 2016
Obiora "Bo" Menkiti	District of Columbia	July 2013	September 2016
Alan J. Roth	District of Columbia	April 2007	September 2015**

* Term start date indicates start of the Board member's initial term as a principal member.

** Member serves until renominated and appointed or a successor is appointed.

Source: Authority records.

The following are short biographies of the principal members of the Board.

Matthew T. Brown (Chairman) (District of Columbia)

Mr. Brown was appointed as a principal member and chairman of the Board in 2015. Mr. Brown is the Director of the Office of Budget and Finance of the District. Prior to his current position, Mr. Brown served as the Deputy Director for Resource Allocation for the District's Department of Transportation, in addition to a variety of other public sector management and budget positions for several large municipal governmental entities. Mr. Brown also has significant private sector experience as a result of his tenure with Public Financial Management, Inc. Mr. Brown holds a B.A. in Political Science from Texas Wesleyan University, and an M.P.A. in Budget and Public Finance from The George Washington University.

Ellen O. Boardman (District of Columbia)

Ms. Boardman was appointed as a principal member to the Board in 2013. Ms. Boardman is a partner at O'Donoghue & O'Donoghue LLP. Prior to joining O'Donoghue & O'Donoghue LLP, in 1986, Ms. Boardman served as an attorney for the National Labor Relations Board. Ms. Boardman is a member of the District of Columbia and Maryland bar associations, numerous federal district and appellate courts, and the U.S. Supreme Court. Ms. Boardman is a fellow of the College of Labor and Employment Lawyers, and is listed as a Washington, D.C. Super Lawyer.

Rachna Butani (District of Columbia)

Ms. Butani was appointed as a principal member to the Board in July 2012. Ms. Butani serves as Director at HRGM Corporation. Ms. Butani has been with HRGM since 2001. Previously, Ms. Butani served as an Associate for Wachovia Securities, and as a consultant for Deloitte & Touche, LLP. Ms. Butani holds an MBA from The Wharton School, University of Pennsylvania, with a major in Real Estate and Management, and a Bachelor of Science in Business Administration from Georgetown University. Ms. Butani serves as a Board member for the Professional Women in Construction and holds a Virginia Class A Contractor's License.

Elisabeth Feldt (Montgomery County)

Ms. Feldt was appointed as a principal member to the Board in June 2015. Ms. Feldt is currently the Associate Deputy Administrator of the United States Environmental Protection Agency. Prior to her current position, Ms. Feldt served as the Deputy Assistant Administrator in the Office of Solid Waste and Emergency Response of the

Finance and Budget Committee - 4. Action Items

United States Environmental Protection Agency, and held a variety of other positions dealing with environmental management. Ms. Feldt holds a B.S. in engineering from George Washington University.

Timothy L. Firestine (Montgomery County)

Mr. Firestine was appointed as a principal member to the Board in February 2007. Mr. Firestine serves as the Chief Administrative Officer for Montgomery County. Prior to his current position, Mr. Firestine was Chief Financial Officer for Montgomery County and held other positions in public sector financial management. Mr. Firestine holds a B.A. in Political Science from Albright College and an M.P.A. from the University of Pittsburgh.

Bradley Frome (Prince George's County)

Mr. Frome was appointed as principal member to the Board in June 2015. Mr. Frome is currently the Assistant Deputy Chief Administrative Officer for the Economic Development and Public Infrastructure Team within the Administration of County Executive Rushern L. Baker, III. Mr. Frome was appointed to this position in early 2014. Mr. Frome previously served as the Deputy Chief of Staff for County Executive Baker from 2010-2014. Mr. Frome began his work in the public sector for the Maryland House of Delegates as a Legislative Director for four years and served six years as the Chief of Staff to a Council Member for Prince George's County.

Mr. Frome graduated cum laude from the University of Maryland in College Park with a Bachelor of Science Degree in Government and Politics and attended George Washington University Law School.

Edward L. Long, Jr. (Fairfax County)

Mr. Long was appointed as a principal member to the Board in June 2012. He was named Fairfax County Executive in April 2012, marking his return from retirement. Mr. Long has more than 34 years of experience in Fairfax County government, and retired as Deputy County Executive and Chief Financial Officer. In his role as Deputy County Executive, Mr. Long oversaw all of the county's financial and human resources functions, including tax administration and assessments, revenue collection, investments, internal and external auditing, budgeting, revenue projections, purchasing and supply management, facilities management, fleet management, issuance and management of county debt, retirement funds administration and more. Under Mr. Long's leadership, Fairfax County maintained the highest credit rating possible for a local government - Aaa from Moody's Investors Service, AAA from Standard and Poor's and AAA from Fitch Ratings. Mr. Long received the 2012 Distinguished Local Government Leadership Award from the Association of Government Accountants, and in 2006 he received the A. Heath Onthank Award - Fairfax County's highest employee award. Mr. Long has a bachelor's degree in Political Science from Emory and Henry College and a Master of Arts in Urban Studies from the University of Maryland.

Nicholas A. Majett (Prince George's County)

Mr. Majett was appointed as a principal member of the Board in June 2014. Mr. Majett previously served the District government in several capacities for over 29 years. In 1985, Mr. Majett joined the D.C. Office of the Attorney General and served as an Assistant Attorney General for approximately 19 years. During his tenure as an Assistant Attorney General, Mr. Majett regularly handled regulatory, real estate, tax and civil cases and prosecuted tax and government fraud cases. From 1990 until 1991 Mr. Majett served as the Chief of Assessment Services for the Office of Tax and Revenue and then returned to the Office of Attorney General.

In 2006, Mr. Majett became the Deputy Director of the Department of Consumer and Regulatory Affairs ("DCRA") and served until he was appointed as Director on December 18, 2010, and subsequently unanimously confirmed by the Council of the District. As Director of DCRA, Mr. Majett was responsible for overall management and oversight of the District's regulatory agency that ensures the health, safety and economic welfare of District residents through licensing, inspection, compliance, and enforcement programs.

Mr. Majett earned both his Bachelor of Science and Law Degrees from Howard University before becoming a member of the District of Columbia Bar Association. In 2005, he was elected to the District of Columbia Bar Association's District of Columbia Affairs Section Steering Committee where he currently serves as a member. He is also a member of the Board of Directors for the Washington, DC Economic Partnership, a member of the DC Streetcar Task Force, and former Board Member of Joseph's House, non-profit organization in the District.

Robert Mallett (District of Columbia)

Mr. Mallett was appointed as a principal member to the Board in April 2013. Mr. Mallett is the Peter P. Mullen Visiting Professor of Law at Georgetown University. Before coming to Georgetown, he served as Executive

Vice President & General Counsel, Public and Senior Markets Group, a division of United Health Group. Immediately prior to joining United Health Group, Mr. Mallett served as Senior Vice President, Worldwide Policy & Public Affairs, Pfizer Inc. Prior to joining Pfizer in April 2001, Mr. Mallett served as Deputy Secretary of the U.S. Department of Commerce. Prior to his federal executive service, Mr. Mallett was a shareholder and associate attorney at two major law firms in Washington, D.C. He also served as City Administrator and Deputy Mayor for the District of Columbia under Mayor Sharon Pratt Kelly, and Legal Counsel to former U.S. Senator Lloyd Bentsen. He has been an adjunct professor at Georgetown University's Law Center, and was a Visiting Professor at Harvard University's John F. Kennedy School of Government. He served as a law clerk to the Honorable John R. Brown of the U.S. Court of Appeals for the Fifth Circuit. Mr. Mallett is a Phi Beta Kappa graduate of Morehouse College (1979) and received his law degree from Harvard University in 1982, where he was Projects Editor of the Harvard Civil Rights-Civil Liberties Law Review.

Obiora "Bo" Menkiti (District of Columbia)

Mr. Menkiti was appointed as a principal member to the Board in 2013. Mr. Menkiti is the founder and CEO of The Menkiti Group, a values-based real estate services company. Mr. Menkiti is also the CEO and founding partner of Keller Williams Capital Properties, a residential real estate brokerage firm. Prior to forming The Menkiti Group and Keller Williams Capital Properties, Mr. Menkiti served as the Chief Operating Officer of College Summit, a national non-profit organization dedicated to increasing the college enrollment rate of low-income students. Mr. Menkiti also serves on the board of City First Bank, Greater Capital Area Association of Realtors, Dance Place, and is the chair of the Public Policy Committee for the Washington, DC Association of Realtors. Mr. Menkiti is a graduate of Harvard University.

Alan J. Roth (District of Columbia)

Mr. Roth was appointed as a principal member to the Board in April 2007. He is Senior Executive Vice President of the U.S. Telecom Association and has 23 years of senior congressional staff and government relations consulting experience. Mr. Roth served as Staff Director and Chief Counsel to the Committee on Energy and Commerce, U.S. House of Representatives, Counsel to the Committee's Chairman and Counsel to the Committee's Minority. Prior to those management roles, Mr. Roth also served as Counsel to the Committee. Mr. Roth earned his B.A. in Government, *magna cum laude*, from American University and his J.D. from New York University School of Law.

Organizational Structure

The Authority's day-to-day operations are managed by the General Manager, who is appointed by the Board. The General Manager is supported by the Assistant General Managers for Blue Plains, Consumer Services, and Support Services; the Chief Financial Officer; and the Chief Engineer. The Assistant General Manager for Blue Plains oversees the departments of Wastewater Treatment Services and Maintenance Services. The Assistant General Manager for Consumer Services oversees the departments of Customer Service, Sewer Services, Water Services and Water/Sewer Pump Maintenance. The Assistant General Manager for Support Services oversees the departments of Human Capital Management, Labor Relations, Facilities and Security, Procurement, Fleet Management, and Safety and Occupational Management. The Chief Financial Officer oversees the departments of Finance, Accounting and Budget. The Chief Engineer oversees the Capital Improvement Program as well as the departments of Engineering and Technical Services, Permit Operations, and DC Clean Rivers. Also reporting to the General Manager are the offices of the General Counsel, Information Technology and External Affairs.

Senior Management

The Authority has in place a senior and mid-level management team with a broad range of private and public sector utility experience. Over half of the Authority's mid-level management team has been with the Authority since 1996, and some have been with the organization for more than 20 years. The following are short biographies of key members of the Authority's senior management.

George S. Hawkins, General Manager

Mr. Hawkins was appointed General Manager in September 2009. Prior to joining the Authority, Mr. Hawkins served as the Director of the District Department of the Environment. Prior to coming to the District, Mr. Hawkins served as Executive Director of New Jersey Future, a non-profit organization promoting smart growth, and Executive Director of the Stony Brook-Millstone Watershed Association. He also has held senior posts with the U.S. Environmental Protection Agency. Mr. Hawkins has served as the Chair of the Green Building Advisory Council, a member of the Mayor's Green Collar Jobs Advisory Committee and a Board member of the Authority. Since 1999, Mr. Hawkins has taught Environmental Law and Policy for the Princeton Environment Institute at Princeton University. He began his career practicing law for the Boston firm of Ropes & Gray, and is a member of the Bar in Massachusetts and the District of Columbia. Mr. Hawkins holds an A.B. from Princeton University and a J.D. from Harvard Law School.

Mark T. Kim, Chief Financial Officer

Mr. Kim was appointed Chief Financial Officer in March 2013. Prior to joining the Authority, Mr. Kim served as Deputy Comptroller for Economic Development and Assistant Comptroller for Public Finance for the City of New York, and as an investment banker at several global financial institutions. Over his career, Mr. Kim has raised in excess of \$50 billion in the capital markets. Currently, he sits on the Environmental Financial Advisory Board of the U.S. Environmental Protection Agency (“EPA”) and the Committee on Governmental Debt Management of the Government Finance Officers Association. Effective October 1, 2015, Mr. Kim will begin his term as a member of the Board of Directors of the Municipal Securities Rulemaking Board. Mr. Kim is a member of the Bars of the State of New York and the District of Columbia. Mr. Kim holds a B.A. from Northwestern University; a J.D. from Cornell Law School; and a Ph.D. in public policy from Harvard University.

Biju George, Chief Operating Officer

Mr. George was appointed Chief Operating Officer in [____], 2013. Mr. George is responsible for the performance management of all operations of the Authority. He participates in the implementation of the Authority's strategic plan and works with the Chief Financial Officer in overseeing the development of operating budgets and operating policies. Mr. George represents the Authority at Board of Directors' meetings, congressional meetings and meetings with the general public as needed. He also assists the General Manager in developing and implementing the Authority's business plans.

Mr. George joined the Authority from Greater Cincinnati Water Works, Metropolitan Sewer District and Stormwater Utility, where he was the Deputy Director of Water and Sewers and also served as the drinking water utility's interim executive director from 2011 to 2013. Mr. George has more than 27 years of diversified technical and management experience. He is recognized as a leader in treatment technology and science, and is both published writer and a frequent speaker, and the past Assistant Superintendent of the 240 MGD Mill Creek Plant.

Mr. George is the 2014 recipient of the Innovator of the Year Award from the U.S. Environmental Protection Agency. Mr. George has a bachelor's degree in mechanical engineering from the PDA College of Engineering at Gulbarga University. He is a licensed professional engineer in Ohio.

Leonard R. Benson, Chief Engineer

Mr. Benson was appointed Chief Engineer in August 2010, after serving as Acting Chief Engineer and Deputy General Manager since May 2008. Mr. Benson transferred to the Authority as Director of Engineering and Technical Services from its predecessor agency when the Authority was created in 1996. Mr. Benson began his career as a Project Manager for the District of Columbia's Department of Highways and Traffic in 1968 and later transferred to the Department of Sanitary Engineering, and successor agencies including the Department of Environmental Services and the Department of Public Works. Mr. Benson holds a B.S. in Civil Engineering from the University of Maryland.

Randy Hayman, General Counsel

Mr. Hayman assumed the position of General Counsel in November 2010. He previously served as General Counsel to the Metropolitan St. Louis Sewer District (“MSD”), which provides wastewater collection, treatment, and stormwater management to 1.4 million people. Prior to joining MSD in 2000, Mr. Hayman worked as an attorney in law firms in Washington, D.C., Kansas City and St. Louis, Missouri, and served as an Assistant Attorney General for the State of Missouri in Jefferson City. Prior to attending law school, he worked as an intern for ABC News, a reporter for KMOX Radio and, more recently, as a talk show host with KTRS Radio. Mr. Hayman holds a B.A. in Political Science from the University of Michigan and a J.D. from Georgetown University Law Center.

Mustaafa Dozier, Chief of Staff

Mr. Dozier assumed the position of Chief of Staff in August 2015. Mr. Dozier initially joined the Authority in 2011 as the Labor Relations Manager. Prior to joining the Authority, Mr. Dozier served as the Employment and Labor Relations Advisor to the District's Department of Public Works. Mr. Dozier holds a B.A. from Alabama State University and a J.D. from the Howard University School of Law.

Charles Kiely, Assistant General Manager of Consumer Care & Operations

Mr. Kiely joined the Authority as Director of Customer Services Department in November 2002. Prior to joining the Authority, Mr. Kiely was Executive Vice President of Customer Services for Commonwealth Electric, Cambridge Electric and Commonwealth Gas Companies serving 78 communities in eastern and central Massachusetts. He was later appointed Vice President of Customer Care for NSTAR, formed after the BEC Energy and Commonwealth Energy merger, creating the largest investor-owned gas and electric utility in Massachusetts. Mr. Kiely received a B.S. in Management from the University of Massachusetts and an M.B.A. from Bentley College.

Carlton Ray, Director, DC Clean Rivers Project

Mr. Ray joined the Authority in July 2009, and is responsible for the planning, design, construction and implementation of the DC Clean Rivers Project. The 20-year, \$2.4 billion project is designed to capture nearly all combined sewer overflows (CSOs) to the Potomac and Anacostia Rivers and to the Rock Creek during periods of wet weather through a system of deep underground tunnels. Previously, Mr. Ray managed the capital program for the City of Indianapolis, including successfully developing and managing a similar CSO abatement program. Mr. Ray has over 30 years' experience in water and wastewater engineering and holds a B.S. in Civil Engineering from Auburn University.

Aklile Tesfaye, Assistant General Manager, Blue Plains

Mr. Tesfaye joined the Authority in 1994. Mr. Tesfaye formerly served as the Director of Wastewater Treatment Operations for the Authority. Mr. Tesfaye is a licensed engineer with the American Academy of Environmental Engineers, and holds several other professional certifications. Mr. Tesfaye received a B.S. in Civil Engineering from the University of Rourke (India; now known as Indian Institute of Technology), an M.S. in Civil Engineering from Tampore University of Technology (Finland) and an M.S. in Environmental Engineering from the University of Maryland (College Park).

Authority's Relationship to District

Section 424A of the Home Rule Act (D.C. Official Code Section 1-204.25) sets forth the powers and responsibilities of the District's Chief Financial Officer (the "District CFO"). The "District of Columbia Water and Sewer Authority Independence Preservation Act," P.L. 110-273, enacted by the Congress on July 15, 2008, amended the Home Rule Act to make clear that (i) the authority of the District CFO to hire, supervise and remove certain financial management employees does not apply to personnel of the Authority and (ii) the financial management, personnel and procurement functions and responsibilities of the Authority shall be established exclusively pursuant to the rules and regulations adopted by the Board. The Act provides that, except as provided in the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of Authority bonds, or in any way impair the rights and remedies of the holders of Authority bonds. See "COVENANT BY THE DISTRICT OF COLUMBIA."

The Authority is presently operating under, and is in compliance with, the following Memoranda of Understanding (each, a "Memorandum of Understanding" or "MOU") with the District.

- A January 29, 1998, Memorandum of Understanding provides that the Authority will pay the District a PILOT for government services it receives from the District (the "1998 PILOT MOU"). This MOU provides that, beginning in Fiscal Year 1999, the annual PILOT will be based on the amount due from the Authority to the District for the previous Fiscal Year plus a percentage increase in an amount equivalent to the Authority's System-wide rate increase for the current Fiscal Year. On September 4, 2014, the District and the Authority entered into a new Memorandum of Understanding (the "2014 PILOT MOU") amending the 1998 PILOT MOU. According to the terms of the 2014 PILOT MOU, the Authority shall make a PILOT payment to the District in the amount of \$15,337,410.00 in Fiscal Year 2015 for the services provided by the District to the Authority. In Fiscal Years 2016 to 2024, the Authority shall increase the amount of the PILOT payment by two percent per annum based on the amount of the prior year's annual PILOT payment. In addition, the Authority shall deduct the annual fire protection service fee for services provided by the Authority to the District from the annual PILOT payment. The 2014 PILOT MOU shall remain in effect until September 30, 2024. If the parties have not executed a new amendment to the 1998 PILOT MOU before September 30, 2024, the terms of the 2014 PILOT MOU shall remain in force until a new amendment has been executed.
- As of September 30, 2014, the Authority had set aside \$30,044,338.00 (the "set-aside amount") in reserves pending resolution of negotiations with the District over the PILOT. Upon the execution of the 2014 PILOT MOU, the District and the Authority agreed to split the set-aside amount with \$15,022,169.00 going to each of the District and the Authority. The portion of the set-aside amount delivered to the District is payment-in-full of any outstanding amounts due and claimed for services rendered by the District prior to the date of the 2014 PILOT MOU.
- A September 12, 2003, Memorandum of Understanding provides that the Authority will make quarterly payments to the District for its public right of way occupancy permit fee (the "2003 ROW MOU"). Under the terms of this MOU, the Authority was obligated to pay the District an annual fee of \$5.1 million through September 30, 2013, the expiration date of the MOU. On October 2, 2014, the parties entered in a new Memorandum of Understanding (the "2014 ROW MOU") amending the expiration date of the 2003 ROW MOU to September 30, 2024. As with the 2014 PILOT MOU, if

the parties have not executed a new ROW MOU before September 30, 2024, the terms of the 2014 ROW MOU shall remain in force until a new amendment has been executed.

- A July 25, 2008, Memorandum of Understanding between the District Department of the Environment (DDOE) and the Authority establishes the basis for the billing and collection of a stormwater fee by the Authority on behalf of DDOE, and the transfer of those fees on a pass-through basis to DDOE. This MOU extends for one-year periods at the option of the Parties. See “THE SYSTEM – The Wastewater System – District Stormwater Permit and Management Program” and “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges.”
- A May 3, 2013, Memorandum of Understanding between the District of Columbia Fire and Emergency Medical Services Department (“FEMS”) and the Authority memorializes the ongoing commitment between the two agencies to share information about public fire hydrant inspections and upgrades. The Authority is required to inspect all public fire hydrants once per year in accordance with National Fire Protection Association (“NFPA”) guidelines, and FEMS may, as time permits, also conduct a second inspection of fire hydrants in coordination with the Authority. The Authority is responsible for identifying and installing new hydrants as part of its ongoing capital program, developing manuals and protocols for hydrant inspection and inspection data management, and ensuring that the required preventative maintenance is performed on each hydrant as required by the manufacturer. The Authority is required to flow test all hydrants every six years, and those hydrants that have been upgraded as part of the capital program will be tested upon being placed in service to ensure proper pressure and operation. Furthermore, the Authority has committed to providing water supply personnel on scene to FEMS when requested for two-alarm or greater fires. The Authority annually bills the District to recover the Authority’s costs for these fire hydrant protection services activities.
- A September 11, 2014, Memorandum of Understanding provides the terms by which the District and the Authority will cooperate in the execution of the Northeast Boundary Neighborhood Protective Project (the “2014 Bloomingdale MOU”). This MOU established the value of incremental capital expenditures totaling \$58,579,499.00 incurred by the Authority at the request of the District in order to mitigate overland flooding and sewer backups in the Bloomingdale and LeDroit Park neighborhoods in Northwest Washington, D.C. The District CFO and the Authority CFO have agreed to establish a repayment schedule by separate agreement amending the 2014 Bloomingdale MOU.

Employees and Labor Relations

The total number of authorized positions for the Authority for Fiscal Year 2015 is 1,260. As of March 31, 2015, the Authority had 1,110 full-time equivalent employees, of whom approximately 719 were represented by five unions:

- American Federation of Government Employees (“AFGE”) consisting of Locals 631, 872 and 2553, representing 462 employees;
- American Federation of State, County and Municipal Employees (“AFSCME”), Local 2091, representing 240 employees; and,
- National Association of Government Employees (“NAGE”), representing 17 employees.

The Authority and the unions operate under a single Master Collective Bargaining Agreement for Compensation which expires on September 30, 2015. The parties were due to commence bargaining for a successor agreement in the spring of 2015. However, negotiations have been delayed due to an internal dispute among the unions regarding selection of a chief negotiator. Additionally, AFSCME Local 2091 is seeking to negotiate on its own. The Public Employee Relations Board (PERB) is currently reviewing whether this local can negotiate without the other members of the coalition that comprise one compensation unit. Resolution of these two issues (selection of a chief negotiator and whether AFSCME Local 2091 can negotiate on its own), will determine when negotiation of a successor agreement will commence.

There are five separate working conditions agreements with the unions. The Authority has reached agreement on four of the five unions for successor agreements on working conditions. These agreements expire on September 30, 2016 and September 30, 2017. The Authority is preparing to proceed to impasse arbitration with one union. By law, the Authority employees may not strike.

The percentage of current employees eligible to retire within the next ten years (based on age and years of service) is shown in the table below:

Percentage of Current Employees Eligible to Retire Within the Next Ten Years
(based on age and years of service)

	12/31/2015	12/31/2020	12/31/2025
Employees	13.77%	24.24%	34.72%
Directors and Executives	19.05%	28.57%	61.90%

Source: Authority records.

Although the percentage of current Authority employees eligible to retire in five years is a little higher than the median five-year retirement eligibility for combined water and wastewater utilities, which is 22% (as reported by the 2010 American Water Works Association/Water Environment Federation Qualserve Survey), it is within the range experienced by other large municipal water and wastewater utilities. To prepare for future retirements, since 2006, the Authority has had in place a comprehensive succession planning program for senior executives and a knowledge capture program for operational elements of the organization. In addition to identifying tacit knowledge use in operational activities, the knowledge capture program is identifying needed competencies to improve the replacement process, as well as improving the efficiency of the studied processes.

Retirement/Pension Plan

The Authority employees hired before October 1, 1987, participate in the U.S. Civil Service Retirement System (the “CSRS”). The employees and the Authority each annually contribute 7% of the employee’s base pay to the CSRS. The Authority employees who retire under the CSRS receive retiree medical and life insurance benefits under the Federal Employees’ Health Benefits Program and the Federal Employees’ Group Life Insurance Program at no cost to the Authority. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the CSRS programs.

With a few exceptions, all of the employees hired after September 30, 1987, participate in the U.S. Social Security System and the Authority’s Defined Contribution Plan. Under the Authority’s Defined Contribution Plan, the Authority annually contributes 7% of base pay plus an additional 5% of base pay earning above the Social Security Wage Base. Employees do not contribute to this plan and are 100% vested in the plan after three years of continuous service. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the Defined Contribution Plan. The Authority employees hired after September 30, 1987, do not receive any retiree medical or life insurance benefits.

The Authority has no unfunded pension liability or other post-employment benefits liability under any of the plans described above.

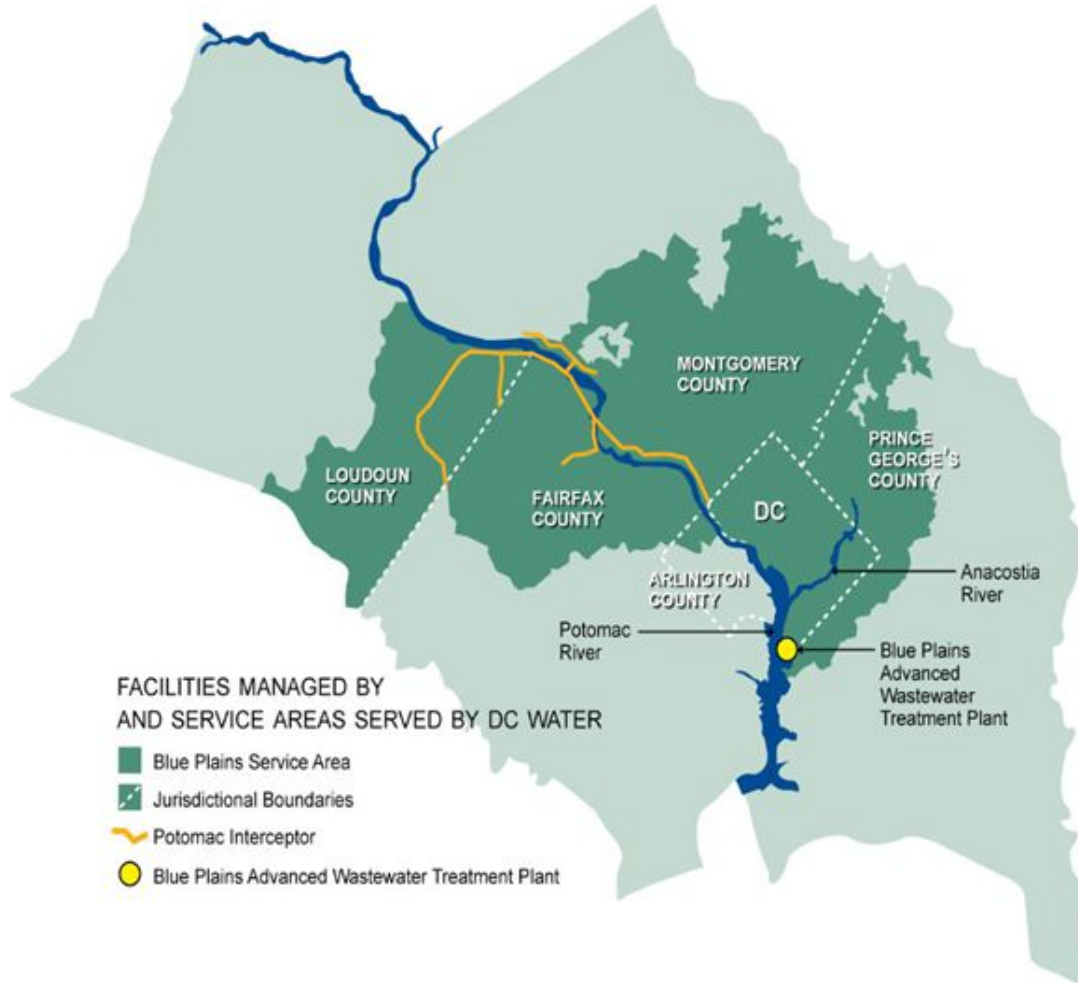
Risk Management and Insurance

The Authority has developed a comprehensive risk management and insurance program which is annually reviewed and periodically bid by management and their independent insurance advisors through qualified brokers and direct insurance writers. The most recent risk management, insurance assessment and bid process was completed in July 2013. The Authority’s insurance policies (including liability insurance and workers’ compensation, property, equipment, crime, fiduciary, public officials’ and employment practices liability) were renewed in July 2015. Since the passage of the Terrorism Risk Insurance Act of 2002 (“TRIA”), terrorism coverage is included under all insurance policies.

[Balance of page intentionally left blank]

THE SYSTEM

The Authority provides retail water distribution to the District and wastewater treatment, collection and disposal services to the District and certain neighboring counties in Maryland and Virginia. The following section describes the Water and Wastewater Systems of the Authority, including a description of the Aqueduct.



The Wastewater System

History and Description of Blue Plains Advanced Wastewater Treatment Plant

The Authority operates the Blue Plains Advanced Wastewater Treatment Plant (“Blue Plains”), the largest advanced wastewater treatment facility in the United States. The original wastewater treatment facility at the site of Blue Plains was built in 1938. The original facility provided only primary treatment for up to 130 million gallons per day (“mgd”). Subsequently, there have been several expansions and upgrades. Since 1983, Blue Plains has provided advanced treatment, which includes nutrient removal, filtration and dechlorination. The most recent expansion of Blue Plains was completed in 1997, which increased the plant’s capacity to 370 mgd.

Service Area

The Blue Plains service area includes the District (retail service), parts of Fairfax and Loudoun Counties, the Town of Vienna in Virginia, parts of Prince George's and Montgomery Counties in Maryland, Washington Dulles International Airport and various U.S. Government agencies located in Virginia and Maryland (wholesale service). The population of the Blue Plains service area totals approximately 2.2 million, consisting of more than 640,000 residents of the District and 1.6 million residents of the surrounding jurisdictions. In addition, the Authority annually serves approximately 17.8 million visitors to the area and approximately 700,000 workers in the District.

Wholesale Customer Agreements

Intermunicipal Agreements – In 1985, the District signed the Blue Plains Intermunicipal Agreement of 1985 (the "1985 IMA") with Fairfax County in Virginia, Montgomery and Prince George's Counties in Maryland and the Washington Suburban Sanitary Commission (the "WSSC") in order to address wastewater treatment, biosolids management and cost allocation rights, obligations and objectives with respect to Blue Plains. A significant portion of the wastewater collection and all of the wastewater treatment and related biosolids management required by the 1985 IMA was provided by the District at Blue Plains until 1996, when the District created the Authority as an independent authority with regional responsibilities to provide those services through the operation and management of Blue Plains and associated facilities. The District, however, retained and continues to hold title to the real property, appurtenances and fixtures of Blue Plains.

The 1985 IMA was replaced in 2012 by a new Intermunicipal Agreement (the "2012 IMA"), which was negotiated, approved and executed by each of the signatories to the 1985 IMA, in addition to the Authority. The 2012 IMA incorporates provisions and establishes terms relating to: facility location; current and long-range infrastructure planning and development; allocation of wastewater treatment capacity of Blue Plains and associated facilities and related peak flows for the collection system; funding and allocation of the capital costs of wastewater treatment, biosolids management and O&M costs; responsibilities with respect to pretreatment and operational requirements; the process of making future wastewater capacity planning decisions, including load allocations; mechanisms for coordination among the parties; and long-term management of the wastewater treatment and disposal process. Under those terms, the cost of operations and maintenance of Blue Plains are shared among the 2012 IMA signatories on an actual basis, whereas the costs of the capital program of Blue Plains are shared among the 2012 IMA signatories commensurate with their respective capacity allocations, with 45.8% of Blue Plains flow capacity allocated to the District and the remainder to the WSSC (on behalf of Montgomery and Prince George's Counties) and Fairfax County. The 2012 IMA also establishes the Authority's right to require the User Jurisdictions to off-load flows to other wastewater treatment plants as necessary to provide the Authority capacity as needed to serve the District's portion of the service area.

Potomac Interceptor Agreements – Since October 1963, the District has entered into separate, limited allocation agreements with several entities that were tributaries to the Potomac Interceptor sewer as provided by statute. Certain of those agreements remain in effect and include users that did not participate in the IMA as signatories, but are allocated flow capacity under the 2012 IMA in accordance with the original individual agreements they entered into with the District prior to the 1985 IMA. Those entities include the Department of Transportation/Federal Aviation Administration on behalf of Washington Dulles International Airport, the Department of the Navy, the National Park Service, and the Town of Vienna, Virginia, which together account for less than 1% of Blue Plains allocated flow capacity. These Potomac Interceptor agreements provide for the pro-rata recovery, through the District, of the Authority's costs of constructing, operating and maintaining the Potomac Interceptor sewer and certain major interceptor sewers within the Blue Plains service territory. A separate Potomac Interceptor agreement was executed after the 1985 IMA with the Loudoun County Sanitation Authority and is described below.

Loudoun County Sanitation Authority Agreement – In November 1998, the Authority and the District executed an agreement with the Loudoun County Sanitation Authority ("LCSA") allocating the right to limited Potomac Interceptor flow capacity to the LCSA, including the treatment and disposal of the associated wastewater at Blue Plains. Consistent with that agreement, the 2012 IMA allocates commensurate Blue Plains flow capacity to the LCSA, although it is also not a signatory to the IMA. The agreement requires LCSA to pay for its share of the Potomac Interceptor and Blue Plains operating and capital costs, following the IMA methodology (i.e., based upon metered flows for operating costs and a pro rata capacity allocation for capital costs).

Wastewater Collection

The wastewater collection system consists of approximately 1,800 miles of sanitary, stormwater and combined sewers, 125,000 building sewer laterals, 22 flow-metering stations, nine off-site wastewater pumping stations and 16 stormwater pumping stations. The Authority has completed detailed assessments and a large number of improvements to many of the pumping stations. See "THE SYSTEM – Wastewater Regulation and Permits" below.

Sanitary Sewer System

A sanitary sewer system serves two-thirds of the District's land area. The system includes 600 miles of interceptor and sewer collection pipes with eight sanitary pumping stations. The typical operation is a gravity flow system with a few pumping stations to pump across higher grades in the District. A series of recent upgrades to the Authority's sanitary sewer system have made the system compliant with new code standards and regulations, and increased the efficiency and effectiveness of several of the system's pump stations.

Combined Sewer Overflow Wastewater System

Approximately one-third of the District's land area is served by a combined sewer overflow ("CSO") wastewater system that combines both stormwater and wastewater in a single conveyance system. Combined sewer systems are common among older cities throughout the United States. The District's combined sewer system conveys only sanitary flow to Blue Plains during dry weather. During and immediately following periods of heavy rainfall, however, the combined sanitary and stormwater flows frequently exceed the capacity of the combined sewer system and a combination of stormwater and untreated wastewater is discharged through one or more of the 53 existing CSO outfalls authorized in the Authority's NPDES Permit. See "THE SYSTEM - Wastewater Regulation and Permits – NPDES Permit" below.

Biosolids Disposal

In the second quarter of Fiscal Year 2015, the Authority fully implemented its new Blue Plains biosolids processing facilities featuring thermal hydrolysis and anaerobic digestion. Operation of these facilities resulted in a reduction in biosolids production from 1200 tons per day (60 truckloads) to approximately 500 tons per day (25 truckloads). Currently these biosolids are considered Class B (as defined by EPA) and are applied directly to farmland at various sites in Virginia and Maryland, with disposal in landfills being utilized as an alternate method if weather conditions do not allow land application. In the fourth quarter of Fiscal Year 2015, the Authority expects that EPA will upgrade the status of the biosolids produced at Blue Plains as Class A (as defined by EPA). Such an upgrade will provide the Authority with greater flexibility in its efforts to recycle biosolids produced at Blue Plains. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects."

Wastewater Regulation and Permits

NPDES Permit. Blue Plains is authorized to discharge treated effluent to the Potomac River through two outfalls (Outfalls 001 and 002) pursuant to an NPDES permit (the "NPDES Permit") that was reissued to the Authority by the U.S. Environmental Protection Agency. The NPDES Permit became effective on September 30, 2010, and expires on September 30, 2015, though the permit will automatically remain in effect until a new permit is issued. The Authority expects the NPDES Permit to be reissued for an additional five-year term, effective as September 30, 2015. Discharges through Outfall 002, which consist of sanitary flow and some combined sewer flow from the CSO system during and following rainfall events, receive complete treatment. Combined sewer flows that exceed Blue Plains' capacity to provide complete treatment receive partial treatment and are discharged through Outfall 001. The NPDES Permit also authorizes discharges to the Anacostia River, the Potomac River and Rock Creek from the combined sewer system through a total of 53 CSO outfalls and four emergency relief outfalls.

The NPDES Permit requires that discharges from the CSO outfalls not exceed those limits necessary to comply with applicable water quality standards under the Clean Water Act, 33 U.S.C. § 1251 et seq. (the "Clean Water Act"). The Authority was the first agency to meet the voluntary nutrient reduction goal of the 1987 Chesapeake Bay Agreement. See "– *The Chesapeake Bay Agreements*" below. The NPDES Permit also requires the development and implementation of a Nine Minimum Controls program (the "NMC Program"), consisting of proper operation and maintenance of the existing collection and treatment system to minimize untreated discharges from the CSO outfalls, as well as the implementation of a CSO Long-Term Control Plan (the "DC Clean Rivers Project")^{*} designed to control CSO discharges to prevent them from causing or contributing to violations of applicable water quality standards.

The DC Clean Rivers Project continues on schedule. The current FY 2015 - FY2024 CIP includes approximately \$1.6 billion for the costs of the DC Clean Rivers Project and combined sewer projects. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Combined Sewer Overflow Projects." Implementation of the DC Clean Rivers Project is required by a consent decree (the "2005 LTCP Consent Decree") dated March 25, 2005, among the Authority, the District, and the United States. The Authority successfully renegotiated the terms of the 2005 LTCP Consent Decree to allow the Authority to incorporate certain green infrastructure ("GI") in the DC Clean Rivers Project and remain in compliance with the 2005 LTCP Consent Decree. With the modifications to the 2005 LTCP

^{*} Note that in prior Official Statements of the Authority the DC Clean Rivers Project was referred to as the "CSO LTCP".

Consent Decree, the DC Clean Rivers Project will create 17 miles of tunnels with a combined storage capacity of 187 million gallons, five new tunnels, a dewatering pumping station, several diversion structures and sewers to collect CSO overflows, and green infrastructure to control selected CSOs. Effective May 1, 2009, the Authority implemented a rate structure that more equitably allocates the costs of the DC Clean Rivers Project to retail customers based on the impervious surface area on customers' properties. See "CUSTOMER BASE, RATES AND CHARGES – Rate-Setting Authority – Components of Retail Rates and Charges – Clean Rivers Impervious Area Charge."

Industrial Pretreatment Program. As with most large wastewater systems, the Authority, under the provisions of the Clean Water Act, operates an industrial pretreatment program to control the discharge into the wastewater system of industrial wastewater containing certain toxins or prohibited pollutants. The Authority regulates 71 "significant industrial users" as defined by EPA regulations. Twenty-five of these users are located within the District; the remaining users are located in the User Jurisdictions.

Wastewater Consent Decree and Stipulated Agreement and Orders. Upon its creation, the Authority assumed responsibility for compliance with various legal actions taken against the District related to operation of, and discharges from, Blue Plains, specifically including a judicial Consent Decree issued in 1995 (the "1995 Consent Decree") and a subsequent Stipulated Agreement and Order (the "1996 Stipulated Agreement and Order"). The Authority is presently in compliance with all of the requirements under each of the 1995 Consent Decree and the 1996 Stipulated Agreement and Order. The EPA Region III has acknowledged satisfaction of these requirements, although the 1995 Consent Decree remains in effect.

The Chesapeake Bay Agreements. In 1987, the Mayor of the District and the Governors of the Commonwealths of Virginia and Pennsylvania and the State of Maryland entered into the 1987 Chesapeake Bay Agreement, committing each jurisdiction to, and subsequently achieving, a 40% reduction of nutrients such as nitrogen and phosphorus reaching the main stem of the Chesapeake Bay by the year 2000. In 2000, the parties entered into Chesapeake 2000, a comprehensive agreement to guide further efforts to improve the water quality in the Chesapeake Bay through 2010. Unlike many municipal wastewater treatment facilities that discharge into the Chesapeake Bay, the Authority has historically removed phosphorus and nitrogen and is currently meeting the reduction goal. As a supplemental environmental project in settlement of liability for stipulated penalties under the 1995 Consent Decree, the Authority installed a pilot program to test a nitrogen reduction process on one-half of its wastewater, which demonstrated a greater than 40% nitrogen reduction in completely treated effluent. As a result, in 2000, the Authority began operation of full plant scale biological nutrient removal.

The NPDES Permit required the Authority to comply with a new total nitrogen discharge limit by January 1, 2015. The new total nitrogen discharge limit matches the 2010 goal of the Chesapeake 2000 Agreement. The Authority negotiated with EPA Region III to define the scope and schedule of capital improvements necessary to implement this modification and as a result developed the Blue Plains Enhanced Nitrogen Removal Facilities program ("ENRF"), which is designed to improve treatment processes to achieve advanced treatment with nitrification and denitrification facilities. The ENRF was completed and began treating the full Blue Plains plant flow in October, 2014. As a result of the successful completion and placement in service of the ENRF, the Authority satisfied its obligation under the NPDES Permit to reduce nitrogen discharge from Blue Plains by January 1, 2015. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects."

Air Quality Issues. In March 2008, the Authority submitted an application to the District of Columbia Department of Environment for a Title V air quality operating permit pursuant to Chapter 3 of Title 20 of the District of Columbia Municipal Regulations (referred to as a Chapter 3 Operating Permit). As of the date of this Official Statement, the Authority's application was still pending.

Future Matters. In addition to continued compliance with its current permits and regulations described above, in the future, the Authority's wastewater discharges may become subject to additional requirements based on new federal or local requirements. As the EPA promulgates additional regulations, the Authority may be required to modify operations and/or construct facilities beyond those contemplated in the CIP.

The Water System

The Washington Aqueduct

Established in 1852, the Washington Aqueduct Division of the U.S. Army Corps of Engineers (the "USACE") provides water to the District and parts of Virginia. The USACE owns and operates the Washington Aqueduct (the "Aqueduct"), including its two water treatment plants, raw water conduits, reservoirs, pumping stations and treated water transmission lines.

The Aqueduct facilities supply treated water to distribution systems of the Authority, Arlington County, Fairfax County Water Authority (“FCWA”) (collectively, the “Aqueduct Customers”), the federal government, and other parts of northern Virginia. As of January 3, 2014, FCWA assumed ownership and operation of the water distribution system previously owned and operated by the City of Falls Church. The Authority is responsible for managing the treated Water System that serves the District and several other governmental customers outside the District. The Authority purchases approximately 73% of the finished water produced by the Aqueduct, and Arlington County and the FCWA, Virginia purchase the remainder. The Authority’s share of the water purchased from the Aqueduct in the last ten Fiscal Years is set forth in the following table. For a discussion regarding the reduction in consumption and customer demand, see “CUSTOMER BASE, RATES AND CHARGES – Customer Demand.”

Historical Water Demand

Fiscal Year ended September 30	Annual Deliveries to System (MG)	Average Day (MGD)	Max Day (MGD)
2005	45,057	123.4	149.6
2006	41,541	113.8	161.6
2007	41,687	114.2	156.5
2008	40,755	111.7	150.5
2009	39,998	109.6	150.4
2010	38,589	105.7	146.9
2011	37,556	102.9	143.7
2012	36,930	100.9	142.9
2013	34,714	95.1	129.7
2014	34,708	95.1	123.7

Source: Authority’s CAFR.

The Aqueduct draws water from the Potomac River, which is the predominant source of water in the District and the User Jurisdictions. As a result of the Potomac River’s importance for maintaining adequate water supply, the Interstate Commission on the Potomac River Basin (“ICPRB”) and the Metropolitan Washington Council of Governments (“COG”), have maintained a drought plan since 1978, through which the Potomac River’s water supply is supplemented by a 23.5 billion gallon reserve that is stored at three separate off-river reservoirs. Due to the maintenance of this strategic reserve, the ICPRB has been able to effectively manage drought conditions and effectively allocate water resources during drought events.

The federal Safe Drinking Water Act Amendments of 1996 authorized the Secretary of the Army with the consent of the Authority, the City of Falls Church and Arlington County to either establish a non-federal public or private utility to receive title to operate, maintain and manage the Aqueduct or to allow the USACE to remain as owner and operator with the Authority, the City of Falls Church and Arlington County having some input into strategic operations, direction, operations and capital improvement of the Aqueduct. In May 1998, the Authority, the City of Falls Church, Arlington County and the USACE executed a Memorandum of Understanding that the USACE would continue to own and operate the Aqueduct facilities. In December 2013, the Authority, FCWA, Arlington County and the USACE executed a revised Memorandum of Understanding to include the FCWA as the successor in interest to the City of Falls Church.

The Aqueduct has developed a capital improvement program, including improvements to the Dalecarlia and McMillan Water Treatment Plants (each a “WTP”), raw water conduits, pumping stations and reservoirs. The proposed lifetime budget for the Authority’s share of the costs of Aqueduct capital improvements totals approximately \$296 million. The Authority estimates in the CIP that the cost of the Washington Aqueduct Project will be \$109 million. See “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Washington Aqueduct Projects.”

Water Sales Agreement

Pursuant to a Water Sales Agreement, dated as of July 31, 1997, by and between the Authority and the USACE (the “Water Sales Agreement”), the USACE sells and furnishes to the Authority all of the finished water that the Authority requires for the operation of the Water System to the extent that the USACE has water and facilities available at the Aqueduct. In accordance with the Water Sales Agreement, the Authority is obligated to make monthly payments into an escrow account to be used by the USACE to cover the Authority’s pro rata share, based on its consumption of water, of the costs of the operation and capital improvement of the Aqueduct. The Authority currently contributes approximately 73% of capital and operating expenditures of the Aqueduct. The Water Sales Agreement will remain in

effect until September 30, 2023, unless earlier terminated in accordance with its terms. Thereafter, the Water Sales Agreement may continue until terminated by either party giving the other party not less than six months' prior written notice.

Water Supply

The Aqueduct obtains its water supply from two Potomac River intakes at Great Falls and Little Falls. Two other regional water suppliers, FCWA and WSSC, also obtain for processing at their drinking water treatment facilities water from the same area of the Potomac River. Water for the Authority is withdrawn at the Great Falls intake and flows by gravity through two nine-mile conduits and is then pumped to the Dalecarlia Reservoir. Water also may be withdrawn from the Little Falls intake and pumped to the Dalecarlia Reservoir. The Dalecarlia Reservoir acts as a presedimentation basin for water drawn into the Dalecarlia WTP and for water diverted to the Georgetown Reservoir for subsequent treatment at the McMillan WTP.

In 1978, the United States, the District, the State of Maryland, the Commonwealth of Virginia and the FCWA entered into a Low Flow Allocation Agreement to provide a basis for allocation of resources during severe drought conditions and outline procedures to be followed in such circumstances. Water supply reservoirs developed on Little Seneca Creek and the north branch of the Potomac River are designed to augment the natural flow of the Potomac River during low flow conditions and ensure that the Washington metropolitan area will have sufficient water for years to come.

Raw Water Supply Agreements

A series of agreements ensures the continuous adequate supply of water to the Aqueduct's and the Authority's customers. The following are the Authority's raw water supply agreements:

The Savage Reservoir Maintenance and Operation Cost Sharing Agreement was executed in June 1982. Pursuant to the laws of the State of Maryland, the Upper Potomac River District contracted with the District, WSSC, FCWA and Allegheny County, Maryland, to share the operation, maintenance, repair and replacement costs of the Savage Reservoir project located in western Maryland. This agreement provides for releases from Savage Reservoir that mix with, and thereby reduce, the acidic nature of the Jennings Randolph Lake waters. The Savage Reservoir cost-sharing agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Little Seneca Lake Cost Sharing Agreement was executed in July 1982 by and among the District, WSSC and FCWA to construct a dam and reservoir to provide an adequate supply of potable water continuing into the current century. This agreement calls for WSSC to finance, construct, operate and maintain Little Seneca Lake. The Authority's share of the project and operating and maintenance costs under the agreement is 40%. The Little Seneca Lake Cost Sharing Agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Water Supply Coordination Agreement was executed in July 1982 by and among WSSC, FCWA and the Aqueduct to provide for the coordinated operation of its water supply sources and cooperative regional management of the water supply system and the cost-sharing arrangement for any water supply projects for the Washington metropolitan area, if and when they are needed.

The Novation and Future Water Supply Storage Agreement was executed in July 1982, by and among the United States, the Maryland Potomac Water Authority, WSSC, FCWA and the District, to provide for initial water supply storage in the Jennings Randolph Lake reservoir of approximately two billion gallons. The Novation and Future Water Supply Storage Agreement increases the amount of water supply storage to 13.4 billion gallons, or 32% of the reservoir's total storage. Of the remaining reservoir storage 40% is designated for water quality and 28% for flood control.

Water Treatment and Storage

The Authority receives finished water from the Dalecarlia and McMillan WTPs. The original Dalecarlia WTP was completed in 1928, and underwent major expansion and improvements in 1964. The McMillan WTP was constructed in 1985 on the site of the original 1905 plant. The design capacity of the Dalecarlia and McMillan WTPs was based on population growth and water use projections that are greater than have been realized to date. The total treatment capacity of the plants of 370 mgd currently exceeds the day-to-day demands and peak requirements of their respective service areas.

Finished water from the Dalecarlia WTP is pumped by the Dalecarlia Pumping Station to the following reservoirs which serve various pressure zones within the District: Brentwood, Foxhall, Van Ness and Fort Reno Reservoir No. 1 and No. 2. Finished water from the McMillan WTP is pumped by the Authority's Bryant Street Pumping station to District customers. Brentwood and Reno No. 1 reservoirs, which can store up to 143.5 MG of finished water, are the Authority's facilities. The other three reservoirs are owned and operated by the Aqueduct and can store up to 125 MG of finished water. Flexibility in the distribution system is provided so that each of the two water pumping stations can pump to other reservoirs in the distribution system as circumstances dictate.

Sold vs. Pumped Ratio

The Authority regularly monitors the ratio of water billed to customers (sold water) versus water it purchases from the Aqueduct (pumped water). Unlike many other water utilities, the Authority does not adjust this ratio for water used in normal system activities, such as firefighting and system maintenance, including flushing of water mains and hydrant testing.

The sold versus pumped ratio decreased from 76% in 2013 to 73% in 2014, partly due to one-time non-recurring billing adjustments made for certain Federal government accounts. Water sales figures are derived from the operating budget of the Authority and may not be consistent with the audited financial statements for each year. The cost of unbilled water is not substantial relative to total annual expenses of the Authority.

Water System Regulation and Permits

Drinking Water Quality

The water operations of the Aqueduct and the Authority are subject to the requirements of the federal Safe Drinking Water Act of 1974, 42 U.S.C. § 300f et. Seq., as amended in 1986 and 1996 by Congress. The 1986 amendments to the Safe Drinking Water Act extended the regulatory agenda of the EPA to include, among other things, the development of drinking water standards for 90 contaminants.

The Aqueduct and the Authority are in substantial compliance with all physical, chemical, radiological and bacteriological standards established by the regulations currently in effect under the Safe Drinking Water Act and are studying the potential impacts of proposed rules as well as those still under development by the EPA. As the EPA promulgates additional regulations, there is a potential that the Aqueduct or the Authority will be required to modify operations and/or construct facilities beyond those contemplated by the CIP. The Aqueduct and the Authority management believe, however, that planned capital projects should address all current regulatory requirements.

NPDES Permit and Water Treatment System Sediments

Until April 2003, during high flow periods, the Aqueduct discharged into the Potomac River the river sediments that are removed during the treatment process. The NPDES Permit issued in March 2003 included discharge limitations on sediments. The Aqueduct entered into a Federal Facilities Compliance Agreement ("FFCA") with EPA Region III, which provides a legally mandated plan and an enforceable compliance schedule for achieving the effluent discharge limitations in the NPDES Permit. The Aqueduct evaluated various options for residuals collection, conveyance, processing and disposal and selected a process which dewateres the residuals on site and transports them off-site for disposal. Construction on this project commenced in Fiscal Year 2008, was completed and placed into service on November 22, 2012. The Authority's share of the total cost of this project was \$98.6 million. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Washington Aqueduct Projects."

Lead Levels

Pursuant to the Safe Drinking Water Act, the Lead and Copper Rule promulgated in 1991 by the EPA (the "Lead and Copper Rule") establishes maximum contaminant level goals and action levels for lead and copper. Large water suppliers, such as the Authority, are required to perform periodic monitoring and optimize corrosion control of water so as to minimize leaching of lead and copper contaminants into drinking water. If more than 10% of the tap water samples contain lead above the "action level" of 15 micrograms per liter, the water supplier is required to perform public education and to optimize the corrosion control treatment. If, after optimal corrosion control treatment has been implemented, the lead level in water at the tap continues to exceed the action level, the supplier must annually replace 7% of existing lead service lines that it owns. Alternatively, the water supplier may demonstrate through testing that individual lead service lines that it owns do not have lead levels above the action level (called "sampling in lieu of replacement"). The supplier may perform a combination of these two actions to attain the 7% annual replacement level. In the District, property owners own the lead service lines.

In August 2002, the Authority reported to EPA Region III that results for the sampling period from July 2001 to June 2002 demonstrated lead levels in excess of the threshold for action established by the Lead and Copper Rule. Elevated lead levels were believed to be linked to changes in the Aqueduct's water treatment methods. In November 2000, the Aqueduct had switched from free chlorine to chloramines disinfection to reduce the concentration of disinfection byproducts under the federal Disinfectant Byproducts Rule. Elevated lead levels began appearing within a year of the chlorine/chloramines switchover.

In February 2004, EPA Region III commenced an audit of the Authority's compliance with the Lead and Copper Rule and found noncompliance with regard to sampling, monitoring, public notification and reporting requirements. In an Administrative Order dated June 17, 2004, as supplemented on January 14, 2005, and amended on June 8, 2005 (collectively, the "Administrative Order"), EPA Region III and the Authority agreed to remedies for the issues identified by the compliance audit. The Authority and the Aqueduct undertook appropriate measures to implement corrosion control treatment. Lead levels have consistently been below the action level since 2005 and the Authority is no longer subject to the Administrative Order from EPA Region III.

Pursuant to a Consent Agreement and Final Order ("CAFO") executed on May 2, 2007, the Authority agreed to pay a civil penalty in the amount of \$10,000 to EPA Region III for certain alleged reporting violations of the Lead and Copper Rule. The CAFO resolved all of the civil claims in connection with these allegations. EPA Region III and the DOJ also conducted an investigation to determine whether any criminal violations occurred in connection with the Annual Report on Lead Service Replacement Program the Authority filed with EPA Region III in October 2003 and the two different methods the Authority used to test lead levels. In October 2008, EPA Region III and the DOJ informed the Authority that it would take no adverse action against the Authority, thereby resolving all criminal claims against the Authority in connection with this matter.

In addition to the measures undertaken by the Authority pursuant to the Administrative Order, in 2004 the Authority commenced a voluntary lead service replacement program, even though not legally required to do so under the Lead and Copper Rule. In order to reduce adverse impacts and costs to ratepayers, lead service replacement construction work was performed in conjunction with sewer laterals, small valves and water main repair work, and the replacement of broken or defective hydrants. However, this resulted in a large number of partial lead service replacements because many property owners declined to replace the lead service line on their private property. In 2008, in response to research indicating that partial lead service replacements are not effective in reducing lead levels, the Authority discontinued its accelerated replacement program. In September 2009, the Board approved modifications of the Authority's lead service replacement policy to encourage full service line replacements and to manage costs. Under the modified policy, public lead service lines (between the main and the property line) will continue to be replaced with copper pipes in conjunction with: (i) the Authority's water main replacement projects when the Authority must replace the water service pipe to connect to a new water main, and (ii) when the customer replaces the private portion of lead service lines and requests that the Authority replace the public portion of the lead service line.

A study authored by Marc Edwards, PhD, an engineer at the Virginia Polytechnic Institute and State University, and Dana Best, MD, a physician at the Children's National Medical Center, published in the March 1, 2009, issue of *Environmental Science and Technology*, found that the number of toddlers and infants with high blood-lead concentrations more than doubled in certain District neighborhoods that experienced rising lead concentrations in 2001 (the "Edwards Study"). These findings contradicted a report published by the Centers for Disease Control and Prevention (the "CDC") on March 30, 2004 (the "2004 CDC Report"), which found that lead might have contributed a small increase in blood lead levels and claimed that no children with dangerously high blood lead levels were found in the District.

The Edwards Study prompted the U.S. House of Representative's Committee on Science and Technology to open an investigation into the 2004 CDC Report. The Majority Staff of the Subcommittee on Investigations and Oversight of the Committee on Science and Technology issued a report on May 20, 2010, releasing its findings. The Subcommittee's primary findings include, among others, that (i) the CDC knowingly used flawed data in drafting the 2004 CDC Report, leading to "scientifically indefensible" claims being included in the 2004 CDC Report, and (ii) the CDC failed to publicize later research showing that the harm was more serious than the 2004 CDC Report suggested. In May and June 2010, the CDC issued two notices to the readers of its digest, *Morbidity and Mortality Weekly Report*, admitting that the 2004 CDC Report was misleading and that it "should not be used to make conclusions about the contribution of water lead to blood levels in DC, to predict what might occur in other situations where lead levels in drinking water are high, or to determine safe levels of lead in drinking water." In December 2010, the CDC published a study of the District's water supply conducted from 1998 to 2006, which concluded that children living in the District were exposed to high levels of lead despite an attempt to prevent the water from being contaminated by partial lead service replacements. The 2010 CDC Study confirms information the Authority received in previous years which led the Authority in 2008 to discontinue the partial lead service line replacements. Partial line replacements can cause agitation that temporarily releases lead into the home, which can cause a temporary spike in lead levels. As described above, the Authority modified its lead service line replacement program in 2009 and continues its efforts to address lead in drinking

water by: (i) monitoring household lead levels to ensure drinking water is in compliance with the EPA drinking water standards, (ii) conducting research on household plumbing characteristics, (iii) offering free lead testing, (iv) recommending full lead service replacements on public and private property, (v) providing free water filters and lead testing following a full or partial lead service line replacement, (vi) recommending that pregnant women and children under the age six should use filtered tap water for drinking and cooking until all sources of lead impacting water are removed, and (vii) participating in coordinated District interagency meetings and responses to lead in water issues.

The Authority estimates the cost of the lead service line replacement program in the CIP at \$13.6 million. Since inception of the line replacement program through March 31, 2015, the Authority expended \$147.2 million on the lead service line replacement program. See “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Water Projects.”

Protection of the Water System and Wastewater System

In 2000, the Authority developed and began implementing an extensive security program in conjunction with the District’s Metropolitan Police Department and various federal agencies, including the Federal Bureau of Investigation and the Bureau of Alcohol, Tobacco and Firearms (the “2000 Security Program”). After the events of September 11, 2001, and in response to certain provisions of the Bioterrorism Act of 2002 and amendments to the Safe Drinking Water Act pertaining to security for community water systems, the Authority developed and implemented additional security measures beyond the 2000 Security Program.

The Aqueduct and each of the Aqueduct Customers has independent obligations under law to protect the community water systems they operate. Both the Authority and the Aqueduct completed studies of Water System vulnerability using the Sandia National Laboratories RAM-W methodology. The vulnerability reports were submitted to EPA Region III in March 2003 to fulfill the Bioterrorism Act requirement for a vulnerability assessment.

Blue Plains and the primary water and sewer distribution facilities it operates are fenced, gated and manned 24 hours a day by security officers. Major security technology video surveillance, intrusion alarm monitoring, and access control management system upgrades are utilized, with significant security technology upgrades in progress at several facilities and properties. The secondary distribution facilities are monitored by vehicular security patrols as well as some security technologies. The Authority also employs cameras and other monitoring equipment at these facilities.

Access to facilities operated by the Aqueduct is also controlled and the Aqueduct has increased security at both staffed and remotely operated facilities. In conformance with the requirements of the Safe Drinking Water Act, the Aqueduct contracted with the Interstate Commission on the Potomac River Basin to develop a source water assessment and monitoring program. The program was implemented in 2002.

While the Aqueduct and the Authority have taken these actions to help ensure the security of the System, the Authority does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities are directed against the System.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority utilizes an annually adopted ten-year Capital Improvement Program to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its Water and Wastewater Systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority and senior management.

The Authority evaluates and prioritizes capital projects based on specific criteria. These criteria are fundamental in developing a CIP based on demonstrated needs and are set forth in the following table and described below.

Capital Improvement Program Criteria
(\$ in thousands)

	Mandates(a)	Health & Safety(b)	Board Policy(c)	Potential Failure(d)	High Profile / Good Neighbor(e)	Good Engineering Practices / High Payback(f)	Good Engineering Practices / Low Payback(g)	Total
FY 2015	\$239,582	\$11,385	\$94,118	\$34,423	\$2,666	\$217,535	\$25,562	\$625,274
FY 2016	264,579	13,570	35,430	36,756	3,615	155,491	39,599	549,040
FY 2017	192,510	16,382	4,192	60,389	8,971	113,124	46,575	442,145
FY 2018	150,521	15,450	1,581	53,947	6,916	112,163	32,549	373,126
FY 2019	154,297	6,580	1,842	44,199	228	107,483	34,706	349,335
FY 2020	175,428	9,992	2,057	51,705	-	96,482	33,257	368,921
FY 2021	133,243	8,361	2,314	16,442	-	104,128	40,048	304,536
FY 2022	108,729	771	1,749	16,884	-	115,081	38,301	281,515
FY 2023	130,748	43	-	23,849	-	125,530	21,885	302,055
FY 2024	96,839	45	-	20,960	-	117,249	13,025	248,117
Total	\$1,646,476	\$82,578	\$143,283	\$359,553	\$22,397	\$1,264,266	\$325,507	\$3,844,063
% of Total	42.8%	2.1%	3.7%	9.4%	0.6%	32.9%	8.5%	

- ^a Agreements, regulatory standards, court orders, issues and permits requirements, stipulated agreements, etc.
- ^b Projects required to address public safety.
- ^c Projects undertaken as a result of the Board's commitment to outside agencies.
- ^d Projects related to facilities in danger of failing or critical to meeting permit requirements.
- ^e Projects that address public concerns.
- ^f Projects that are necessary to fulfill mission and upgrade facilities.
- ^g Lower priority projects.

Source: Authority records.

Since its creation in 1996 through March 31, 2015, the Authority has expended approximately \$4.1 billion, on a cash disbursement basis, for capital improvement projects, including \$2.1 billion for projects at Blue Plains, \$651 million for Water System infrastructure projects, \$1.1 billion for the DC Clean Rivers Project and combined sewer projects, \$264 million for sanitary sewer projects and \$56 million for meter replacement/AMR projects.

The Authority estimates the cost of the Fiscal Year 2015 - 2024 CIP at \$3.8 billion on a cash disbursement basis, including approximately \$883 million for wastewater treatment projects at Blue Plains, \$1.624 billion for the DC Clean Rivers Project and combined sewer projects, \$610 million for Water System infrastructure projects, \$405 million for sanitary sewer projects, \$142 million for capital equipment, \$109 million for Washington Aqueduct Division projects and \$58 million for meter replacement/AMR projects. The Board approved the CIP on February 5, 2015.

Finance and Budget Committee - 4. Action Items

An overview of the CIP project categories and the sources of funding is set forth in the following table.

Fiscal Year 2015-2024 Capital Improvement Program												
Sources and Uses of Capital Funds												
Fiscal Years ended/ending September 30												
(\$ in thousands)												
Description	Actual 2014	2015	2016	2017	2018	Projected 2019	2020	2021	2022	2023	2024	Total
BEGINNING BALANCE	\$ 282,096	\$309,033	\$297,671	\$224,323	\$141,038	\$ 101,389	\$102,715	\$102,986	\$ 102,184	\$ 101,812	\$ 101,974	\$ 309,033
SOURCES OF FUNDS:												
Proceeds from Rev. Bonds	\$ 446,150	\$250,000	\$250,000	\$207,621	\$185,201	\$ 217,189	\$238,858	\$174,732	\$ 144,923	\$ 157,928	\$ 113,925	\$ 1,940,378
Proceeds from Treasury Notes/Digesters Financing Option	-	-	-	-	-	-	-	-	-	-	-	-
Capital Equipment Financing (for 4 yrs @ 3.25%)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Operations	25,025	61,769	49,558	54,513	59,986	70,786	76,047	79,943	83,867	88,414	90,592	715,474
EPA Grants /DC Reimbursement	19,098	51,771	67,169	14,016	10,535	10,535	10,000	10,000	10,000	10,000	10,000	204,027
CSO Grants	18,586	22,200	10,126	-	-	-	-	-	-	-	-	32,326
Wholesale Customer Capital Contributions	200,169	227,745	98,289	81,669	76,366	49,436	41,301	36,875	40,541	43,901	31,626	727,749
Interest Income	164	429	550	1,038	1,389	2,715	2,986	2,184	1,812	1,974	1,424	16,500
Total Sources	\$ 709,192	\$613,913	\$475,692	\$358,858	\$333,477	\$ 350,661	\$369,192	\$303,734	\$ 281,142	\$ 302,218	\$ 247,567	\$ 3,636,454
USES OF FUNDS:												
Water Projects	\$ 53,156	\$ 65,006	\$ 67,546	\$ 58,968	\$ 50,862	\$ 48,795	\$ 61,249	\$ 68,201	\$ 61,153	\$ 59,828	\$ 68,645	\$ 610,253
Blue Plains Projects	355,714	206,260	149,375	121,268	110,405	62,461	64,267	52,006	50,750	37,094	29,285	883,171
Sanitary Sewer Projects	25,961	40,258	42,175	51,076	42,956	39,711	44,960	25,896	33,524	45,712	39,116	405,384
Combined Sewer	13,850	15,192	32,679	34,285	30,856	22,694	12,754	12,630	14,263	15,838	6,687	197,878
Combined Sewer LTCP	204,708	255,909	206,024	125,245	98,235	142,900	163,816	124,328	100,940	123,599	84,755	1,425,751
Stormwater Projects	3,742	2,559	1,178	1,726	1,848	760	772	691	1,115	970	1,270	12,889
Washington Aqueduct Division Projects	11,258	10,000	10,864	10,850	10,936	11,060	11,045	11,226	11,212	11,081	10,842	109,116
Capital Equipment	12,211	22,191	24,810	24,018	15,683	14,282	9,058	9,058	8,058	7,433	7,017	141,608
Meter Replacement / AMR	1,655	7,900	14,389	14,707	11,345	6,672	1,000	500	500	500	500	58,013
Reimbursement for Prior Capital Expend.	-	-	-	-	-	-	-	-	-	-	-	-
Total Uses	\$ 682,255	\$625,275	\$549,040	\$442,143	\$373,126	\$ 349,335	\$368,921	\$304,536	\$ 281,515	\$ 302,055	\$ 248,117	\$ 3,844,063
SOURCES MINUS USES	26,937	(11,362)	(73,348)	(83,285)	(39,649)	1,326	271	(802)	(373)	163	(550)	(207,609)
ENDING BALANCE	\$ 309,033	\$297,671	\$224,323	\$141,038	\$101,389	\$ 102,715	\$102,986	\$102,184	\$ 101,812	\$ 101,974	\$ 101,424	\$ 101,424

Categories of CIP Projects

Wastewater Treatment Projects. Capital projects in the wastewater treatment service area are required to rehabilitate, upgrade or provide new facilities at Blue Plains to ensure that it can reliably meet its NPDES Permit requirements and produce a consistent, high-quality dewatered solids product for land application. The Authority has undertaken several major capital improvement projects to rehabilitate, replace or add new processes and capacity at Blue Plains in recent years, including: (i) a new facility has been placed in service in 2015 to comply with NPDES requirements to reduce nitrogen in the plant effluent; (ii) recently completed facilities to digest solids after thermal hydrolysis treatment, reducing the volume by 50% (reducing hauling and recycling costs) and resulting in production of Class A biosolids, which can be applied to land without any pathogen-related restrictions at the site and also can be bagged and marketed to the public for application to lawns and gardens, thereby increasing beneficial reuse options. The recent upgrades relating to the digestion process include a combined heat and power facility to utilize digester gas produced by the process to generate electricity (up to 30% of plant needs) along with steam for the thermal hydrolysis and digestion process, and a belt filter press facility to dewater the Class A product; (iii) a facility upgrade to improve secondary treatment performance for more efficient overall nitrogen removal capability; (iv) construction of a new facility to treat high nitrogen load dewatering recycles; (v) initiating the design phase for projects to upgrade a raw wastewater pump station, the filtration and disinfection facility and the gravity thickener complex; and (vi) a major design-build project continues to build, by 2018, a tunnel dewatering pump station and enhanced clarification facilities to pump out and treat flows captured through the Authority’s ongoing combined sewer overflow projects.

The projected ten-year disbursements for wastewater treatment projects are approximately \$883 million, which includes approximately \$522 million in disbursements for liquid, plantwide and solids processing projects such as major improvements to filtration, and pumping facilities and \$361 million for the ENRF program projects such as the Tunnel Dewatering Pump Station and Enhanced Clarification Facility.

Sanitary Sewer Projects. The CIP includes approximately \$405 million in projected disbursements for sanitary sewer projects including the rehabilitation of six sanitary sewer pumping stations – Potomac, Main & O, Swirl Facility, East Side, and 3rd & Constitution Avenue, as well as sewer condition assessments that cover 60 miles of the system per year through year 2026. Rehabilitation of the District’s major assets including the Potomac Interceptor, B Street/New Jersey Avenue Trunk Sewer, Northeast Boundary Trunk Sewer, Anacostia Force Main and portions of the other 35 major sewers are also included. Creekbed sewers and sewers under buildings will largely be rehabilitated as part of these projects. The program to rehabilitate other small and large diameter sewers including replacement and lining of laterals, and replacement of manholes, is an ongoing project of the Authority.

In 2009, the Authority completed a Sewer System Facilities Plan (the “Sewer System Facilities Plan”). The Sewer System Facilities Plan will be updated in December 2015. The Sewer System Facilities Plan represents the culmination of an initiative involving sewer inspection and condition assessment, development of a sewer GIS database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement.

Combined Sewer Overflow Projects. The CIP includes \$1.624 billion for the DC Clean Rivers Project and combined sewer projects. The DC Clean Rivers Project is designed to control combined sewer overflow discharges to prevent them from causing or contributing to violations of applicable water quality standards. See “THE SYSTEM – Wastewater Regulation and Permits – NPDES Permit.” Through the DC Clean Rivers Project, the Authority will construct combined sewage storage/conveyance tunnels that are designed to intercept and store water until Blue Plains can receive and treat the combined sewage. The DC Clean Rivers Project includes a variety of capital improvement projects throughout the System including three large tunnel systems which will accommodate the storage of combined sewer overflows (“CSOs”) from storm events until they can be conveyed to Blue Plains for treatment. Approximately one-third of the System is served by a combined sewer system, in which both sanitary sewage and storm water flow through the same pipes. When the collection system reaches capacity, typically during periods of heavy rainfall, the system is designed to overflow the excess diluted sewage or CSOs.

The DC Clean Rivers Project also includes the Authority’s GI initiative. See “THE SYSTEM – Wastewater Regulation and Permits.” The GI initiative is cost-neutral (as compared to the Authority’s tunnel options) and will reduce the size of the tunnels required to serve the Rock Creek and Potomac River by implementing new environmental technologies on a significant scale. GI technologies capture, infiltrate, treat and reuse polluted storm water runoff before it enters the sewer system. Examples of GI technologies include rain gardens, porous pavements, bio-swells, green roofs, infiltration planters, trees and tree boxes, and rainwater harvesting for non-potable uses such as landscape irrigation.

When completed, the DC Clean Rivers Project will reduce the combined sewer overflows by at least 96% (exceeding the EPA standard of 85%), reducing pollution to the Potomac, Anacostia and Rock Creek waterways, improving water quality, and reducing locally generated debris from the combined sewer system and local waterways. The Authority expects to implement the DC Clean Rivers Project, which commenced in March 2005, over a 25-year period*, at a total estimated cost (including funds spent prior to Fiscal Year 2015) of \$2.6 billion.

Stormwater Projects. The projected disbursements for the stormwater service area in the CIP are approximately \$12.9 million and includes extensions to the system and relief of certain sewers as well as rehabilitation or replacement of deteriorated storm sewers. Also included in the budget is the rehabilitation of the stormwater pumping stations (16) operated and maintained by the District.

Washington Aqueduct Projects. The Washington Aqueduct provides wholesale water treatment services to the Authority and other Aqueduct Customers. See “THE SYSTEM – The Water System – The Washington Aqueduct.” Under federal legislation enacted and a memorandum of understanding executed in 1997, the Aqueduct Customers have a role in the oversight of the Aqueduct’s operations and its capital improvement program. The Aqueduct successfully designed, constructed and implemented a new orthophosphate corrosion control system at its water treatment plants in 2005 that meets the optimal corrosion control requirements of the Lead and Copper Rule. As a result, periodic sampling by the Authority shows that lead levels are below the action level, which supported the decision of the Authority to significantly modify its lead pipe replacement program. The CIP includes approximately \$109 million for Aqueduct projects. See “THE SYSTEM – The Water System – Water System Regulation and Permits – NPDES Permit and Water Treatment System Sediments.”

Water System Projects. Projects in the water service area are designed to maintain an adequate and reliable potable water supply to customers and to provide required fire protection for the District. Categories of projects include the rehabilitation and replacement of water mains, water service connections, storage facilities, and pumping stations. The Authority has completed several critical improvements to the Water System, including cross connection removal, and major pumping station and storage facility rehabilitation.

The CIP includes approximately \$610 million in projected disbursements for Water System projects, including new system storage facilities, large diameter water main rehabilitation, 1% renewal of small diameter water mains (including ancillary items, like fire hydrants, valves and service connections) DDOT-related water main projects, and continued funding for the water lead program. See “THE SYSTEM – The Water System – Water System Regulation and Permits – Lead Levels.”

Capital Equipment Projects. The CIP includes approximately \$142 million for major information technology projects, vehicle fleet upgrades and maintenance of large equipment projects at Blue Plains and the major water and sewer pumping stations.

Meter Replacement Projects. The CIP includes approximately \$58 million for ongoing meter replacements and continued AMR system improvements and upgrades to the AMR equipment. This planned upgrade is part of the Authority’s preventative maintenance program for the advanced meter infrastructure, which collect approximately 260,000 meter readings per day and are an essential asset to the Authority’s billing process. The upgrades allow the Authority to move to the current version of AMI software and replace aging meters and meter data communication equipment.

CIP Financing Sources

The Authority expects to finance the CIP from the sources summarized below.

Revenue Bonds/Commercial Paper Notes. The Authority expects to finance approximately \$1.94 billion, or 53.4% of the CIP financing sources, with new long-term debt. The Authority has used, and expects to use in the future, its Commercial Paper Notes to fund capital needs on an interim basis, followed by issuance of long-term revenue bonds to retire outstanding Commercial Paper Notes and provide permanent financing for CIP costs. As approved by the Board, the total amount of Commercial Paper Notes outstanding at any time cannot exceed \$150 million. As of the date of this Official Statement, \$12 million of the Series B CP Notes and \$29.2 million of the Series C CP Notes were outstanding. The Series B CP Notes and the Series C CP Notes will be retired in installments from proceeds of future tax-exempt bonds. In addition, the Authority anticipates using proceeds from the EMCP Notes as an additional CIP financing source. The Authority expects to authorize the EMCP Notes in an amount not to exceed \$100 million

* The 25-year completion period is the result of successful negotiations between the Authority and EPA regarding the date by which the Authority must comply with the 2005 LTCP Consent Decree. Notably, however, the CIP contemplates that the DC Clean Rivers Project will be implemented over a 20-year period. Despite this difference in the term of the DC Clean Rivers Project, the cost estimates for the DC Clean Rivers Project in the CIP remain accurate.

concurrently with the issuance of the Series 2015A/B Bonds. As of the date of this Official Statement, the Authority has not issued any EMCP Notes

Wholesale Customer Contributions. Under the terms of the 2012 IMA, the Authority's wholesale customers share the cost of operating, maintaining and making capital improvements at Blue Plains. A separate agreement with the Loudoun County Sanitation Authority ("LCSA") allows the Authority to recoup capital and operating costs from the LCSA on the same basis as provided for in the 2012 IMA. Contribution levels are governed by the agreements that provide for the pro-rata reimbursement for capital improvements based on the capacity allocated to each wholesale customer. The Authority expects to finance approximately \$728 million, or 20.0% of the CIP financing sources, with capital funding from wholesale customers. As of the date of this Official Statement, all wholesale customers were current on their capital contributions payments.

Federal and Other Grants. The Authority receives annual grants under the Clean Water Act and Safe Drinking Water Act for a variety of projects at Blue Plains and for the Water System. In addition, the Authority has received a special Congressional appropriation for improvements to the combined sewer system. The Authority expects to finance approximately \$236 million, or 6.5% of the CIP financing sources, with federal grants. Pursuant to the Safe Drinking Water Act and the Clean Water Act, the federal government makes annual appropriations for projects to improve drinking water supplies and wastewater treatment. Unlike most public water or wastewater utilities, the Authority receives appropriations in the form of grants and not as loans pursuant to a State Revolving Fund program. Under the terms of these grants, payments to the Authority are made on a reimbursable basis, with unclaimed appropriations remaining available to be obligated in subsequent years.

Under the Wet Weather Water Quality Act of 2000 that codified the EPA's 1994 National CSO Policy, the U.S. Congress authorized grant funding for the DC Clean Rivers Project. These appropriations require a 50% match from the Authority. As of March 31, 2015, the Authority had received \$210.8 million in grant funding for the DC Clean Rivers Project.

Pay-As-You-Go Financing. Revenues in excess of those required to meet operating and maintenance expenses, to make debt service payments and to fund reserves can be used, at the discretion of the Authority, to fund a portion of the CIP. The projected financial operations of the Authority assume that such amounts are used as a source of funds for the CIP. In addition, the Authority has established a separate line item in its operating budget beginning in Fiscal Year 2015 to provide funds for additional cash-financed capital construction, the defeasance of debt, or other uses at the discretion of the Authority. The projected financial operations of the Authority assume that the amounts in this line item are also used a source of funds for the CIP. The Authority expects to finance approximately \$715 million, or 19.7%, of the CIP financing sources with pay-as-you-go funds.

The Board has also adopted a policy that authorizes any funds in excess of the operations and maintenance reserve and any other significant one-time cash infusions to be used to finance the CIP or to pay off higher cost debt. The projected financial operations of the Authority assume that no funds are currently available from these potential sources at the time of this Official Statement.

Interest Income on Bond Proceeds. Subject to Federal tax law requirements relating to use of the proceeds of tax-exempt bonds, the Authority uses interest earned on the proceeds of its bonds as a source of funds for the CIP. This interest income is treated as non-operating revenue of the Authority that is available to pay debt service, if needed. The use of this income for capital funding purposes represents another source of pay-as-you-go capital. The Authority estimates that \$16.5 million in interest income will be available to finance the CIP.

Cost Estimates

Although actual bid prices for recent construction projects, on average, have been slightly below the engineering cost estimates for such projects, the costs shown in the CIP reflect the Authority's practice of increasing construction cost estimates by 3% annually to the midpoint of construction. There are no assurances that the actual rate of inflation in construction costs will not increase significantly above the assumed rate of inflation or that such increases will not have an adverse impact on the financial operations of the Authority.

An additional consideration regarding the construction cost estimates is the value of change orders relative to the total cost of construction work performed. The cost of construction-related change orders executed by the Authority for contracts undertaken during the five-year period from Fiscal Year 2010 through Fiscal Year 2014 was \$26 million, or 5.3% of the total original value of the contracts of \$493 million for this period. The relatively low value of change orders compared to the total construction costs incurred is an indication that project designs are thorough and that projects are being effectively managed during construction.

CUSTOMER BASE, RATES AND CHARGES

Customer Categories and Accounts

As of September 30, 2014, the System had 127,079 active, metered water and wastewater accounts (37 of which are accounts of the Authority and two of which are accounts of Aqueduct). Except for wholesale accounts, the majority of accounts receive both water and wastewater service. The Authority’s customer accounts are divided into four categories: residential, commercial, governmental and wholesale. The number of accounts in each of the categories is as follows:

<u>Customer Category</u>	<u>Number of Accounts</u>	<u>% of Total Operating Revenue</u>
Residential ¹	104,965	35%
Commercial	19,433	28
Governmental		
Federal	542	8
District of Columbia	641	4
D.C. Housing Authority ²	1,452	2
Wholesale	7	20
Other	[2]	[3]
Total	<u>127,040³</u>	<u>100%</u>

¹ Includes single-family and multi-family accounts.

² The D.C. Housing Authority is the only District agency that is billed separately. The remaining District agencies are billed as part of a composite bill for the government.

³ The Authority and the Aqueduct maintain a total of 39 (37 by the Authority and two by the Aqueduct) accounts from which the Authority derives no revenue.

Source: Authority records.

Customer Base

The Authority’s customer and revenue base is diverse, consisting of a wide variety of residential, commercial and governmental customers, as well as wholesale wastewater customers. For the three year period from Fiscal Year 2012 through Fiscal Year 2014, the commercial customer revenue represented about 21.5% of total operating revenue.

This group includes a variety of commercial uses, including nationally recognized universities and regional hospitals, commercial office space with tenants that are national associations, lobbying firms, major law firms and large hotels. The following table reflects the Authority’s ten largest commercial customer accounts in Fiscal Year 2014, which in aggregate represented 3.6% of total operating revenues.

[Balance of page intentionally left blank]

Ten Largest Commercial Customers (2014)

Customer	Revenue	% of Total Operating Revenues
Howard University	\$2,662,949	0.6%
George Washington University	2,609,611	0.6
Georgetown University	2,605,884	0.5
William C. Smith & Co.	2,277,833	0.5
Washington Hospital Center	1,671,855	0.4
Horning Brothers	1,347,287	0.3
American University	1,125,050	0.2
Amtrak	984,336	0.2
Georgetown University Hospital	955,353	0.2
Metropolitan Washington Airports	807,803	0.2
Total	\$17,047,961	3.6%

Source: Authority records.

The Authority serves many facilities of the federal government as well as the District of Columbia. In Fiscal Year 2014, government revenue represented approximately 8% of total operating revenues. The following table reflects the Authority's ten largest government customers in Fiscal Year 2014, which in aggregate represented 6.8% of total operating revenues.

Ten Largest Government Customers (2014)

Customer	Revenue	% of Total Operating Revenues
U.S. General Services Administration	\$7,598,077	1.6%
D.C. Housing Authority	6,308,902	1.3
U.S. Congress	4,019,627	0.8
Department of Defense (VA)	3,275,936	0.7
Smithsonian Institution	2,810,786	0.6
D.C. Board of Education	2,391,393	0.5
Bolling Air Force Base	1,928,617	0.4
Federal Naval Research Lab	1,542,370	0.3
National Park Service	1,363,657	0.3
D.C. Recreation and Parks	1,216,398	0.3
Total	\$32,455,763	6.8%

Source: Authority records.

Customer Demand

The following table shows the average percentage of annual water consumption by customer category for the period from Fiscal Year 2010 through Fiscal Year 2014. The results illustrate the diversification of the Authority's customer base.

**Average Annual Consumption By Customer Category
Fiscal Years 2010 – 2014
(millions of Ccf)**

	<u>Average Annual</u>	<u>Percent of Total</u>
Residential Single-Family	7.94	21.70%
Residential Multi-Family	7.66	20.90
Commercial	13.25	36.20
Federal Government	5.41	14.80
D. C. Municipal Government	1.02	2.80
D. C. Housing Authority	0.83	2.30
D.C. Water	0.26	0.70
Special Accounts ¹	0.25	0.70
Total Consumption	36.62	100.00%

¹ See “THE SYSTEM – Customer Base Rates and Charges – Special Accounts.”
Source: Authority Records

The following table shows historical consumption for the Authority’s customer categories for Fiscal Years 2010 through 2014, and projected consumption for Fiscal Years 2015 through 2019. The Authority’s implementation of the AMR program, which included the replacement and repair of meters, significantly reduced estimated meter readings and improved the reporting of actual consumption.

**Historical and Projected Annual Consumption by Major Customer Category
Fiscal Years ended/ending September 30
(Millions of Ccf)¹**

						Projected				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential Single-Family	8.32	8.27	7.88	7.64	7.57	7.46	7.38	7.31	7.24	7.16
Residential Multi-Family	7.99	7.83	7.57	7.46	7.44	7.27	7.20	7.13	7.06	6.99
Commercial	13.16	13.44	13.26	13.16	13.23	13.16	13.02	12.89	12.76	12.64
Federal Government	5.91	6.00	6.07	5.38	3.71	4.53	4.49	4.45	4.40	4.36
D. C. Municipal Government	1.26	1.32	1.20	0.46	0.85	0.73	0.72	0.72	0.71	0.70
D. C. Housing Authority	0.94	0.91	0.78	0.76	0.78	0.78	0.77	0.76	0.76	0.75
DC Water	0.33	0.34	0.34	0.11	0.18	0.24	0.24	0.24	0.24	0.23
Exempt	0.41	0.44	0.15	0.13	0.11	0.07	0.07	0.07	0.07	0.07
Total Consumption	38.32	38.54	37.24	35.11	33.86	34.24	33.90	33.56	33.22	32.89

¹ Total water consumption in FY2016 - 2019 reflects the assumption of a 1% annual decline.

² Totals may not add due to rounding.

Some fluctuation in consumption can occur in a given year due to variations in weather conditions and other factors such as billing adjustments. Consumption increased slightly in Fiscal Year 2011. In Fiscal Year 2012, consumption declined as compared to Fiscal Year 2011 at a rate of 3.4%. Consumption declined in Fiscal Year 2013 and Fiscal Year 2014 by 5.7% and 3.5%, respectively. About 70% of the total decline in Fiscal Years 2013 and 2014 was attributable to reductions in use by the federal government due to federal initiatives to reduce water use and other factors. See “– Rate-Setting Authority” for additional information.

The Authority anticipates that consumption will total 34.24 million Ccf in Fiscal Year 2015, representing an increase of 1.1% from the prior year. The Authority assumes that long-term total water consumption will decline at the rate of 1% per year beginning in Fiscal Year 2016, recognizing that weather conditions and other factors may affect water demand in a given year. The expectation that future sales will decline is consistent with recent trends in the Washington, D.C. region as well as the projected sales in other large cities in the northeast United States.

There is some risk that consumption could be lower than anticipated during the Projection Period. The risk is mitigated to some extent in that revenues from the federal government are determined in advance and then subject to a true-up after the year is completed. Retail revenue that is not consumption-related, such as the meter charge and the Clean Rivers Impervious Areas Charge (“CRIAC”), would also be unaffected. Consumption-based water and sewer revenues within the District are estimated to comprise about 53% of total revenues (excluding withdrawals from the Rate Stabilization Fund) in Fiscal Years 2015 through 2019. The Authority evaluates its water consumption projections annually in connection with its budget preparations and more frequently if the need arises.

Rate-Setting Authority

Retail Rates, Fees and Charges

The Board establishes the Authority's rates, fees and charges. Only the six Board members representing the District vote on setting retail water and wastewater rates and fees for the retail customers who are customers within the District. No approvals from federal or local officials are required in order to set rates.

The Authority has adopted several changes to its existing retail rate structure, which takes effect in Fiscal Year 2016. These changes are designed to better align the Authority's revenues and expenditures by establishing customer class-based volumetric water rates based upon peaking factors, to create a more progressive rate structure for its residential customers by establishing lifeline water rates that discount core consumption and to fund the Authority's water main replacement program by establishing the monthly, fixed Water System Replacement Fee (the "Water System Replacement Fee"). The Board approved the new retail rate structure and Fiscal Year 2016 rates, fees and charges on February 5, 2015. For a chart incorporating the changes to the Authority's rates, fees and charges, see "CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges."

The Authority receives annual grant funding under the Clean Water Act which requires the maintenance of wastewater charges sufficient to defray costs of operation, maintenance and replacement and surcharges for industrial discharges into the System's sewers levied in conformity with formulas set forth in the Clean Water Act and regulations thereunder. Retail revenues, including payments from the federal government, are expected to constitute approximately 78% of the Authority's total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

Federal Government Charges

The Authority's forecasted water and wastewater charges for the federal government are prepared and included in the federal budget 18 months in advance of the commencement of the Authority's Fiscal Year based on the prevailing consumption estimates, projected retail rate increases as included in the current ten-year financial plan and adjustments for prior year true-ups. The federal government budgets for and pays its bills quarterly directly from the U.S. Treasury based on the estimates provided by the Authority in advance. Under the current billing process, any differences between the projected and the actual charges are netted against a future year's billing. Federal government revenues are expected to constitute approximately 6.7% of the Authority's total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

Water consumption billed to Federal accounts has shown a significant reduction compared to prior years, and the Authority has adjusted its future forecasts for federal revenue primarily due to four factors:

- i. An executive order signed by the President created a requirement for federal agencies to reduce potable water and landscaping use water by 2% annually through conservation measures until 2020; Authority conversations and investigations with federal property managers show that significant progress is being made toward this goal through plumbing fixture replacement.
- ii. In the District, the Telework Enhancement Act (the "Telework Act") has resulted in a significant shift to employees working from home, reducing water used at the workplace, and, pursuant to the Telework Act, GSA has strategically reduce the number of buildings it owns and operates in the District in favor of placing employees in shared rental spaces. In the latter case, the water reduction observed in federal buildings is partially made up in the commercial customer billing of DC Water.
- iii. There have been significant adjustments made to federal bills as a result of property sales and transfers between the federal and District governments.
- iv. The Authority accelerated a testing and calibration program on large capacity meters installed at federal properties and observed that some of the meters had degraded and were measuring less water than was actually being consumed. Where possible, the Authority is retroactively billing for the difference in consumption.

Wholesale Customer Charges

The Authority provides wholesale wastewater treatment services to User Jurisdictions at Blue Plains. Each wholesale customer's share of operating costs at Blue Plains is recovered in accordance with the Blue Plains

Intermunicipal Agreement of 1985, the 2012 IMA, the Potomac Interceptor Agreements and the Loudoun County Sanitation Authority Agreement (as discussed in more detail in “THE SYSTEM – The Wastewater System”), and is 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. A User Jurisdiction’s share of capital costs is based on its share of capacity allocations in the plant. Both operating and capital payments are made on a quarterly basis. Wholesale customer revenues are expected to constitute approximately 12.7% of the Authority’s total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

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 November, February, May and August. 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.

Components of Retail Rates and Charges

Water and Wastewater Charges

The Authority recovers the costs of operations, maintenance and debt service through retail rates and fees, wholesale customer charges and other miscellaneous non-operating income such as interest earnings. The primary retail rates and fees are as follows:

- i. Water and Wastewater Consumption Rates. These rates are based on metered water usage and are stated in terms of hundred cubic feet (“Ccf”). Through Fiscal Year 2015, each of the Authority’s three customer classes (i.e., Residential; Multi-Family; and Non-Residential) are charged the same consumption rates. The Authority retained Raftelis Financial Consultants, Inc. (“RFC”) to analyze the allocation of costs between the water and wastewater rates, as well as the peak demand factors of its various customer classes, and to prepare the Fiscal Year 2015 Cost of Service Study (“2015 COS Study”). Based on the results of the 2015 COS Study, the Authority’s management recommended a restructuring of its rates, charges and fees to the Board. On February 5, 2015, the Board approved a resolution adopting this new rate structure to be effective October 1, 2015, for Fiscal Year 2016.
- ii. Customer Metering Fee. The Authority assesses a metering fee to recover costs associated with installing, operating and maintaining meters and the AMR system. The metering fee is charged as a separate line item on retail customer bills and varies by meter size. The metering fee in Fiscal Year 2015 remains unchanged from the prior year.
- iii. Water System Replacement Fee. In Fiscal Year 2016 the Authority will modify its existing rate structure and implement the new meter-based Water System Replacement Fee in order to recover the cost of the 1% renewal and replacement program for water service lines. It is anticipated that the Water System Replacement Fee will generate \$40 million per year from Fiscal Years 2016 through 2019.

Clean Rivers Impervious Area Charge

The Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008 (the “2008 Amendment Act”), enacted by the Council in 2008, amended the Act to authorize the Authority’s General Manager to restrict combined sewer flow into the District from Maryland and Virginia and to require the Authority to, among other things, offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program. The 2008 Amendment Act also amended the District of Columbia Public Works Act of 1954 to broaden the bases for the determination of sanitary sewer service charges to include impervious surface area and to provide for an appeal process for the assessment of an impervious surface fee.

In Fiscal Year 2009, the Authority approved the development and implementation of the CRIAC to recover the costs of the DC Clean Rivers Project, mandated by the EPA Region III pursuant to the 2005 LTCP Consent Decree. The DC Clean Rivers Project will be implemented over a 25-year period at a total cost of \$2.6 billion. See “THE SYSTEM – Wastewater Regulation and Permits – NPDES Permit.” For an explanation of the different term contemplated for the DC Clean Rivers Project in the CIP and under the 2005 LTCP Consent Decree, see “CAPITAL IMPROVEMENT PLAN – Categories of CIP Projects – Combined Sewer Overflow Projects.” Prior to the

implementation of the CRIAC, the DC Clean Rivers Project cost was bundled in the wastewater rate based on the amount of water used.

The CRIAC is based on the amount of impervious area on a property, rather than on the amount of water consumption, which is a more equitable method of recovering the DC Clean Rivers Project costs. It allows the Authority to expand its customer base by charging all properties that generate stormwater, including those that do not use water (e.g., some parking lots). An impervious area is a man-made surface that cannot be easily penetrated by water, such as a rooftop, a paved driveway, a patio, a swimming pool or a parking lot that impedes the percolation of water into the subsoil and plant growth. The Authority maintains a database in which it classifies each parcel located within the District as pervious or impervious. This database and the classifications therein provide the basis for the District’s billing of the CRIAC.

All residential customers are charged Equivalent Residential Units (“ERUs”) based upon six tiers and the amount of impervious surface area on each residential lot as described in the following table.

Tiers	Size of Impervious Area (square feet)	Equivalent Residential Unit	No. of Properties (as of January 2015)
Tier 1	100 – 600	0.6	18,520
Tier 2	700 – 2,000	1.0	77,737
Tier 3	2,100– 3,000	2.4	5,827
Tier 4	3,100– 7,000	3.8	2,588
Tier 5	7,100– 11,000	8.6	132
Tier 6	11,100 and more	13.5	52

Source: Authority records.

The CRIAC is applied to all lots, parcels, properties and private streets throughout the District that are greater than 100 square feet, except for District or federally owned rights-of-way. The CRIAC is added to the customer’s metered service bill and billed monthly unless the property is impervious only and has no other metered water or wastewater service. The CRIAC will be reviewed regularly and adjusted as appropriate by the Board. Effective October, 1, 2014, the Authority’s CRIAC rate is \$16.75 per ERU. The CRIAC Rate will increase to \$20.30 per ERU for Fiscal Year 2016, effective October 1, 2015.

On January 23, 2009, the Mayor of the District signed the Water and Sewer Authority Equitable Ratemaking Act of 2008, which states that DC Water will establish, together with the District Department of Environment (“DDOE”), an incentive program to institute certain eligible best management practices that reduce the amount of stormwater runoff generated from a property. On April 4, 2013, the Board approved a resolution that authorized staff to advertise the CRIAC Incentive Program for public comment and the rulemaking process. The proposed program is a three year pilot credit program for CRIAC that will provide a 4% maximum incentive credit (the actual credit amount is to be calculated based upon the DDOE formula proposed on October 5, 2012), with a not-to-exceed annual budgeted allowance of \$500,000. The public hearing that was held on May 8, 2013, was the formal process for obtaining public input, and a final decision was reached on July 3, 2013. The not-to-exceed annual budgeted allowance of \$500,000 in credits is taken into consideration in the projection of revenues from the CRIAC.

PILOT/Right of Way Occupancy Fee

These fees recover the cost of the PILOT and Right of Way fees (collectively, “PILOT/ROW Fee”), which are charges levied by the District for payments in lieu of taxes and occupancy or use of public spaces or rights of way including that used by the Authority for its underground infrastructure. The Authority passes the PILOT/ROW Fee through to retail customers based on metered water consumption as a separate line item on the bills. Effective October 1, 2014 (i.e., for Fiscal Year 2015), the Authority’s PILOT/ROW Fee was \$0.63 per Ccf. The PILOT/ROW Fee will increase to \$0.64 per Ccf effective October 1, 2015.

Stormwater Fee

The Authority’s retail water and wastewater bills also include a stormwater fee levied on behalf of the District government. The stormwater fee is charged as a separate line item on retail customer bills. Although the Authority no longer administers the program, it will continue to be reimbursed by the District for any stormwater-related expenditure. The DDOE has rate-setting authority for stormwater services provided by the District and the Authority expects to work collaboratively with the DDOE to set future rates. See “THE AUTHORITY – Relationship with the

Finance and Budget Committee - 4. Action Items

District.” Effective October 1, 2014 (i.e., for Fiscal Year 2015), the stormwater fee charged to retail customers was \$2.67 per ERU. The stormwater fee will remain the same for Fiscal Year 2016.

Historical and Projected Water and Wastewater Retail Rates

The Board has raised retail water and wastewater rates regularly since 1996, in line with its policy of implementing rate increases in a gradual and predictable manner. In Fiscal Year 2014, the Authority’s retail rates were \$3.61 per Ccf for water and \$4.41 per Ccf for wastewater. Effective October 1, 2014 (i.e., for Fiscal Year 2015), water rates increased by \$0.27 per Ccf to \$3.88 per Ccf, and the wastewater rates increased by \$0.33 per Ccf to \$4.74 per Ccf. Federal government customers in Virginia pay the Arlington County retail rate, which, as of May 1, 2014, was \$3.07 per Ccf for water or \$4.10 per 1,000 gallons. Federal government customers in Maryland pay according to the WSSC rates, which include a fixed charge and a consumption-based charge that increases with higher levels of usage.

Since 2000, the Board has adopted a series of ten-year financial plans that include annual, gradual rate increases. The latest of these was a retail rate increase for water and wastewater charges of 7.5% for Fiscal Year 2015. For Fiscal Years 2016 through 2019, the Authority’s financial plan projects retail water and wastewater rate increases of an average of 6.5% annually in Fiscal Years 2016 through 2017 and 6.0% in Fiscal Years 2018 and 2019. Rate increases for Fiscal Year 2016 take effect at the beginning of the Fiscal Year (October 1), and were adopted by the Board at its July 2, 2015, meeting.

The Authority’s financial forecast includes an anticipated increase in the CRIAC from \$16.75 per ERU in Fiscal Year 2015 to \$20.30 per ERU in Fiscal Year 2016. Further increases in the CRIAC are expected in Fiscal Years 2017 through 2019.

The following tables set forth historical water and wastewater rates and the CRIAC of the Authority and the projected water consumption and sewer usage rates of the Authority for Fiscal Years 2016 through 2019. The revenue resulting from the CRIAC reduces the amount of revenue that must be raised through wastewater charges, resulting in a lower wastewater rate.

**Historic Water and Wastewater Retail Rates
(\$ per Ccf)**

Fiscal Year	Water Consumption Rate	Sewer Usage Rate	Combined Rate	Percent Increase	CRIAC Rate (Per ERU)	Meter Charge (Per 5/8” Meter)
<i>Historical</i>						
2006	1.93	2.91	4.84	5.5%		2.01
2007	2.03	3.06	5.09	5.0%		2.01
2008	2.14	3.23	5.37	5.5%		2.01
2009 ¹	2.30	3.47	5.77	7.5%		2.01
2009 ²	2.30	3.31	5.61	4.5%	1.24	2.01
2010	2.51	3.61	6.12	9.0%	2.20	2.01
2011	3.10	3.79	6.89	12.5%	3.45	3.86
2012	3.24	3.96	7.20	4.5%	6.64	3.86
2013	3.42	4.18	7.60	5.5%	9.57	3.86
2014	3.61	4.41	8.02	5.5%	11.85	3.86
2015	3.88	4.74	8.62	7.5%	16.75	3.86

¹ The Sewer Rate for FY 2009 reflects the rate in effect at the beginning of the year before the CRIAC was implemented on May 1, 2009.

² Reflects the rates in effect in the latter part of the year after the CRIAC was implemented

**Projected Water and Wastewater Retail Rates
(\$ per Ccf)^{1,2}**

Fiscal Year	Water Consumption Rate	Sewer Usage Rate	Combined Rate	Percent Increase ³
2016				
Residential - 0-4 Ccf	3.08	5.44	8.52	
Residential - >4 Ccf	3.87	5.44	9.31	
Multi-Family	3.45	5.44	8.89	6.5%
Non-Residential	3.99	5.44	9.43	
2017				
Residential - 0-4 Ccf	3.28	5.79	9.07	
Residential - >4 Ccf	4.12	5.79	9.91	
Multi-Family	3.67	5.79	9.46	6.5%
Non-Residential	4.25	5.79	10.04	
2018				
Residential - 0-4 Ccf	3.48	6.14	9.62	
Residential - >4 Ccf	4.37	6.14	10.51	
Multi-Family	3.89	6.14	10.03	6.0%
Non-Residential	4.51	6.14	10.65	
2019				
Residential - 0-4 Ccf	3.69	6.51	10.20	
Residential - >4 Ccf	4.63	6.51	11.14	
Multi-Family	4.12	6.51	10.63	6.0%
Non-Residential	4.78	6.51	11.29	

¹ Rates for Fiscal Years 2017 through 2019 are projected and subject to change.

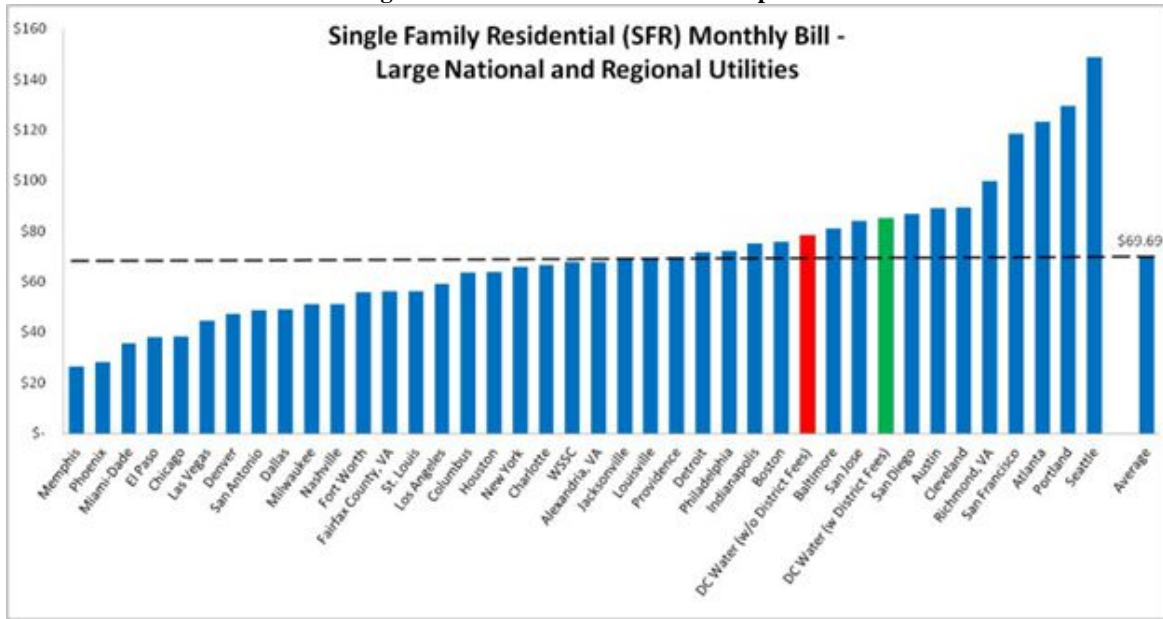
² The CRIAC, Water System Replacement Fee and Meter Charge are not shown above. The CRIAC for a customer with 1 ERU in FY 2016 will be \$20.30 per month; the CRIAC is expected to increase each year in FY 2017 through FY 2019, with a projected charge of \$25.95 per month for FY 2019. The meter-based Water System Replacement Fee will be effective October 1, 2015. The anticipated Water System Replacement Fee and Meter Charge for FY 2016-2019 for a customer with a 5/8 inch meter will be \$6.30 and \$3.86 per month, respectively. The Fee and the Charge will increase with the increasing size of a customer meter.

³ Percent increase reflects the overall average increase for all customers; the increases for individual customers will vary by customer class and consumption.

Retail Rate Comparison

The Authority's retail rates are comparable to those of other utilities in the metropolitan Washington, D.C., region and other similar utilities in the eastern United States. The following chart compares the Authority's combined water, wastewater and impervious area residential charges to these utilities. The table reflects the Authority's Fiscal Year 2015 rate and fee charges, while other utilities rates are as of July 2015. The Authority's Fiscal Year 2015 rate and fee charges are shown both with and without the pass-through of the District's PILOT/ROW Fee in the amount of \$0.63 per Ccf, and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Average Water and Wastewater Bill Comparison^{1,2}



¹ Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

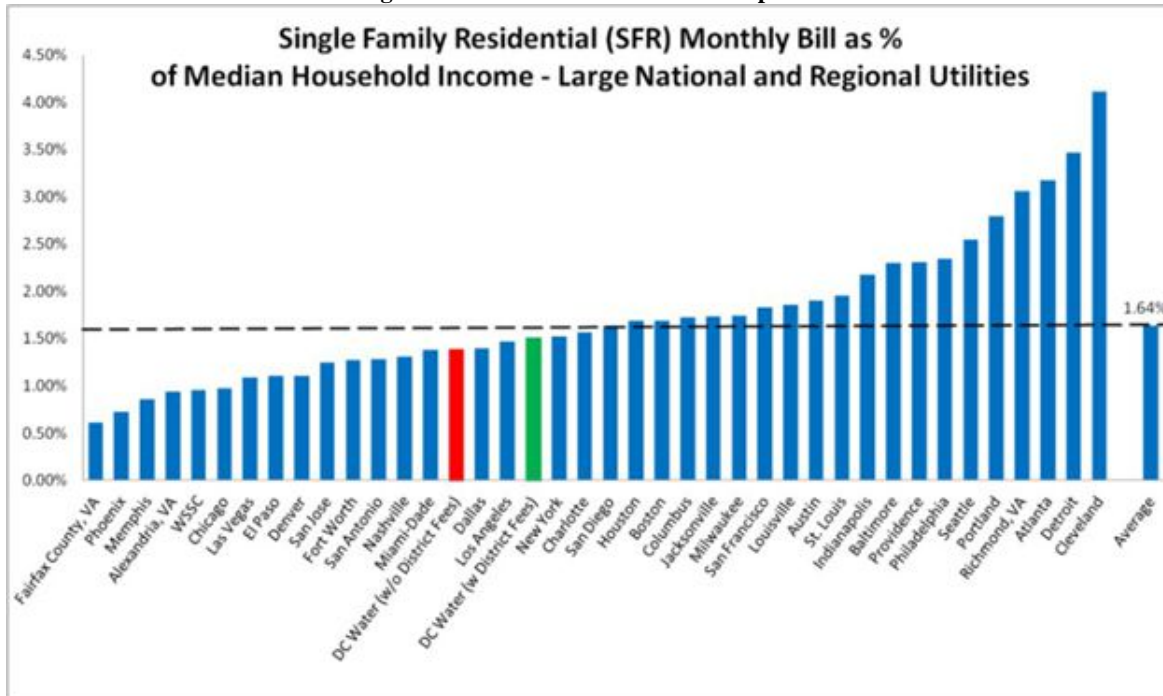
² Reflects rates and fees in place as of July 1, 2015. The Authority's rate includes the PILOT/ROW fee totaling \$0.63 per Ccf (effective October 1, 2014) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

The median income in the District is competitive with the median income in many other jurisdictions. The following chart illustrates the Authority's charges for a single family residential customer as a percentage of median income compared to similar data for other water and wastewater utilities.

[Balance of page intentionally left blank]

Average Water and Wastewater Bill Comparison^{1,2}



1 Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

2 Reflects rates and fees in place as of July 1, 2015. The Authority's rate includes the PILOT/ROW fee totaling \$0.63 per Ccf (effective October 1, 2014) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

Collections

The Authority has implemented policies and business practices intended to optimize the collection of customer billings. Measures are taken including cross checks with property records to ensure that all users of the Authority's system are being billed. With the implementation of automated meter reading (AMR), the Authority can access customer usage data at any time and can alert customers to apparent leaks promptly. In September 2013, the Authority achieved the lowest 90-day receivable balance in the Authority's history at \$4.9 million. From July 2009 until present, the Authority's 90-day receivable balance has ranged from \$4.9 to \$6.5 million, even with multiple rate increases that doubled the typical residential bill, resulting in a receivable balance as a percentage of operating revenues that now approaches just 1%. This is the result of a comprehensive strategy that integrates several consumer services functions along with an aggressive customer contact process that addresses collections issues early when outstanding balances are within the range of customers' ability to pay, improves lien processing for delinquent accounts, and enhances coordination efforts with other District agencies.

The Authority's collection program includes: (i) assessing customers a 10% late fee if their bill is not paid on day 31 after the date of billing and sending customers a friendly reminder notice; (ii) placing a call to the customer using an automatic notification call program on day 34; (iii) sending the customer notice of intent to disconnect service on day 39 (which, in accordance with District laws and regulations gives customer 15 days to pay the delinquent bill and maintain service); (iv) mailing to the owner of the property an intent to place a lien on the property on day 65 (which gives the owner 10 additional days to pay the bill before a lien is placed on their property) and imposing an additional 1% penalty per month on all delinquent balances after 60 days; (v) placing a call to the customer on day 67 to inform him/her of the Authority's intent to place a lien on the property if the delinquent bill is not paid; (vi) placing a lien on the property on day 80. The lien becomes a part of the public record and appears on the owner's credit report and adversely affects their FICO score. The Authority will remove a lien only if the account balance is paid in full, and/or if the lien was placed in error. Once paid, the lien is removed and reflected as "satisfied" on the credit report but the customer's

FICO score is not changed unless the customer contacts the credit bureau. The Authority’s liens are continuous, which entitles the Authority to collect the current outstanding balance owed by a customer regardless of the balance at the time the lien was placed.

The Authority utilizes collection analysts who make calls to owners of delinquent accounts with a focus on the top 250 delinquent accounts. The Authority also takes legal action to have delinquent multi-family apartment building owners placed in receivership. This may result in the Authority receiving a percentage of the tenants’ rent that is collected by a court-appointed receiver before the owner can collect any rent. The account stays in receivership until paid in full.

After all efforts to collect have been exhausted, and as a last resort, the Authority will disconnect service for non-payment and not restore it until the delinquent bill is paid. The Automated Meter Reading System (AMR) allows the Authority to know if water is being used after service has been disconnected due to non-payment. If this occurs, the meter will be removed and service will not be restored until the delinquent amount, plus any applicable fees, are paid in full.

The following table shows that the cumulative retail (including commercial) customer balances that were delinquent more than 90 days declined by approximately 50% between Fiscal Years 2005 and 2014. There is one government delinquency to report, which is related to DC Government/Municipal property. The delinquent balance as of March 31, 2015 was \$2.6 million.

Retail Customer Cumulative Delinquent Balances
(\$ in millions)

<u>As of September 30,</u>	<u>Amount¹</u>	<u>Percent of Operating Revenue</u>
2005	\$10.9	3.8%
2006	7.4	2.5
2007	7.1	2.3
2008	6.1	1.8
2009	4.9	1.4
2010	5.1	1.4
2011	5.5	1.4
2012	5.5	1.3
2013	4.9	1.1
2014	5.3	1.0

¹ Amounts shown are as of the end of each Fiscal Year for amounts delinquent more than 90 days and do not include previously disputed amounts for Howard University (now resolved) and the Soldiers’ Home discussed below.

Source: Authority records.

Special Accounts

The Authority has historically provided some U.S. Soldiers and Airmen’s Home (“Soldiers’ Home”) accounts with free water service in exchange for the use of certain parcels of Soldiers’ Home property to maintain a reservoir that provides water to the District. The Authority contends that the Soldiers’ Home is required to pay for sewer service and impervious area fees, as well as water services for certain accounts. The parties have been in negotiation in an effort to resolve the issues surrounding this historically exempt account. There are no other exempt accounts and the Authority does not anticipate the addition of any new exempted accounts.

Customer Assistance Programs

The Authority sponsors two programs to assist low income customers in paying their water bills: Customer Assistance Program (“CAP”) and Serving People by Lending A Supporting Hand (“S.P.L.A.S.H.”). The Authority implemented the CAP in 2001 providing a discount of up to 4 Ccf per month of water service for single family residential homeowners that meet income eligibility guidelines. In Fiscal Year 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. Effective October 1, 2010, the Board expanded the CAP discount to include the first 4 Ccf of PILOT/ROW fees. It is expected that effective October 1, 2015, the Board will expand the CAP discount to include the new Water System Replacement Fee, which is expected to go into effect starting in Fiscal Year 2016. In

Fiscal Year 2010, a total of 6,107 customers received a discount on their bills totaling \$919,156. In Fiscal Year 2011, 6,025 customers received a discount on their bills totaling \$1,380,207. In Fiscal Year 2012, 5,648 customers received a discount on their bills totaling \$1,330,511. In Fiscal Year 2013, 5,206 customers received a discount on their bills totaling \$1,200,835. In Fiscal Year 2014, the Authority provided assistance totaling \$1,129,776 to 4,583 customers. The projected revenues of the Authority take into consideration the discounts provided to low-income customers under the CAP.

Through the S.P.L.A.S.H. program, the Authority offers assistance to families in need so that they can receive critical water services. S.P.L.A.S.H. is funded solely by contributions from the community, customers and from DC Water employees. The Authority has redesigned its water and sewer bills to make it easier for its customers to make contributions to S.P.L.A.S.H. The Authority pays all administrative costs of this program, which is administered directly by the Greater Washington Urban League (GWUL). All contributions are deposited in a bank account from which the (GWUL) makes payments on behalf of eligible customers. Every dollar received by the Authority is distributed to eligible customers. In Fiscal Year 2010, the Authority provided assistance to 300 customers totaling \$102,956. In Fiscal Year 2011, the Authority provided assistance to 294 customers totaling \$95,039. In Fiscal Year 2012, the Authority provided assistance to over 354 customers totaling \$105,502. In Fiscal Year 2013, the Authority provided assistance to 359 customers totaling \$121,084, and in Fiscal Year 2014, the Authority provided assistance to approximately 309 customers totaling \$100,851. In the first six months of Fiscal Year 2015, assistance was provided to 169 customers in the amount of \$60,094.

Customer Service Operations

The Department of Customer Services reports to the Assistant General Manager of Consumer Service and is responsible for meter installations, meter reading, meter testing, billing and collections. The Authority continuously evaluates its customer service offerings to ensure that customers receive the best possible service.

FINANCIAL OPERATIONS

Historical Financial Operations

The Authority derives its revenues primarily from retail customer payments for water and wastewater treatment services, which account for 81.0% of total revenues, and wholesale customer payments for wastewater treatment services, which account for 13.1% of total revenues (excluding transfers from the rate stabilization fund and PILOT/ROW fees for Fiscal Years 2015 through 2019). The Authority's operating revenues have steadily increased since its creation, due largely to rate and fee increases approved by the Board which are discussed in more detail in the section entitled "RATES AND CHARGES – Historical and Projected Water and Wastewater Retail Rates."

The Authority is committed to optimizing the cost of service it offers and as a result places emphasis on managing its expenses. The Authority's Budget Department closely monitors spending to ensure compliance with approved operating and capital budgets. This includes preparation of daily and monthly management reports for each operating unit and financial system controls that prevent overspending. In addition, the Authority provides detailed monthly reports on cash and investments, revenues, operating budget and capital spending to the Board's Finance and Budget Committees and quarterly updates on the CIP status to the Board's Environmental Quality and Sewerage Services and Water Quality and Water Services Committees. The average annual rate of increase in budgeted expenses for Fiscal Years 2010 through 2014 was 2.6%. In each such year, actual expenses of the Authority were less than the budgeted amount.

The following table presents historical revenues, expenses and changes in net position using information contained in the audited financial statements for Fiscal Years 2010 through 2014. The Authority's complete financial statements for the Fiscal Years ended September 30, 2014, and 2013, are attached hereto as APPENDIX B.

Historical Revenues, Expenses and Change in Net Position

(\$ in thousands)

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Operating revenues					
Residential, commercial and multi-family customers	\$ 209,796	\$ 241,475	\$256,846	\$ 275,337	\$ 295,209
Federal government	37,845	43,033	48,381	45,187	39,001
District government and DC Housing Authority	21,947	25,123	24,713	21,677	28,852
Charges for wholesale wastewater treatment	87,505	90,414	94,549	87,178	96,845
Other	6,655	8,210	16,077	9,700	13,917
Total Operating Revenues	363,748	408,255	440,566	439,079	473,824
Operating expenses					
Personnel services	88,210	93,240	97,784	103,908	108,467
Contractual services	69,497	71,055	64,939	68,417	68,172
Chemicals, supplies and small equipment	29,003	28,188	28,815	28,987	31,748
Utilities and rent	29,929	29,429	26,786	26,098	29,939
Depreciation and amortization	64,425	70,209	74,342	77,330	77,833
Water purchases	27,587	27,170	28,389	27,223	28,407
Payment in lieu of taxes and right of way fee	20,474	21,982	21,982	21,982	11,458
Total operating expenses	329,125	341,273	343,037	353,945	356,024
Operating income	34,623	66,982	97,529	85,134	117,800
Nonoperating revenue (expenses)					
Interest income	1,343	2,036	749	1,144	977
Interest expense and fiscal charges	(57,479)	(73,335)	(74,001)	(63,905)	(69,288)
Total nonoperating revenue (expenses)	(56,136)	(71,299)	(73,252)	(62,761)	(68,311)
Change in net position before Federal grants and contributions	(21,513)	(4,317)	24,277	22,373	49,489
Contributions of capital from Federal government	30,403	47,374	58,957	58,310	94,690
Change in net position	8,890	43,057	83,234	80,683	144,179
Net position, beginning of year	\$ 990,772	\$ 999,662	\$1,042,719	\$1,125,953	\$ 1,206,636
Net position, end of year	\$ 999,662	\$ 1,042,719	\$1,125,953	\$1,206,636	\$ 1,350,815

Source: Authority Records

[Balance of page intentionally left blank]

Historical Debt Service Coverage

The Authority has exceeded the Rate Covenant requirement of 1.20x Senior Debt service coverage set forth in the Indenture and the Authority’s policy goal of 1.40x Senior Debt service coverage in each of the last five Fiscal Years, as shown in the following table. Debt service for Fiscal Year 2013 differs from the coverage as presented in the 2013 Comprehensive Annual Financial Report due to the exclusion of transfers to District of Columbia PILOT Fund (in the table below) in calculating Net Revenues Available for Debt Service.

Historical Debt Service Coverage¹
(\$ in thousands)

	Fiscal Year ended September 30				
	2010	2011	2012	2013	2014
Revenues:					
Retail	\$241,842	\$278,327	\$295,247	\$328,361	\$351,148
Wholesale	67,471	69,261	75,240	75,009	70,763
Other Non-Operating	36,225	46,887	47,136	51,088	56,082
(Contributions to/Transfers from Rate Stabilization Fund)	11,900	-	(11,250)	(1,000)	6,500
Total Revenues (A)	\$357,438	\$394,475	\$406,373	\$453,458	\$484,493
Operating Expenses (B)	243,976	249,186	248,622	252,329	281,918
Revenues Less Operating Expenses (C=A-B)	\$113,462	\$145,289	\$157,751	\$201,129	\$202,575
Debt Service:					
Senior Debt Service (D)	\$41,278	\$41,511	\$41,918	\$41,904	\$42,041
Subordinate Debt Service (E)	42,236	50,377	57,354	65,796	78,124
Total Outstanding and Projected Debt Service (F=D+E)	\$83,514	\$91,888	\$99,272	\$107,700	\$120,165
Calculation of Net Revenues Available for Senior Debt Service:					
Revenues Less Operating Expenses (C)	\$113,462	\$145,289	\$157,751	\$201,129	\$202,575
Prior Year Federal Billing Reconciliation	(839)	1,669	(1,000)	(5,105)	(6,000)
(Refund to)/Payment from wholesale customers	752	(3,861)	(5,661)	(5,800)	(10,069)
(Additions to)/Transfers from DC PILOT Fund	-	(\$10,000)	(\$4,468)	(\$7,900)	(7,676)
Customer Rebate	-	-	-	(\$3,298)	(5,100)
Net Revenues Available for Senior Debt Service (G)	\$113,375	\$133,097	\$146,622	\$179,026	\$173,730
Senior Debt Service Coverage (G/D)	2.75x	3.21x	3.50x	4.27x	4.13x
Calculation of Subordinate Debt Service Coverage:					
Net Revenue Available for Senior Debt Service	\$113,375	\$133,097	\$146,622	\$179,026	\$173,730
Less Senior Debt Service (D)	(41,278)	(41,511)	(41,918)	(41,904)	(42,041)
Net Revenues Available for Subordinate Debt Service (G-D)	\$72,097	\$91,586	\$104,704	\$137,122	\$131,689
Subordinate Debt Service Coverage ((G-D)/E)	1.71x	1.82x	1.83x	2.08x	1.69x
Combined Debt Service Coverage (G/F)	1.36x	1.45x	1.48x	1.66x	1.45x

¹ Prepared in accordance with the Indenture, which closely corresponds to cash basis accounting. Debt service on the Series 2010A Bonds (which is included in Subordinate Debt Service above) reflects the Direct Payments the Authority receives from the U.S. Treasury. The Authority has agreed to deposit the Direct Payments related to the Series 2010A Bonds directly into the Series 2010A Interest Account of the Subordinate Lien Bond Fund to pay interest when due on the Series 2010A Bonds. With respect to the effect of Sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, see “SECURITY FOR THE SERIES 2015A/B BONDS – Direct Payment Bonds and the Effect of Sequestration on Direct Payments.”

Source: Authority’s CAFR.

Annual Budget

Annual Budget Process

The Authority’s budgetary process is based on an integrated approach that links its operating and capital requirements to its ten-year financial plan. Preparation of the Authority’s budget begins with the preparation of the ten-year financial plan in the spring of each year. The Authority’s operating budgets and the CIP are developed based on the financial parameters laid out in the financial plan and in Board policy. Management presents its proposed operating budgets, the CIP and ten-year financial plan to the Board’s Environmental Quality and Sewerage Services, Water Quality and Water Services, and Finance and Budget Committees for their review, with final action by the full Board typically scheduled for January of each year. Upon final approval by the Board, the Authority’s budget is forwarded to the District for inclusion in its submission to the President as described below.

Under the Act and the Federal Act, the Authority is required to prepare and annually submit to the Mayor of the District for inclusion in the annual budget of the District estimates of the expenditures and appropriations necessary for the operation of the Authority for each Fiscal Year. All such estimates are required to be forwarded by the Mayor to the Council for its action without revision, but subject to the Mayor's recommendations. The Council may comment or make recommendations concerning such annual estimates but has no authority to revise such estimates. Such annual estimates constitute a part of the annual budget of the District required to be submitted by the Mayor to the President of the United States for transmission by the President to the U.S. Congress. In accordance with the District's Home Rule Act, except as noted below, no amount may be obligated or expended by any officer or employee of the District, including the Authority, unless such amount has been approved by act of Congress and then only according to such act. Pursuant to the Federal Act, the limitation described in the preceding sentence is not applicable to expenditures by the Authority for any of the following purposes: (i) any amount obligated or expended from the proceeds of any revenue bonds of the Authority; (ii) any amount obligated or expended for debt service on such revenue bonds; (iii) any amount obligated or expended to secure any revenue bonds of the Authority; or (iv) any amount obligated or expended for repair, maintenance, or capital improvement to the System facilities financed by any revenue bonds of the Authority. In addition, pursuant to Public Law 105-33 (D.C. Code Section 1-204.45a(b)), if the Authority has excess revenues, such excess revenues may be obligated or expended for capital projects.

The Approved Fiscal Year 2015 Budget

The Board adopted the Fiscal Year 2015 budget (the "Approved Fiscal Year 2015 Budget") on December 5, 2013. Consistent with the standard budget-approval and review process, management presented a revised Fiscal Year 2015 Budget (the "Revised Fiscal Year 2015 Budget") to the Finance and Budget Committee on July 24, 2014. The Revised Fiscal Year 2015 Budget was identical to the Approved Fiscal Year 2015 Budget.

The Approved Fiscal Year 2016 Budget

The Board adopted the Fiscal Year 2016 operating budget (the "Fiscal Year 2016 Budget") on February 5, 2015.

The Fiscal Year 2016 Budget for net operating expenditures totals \$522.6 million, which is \$23.9 million or 4.8% higher than the Approved Fiscal Year 2015 Budget, primarily due to increases in debt service, operations and maintenance costs, and cash-financing of certain capital improvements.

In Fiscal Year 2015 and subsequent years, the Authority anticipates that the difference between actual and budgeted operating expenses will be less than in previous years due to budget planning that focuses on having actual expenses more closely aligned with budgeted expenses. Simultaneously, the Authority has established a separate line item in its operating budget beginning in Fiscal Year 2015 to provide funds for additional cash-financed capital construction, the defeasance of debt, or other uses at the discretion of the Authority. The amounts in this line item could alternatively be used by the Authority to help address potential shortfalls in cash receipts or increases in expenses, should the need arise. In addition, the Authority has the ability to adjust its rates, as necessary, to provide the required revenues in each year.

Projected Financial Operations

The following table was prepared by Amawalk in its capacity as the financial feasibility consultant to the Authority, and it shows (i) the actual cash flows, cash reserves and debt service coverage for Fiscal Year 2014 and (ii) projected cash flows, cash reserves and debt service coverage for Fiscal Years 2015 through 2019. The projected revenues reflect the increases in rates and charges adopted by the Authority for Fiscal Year 2015 and for Fiscal Year 2016 and the anticipated increases in rates and charges for Fiscal Years 2017 through 2019.

The projected financial results for Fiscal Years 2015 through 2019 incorporate assumptions as of February 2015. The projected debt service requirements assumed that the Authority would issue additional long-term debt in Fiscal Year 2015 and be required to make debt service payments on such debt in Fiscal Year 2015. The first payment of debt service for the Series 2015A/B Bonds is expected to be made in Fiscal Year 2016, which is expected to result in lower actual debt service payments in Fiscal Year 2015 compared to what is shown in the projected cash flows.

Including the issuance of the Series 2015A/B Bonds, the Authority anticipates issuing approximately \$1.1 billion of new money bonds from Fiscal Year 2015 through and including Fiscal Year 2019. It is expected that bonds issued in Fiscal Years 2015, 2016, 2018 and 2019 will be issued as Subordinate Debt, while it is expected that bonds issued in Fiscal Year 2017 will be issued as Senior Debt. It is further assumed that the future bonds will have a fixed interest rate of 5.75% in Fiscal Year 2015 and 6.5% in Fiscal Year 2016 and subsequent years. Debt service on the anticipated future bonds is calculated on the basis of a 35-year term with level principal and interest payments. There are

Finance and Budget Committee - 4. Action Items

no deposits to the debt service reserve fund assumed for the Series 2015A/B Bonds, and any anticipated future bonds; the Authority may decide to make contributions to the debt service reserve fund in the future at its discretion.

The Authority has the option to issue future bonds as either Senior Debt or Subordinate Debt. The combined debt service coverage would remain the same if the Authority were to elect to issue Senior Debt in lieu of Subordinate Debt or vice versa in a given year. Decisions regarding the issuance of future debt as Senior Debt will be made by the Authority at the time of debt issuance.

For more information in respect of Amawalk's analysis, see "FINANCIAL FEASIBILITY OPINION LETTER."

[Balance of page intentionally left blank]

Finance and Budget Committee - 4. Action Items

Analysis of Actual and Projected Financial Results						
Fiscal Years ended/ending September 30						
(\$ in thousands) ¹						
	Actual 2014	2015	2016	Projected 2017	2018	2019
Revenues and Payment Obligations						
Revenues						
Retail Revenues ¹	351,148	384,024	452,137	467,552	489,299	512,617
Wholesale Revenues	70,763	81,365	69,342	71,422	73,565	75,772
Other Non-Operating Revenues	56,082	69,754	48,726	49,106	51,424	54,475
Transfer from RSF	6,500	7,500	0	10,000	0	2,700
(Contributions to RSF)	0	0	(4,500)	0	(8,000)	0
Total Revenues	484,492	542,643	565,705	598,080	606,288	645,564
Prior Year Federal Billing Reconciliation	(6,000)	(5,053)	(11,679)	(14,710)	0	0
Transfer to DC PILOT Fund	(7,676)	0	0	0	0	0
Transfer to DC ROW Fund	(5,100)	0	0	0	0	0
(Refund to)/Payment from IMA	(10,069)	(18,100)	(5,500)	(5,000)	0	0
Net Revenues (A)	455,647	519,490	548,526	578,370	606,288	645,564
Operating Expenses (B)	281,918	291,684	303,458	312,562	321,939	334,597
Net Revenues Available for Debt Service (C=A-B)	173,729	227,806	245,068	265,808	284,350	310,967
Total Senior Debt Service (D) ^{2,3}	42,041	55,747	52,122	60,030	67,990	68,357
Total Subordinate Debt Service (E) ^{2,3,4,5}	78,124	107,496	122,644	130,208	134,998	150,123
Total Outstanding & Projected Debt Service (F=D+E)	120,165	163,242	174,766	190,238	202,987	218,480
Debt Service Coverage						
Calculation of Net Revenues Available for Senior Debt Service						
Senior Debt Service Coverage (C/D)	4.13x	4.09x	4.70x	4.43x	4.18x	4.55x
Calculation of Subordinate Debt Service Coverage						
Net Revenue Available for Senior Debt Service (C)	173,729	227,806	245,068	265,808	284,350	310,967
Less Senior Debt Service (D)	(42,041)	(55,747)	(52,122)	(60,030)	(67,990)	(68,357)
Net Revenue Available for Subordinate Debt Service (C-D)	131,687	172,060	192,946	205,778	216,360	242,610
Subordinate Debt Service Coverage [(C-D)/E]	1.69x	1.60x	1.57x	1.58x	1.60x	1.62x
Combined Debt Service Coverage (C/F)	1.45x	1.40x	1.40x	1.40x	1.40x	1.42x
Subordinated Payment Obligations						
Payment In Lieu of Taxes/Right of Way Fee (G)	12,414	20,437	20,744	21,057	21,376	21,702
Defeasance/Cash Financed Capital Construction (H) ⁶	0	20,058	23,644	24,430	25,534	26,716
Revenues Less Disbursements (I=A-B-F-G-H)	41,149	24,068	25,914	30,083	34,452	44,070
Reserve Balances						
Beginning Cash Reserve Balance (J)	141,518	157,642	140,000	140,000	140,000	140,000
Cash Reserve Balance Breakdown						
Beginning Undesignated Reserve Balance	65,399	80,587	58,014	56,386	54,424	52,906
Additions to/(Transfers from) Undesignated Reserve						
Annual Balance from Operations	69,995	47,221	43,093	49,793	34,452	44,070
Prior Year Federal Billing Reconciliation	(6,000)	(5,053)	(11,679)	(14,710)	0	0
(Refund to)/Payment from IMA	(10,069)	(18,100)	(5,500)	(5,000)	0	0
Transfer to DC PILOT Fund	(7,676)	0	0	0	0	0
Transfer to DC ROW Fund	(5,100)	0	0	0	0	0
Pay-Go Capital Financing	(25,025)	(41,710)	(25,914)	(30,083)	(34,452)	(44,070)
(Transfers to)/Transfers from 60-Day Reserve	(936)	(4,932)	(1,628)	(1,962)	(1,517)	(1,563)
Ending Undesignated Reserve Balance	80,587	58,014	56,386	54,424	52,906	51,344
Beginning 60-Day Operating Reserve Balance	41,119	42,055	46,986	48,614	50,576	52,094
Additions to/(Transfers from) 60-Day Reserve	936	4,932	1,628	1,962	1,517	1,563
60-Day Operating Reserve Balance	42,055	46,986	48,614	50,576	52,094	53,656
Beginning Renewal & Replacement Balance	35,000	35,000	35,000	35,000	35,000	35,000
Additions to/(Transfers from) Renewal & Replacement Reserve	0	0	0	0	0	0
Renewal & Replacement Balance	35,000	35,000	35,000	35,000	35,000	35,000
Ending Balance Cash Reserve	157,642	140,000	140,000	140,000	140,000	140,000
Stormwater Receipts - DC Water Share (K)	930	1,000	1,000	1,000	1,000	1,000
Cash Reserve Requirement Per Board Policy						
[Maximum of (B-K)*(120/365) or \$125.5 Million] ⁷	125,500	125,500	125,500	125,500	125,500	125,500
Beginning Rate Stabilization Fund Balance	28,950	22,450	14,950	19,450	9,450	17,450
Transfers from Operations (Additions to Rate Stabilization Fund)	0	0	4,500	0	8,000	0
Additions to Operations/(Transfers from) Rate Stabilization Fund	(6,500)	(7,500)	0	(10,000)	0	(2,700)
Rate Stabilization Fund Balance	22,450	14,950	19,450	9,450	17,450	14,750

Finance and Budget Committee - 4. Action Items

- ¹ Includes retail revenue from water and wastewater charges as well as the Clean River Impervious Area Charge and the Water System Replacement Fee.
- ² Debt service is shown on a cash basis, and may differ from the CAFR.
- ³ Anticipated future bonds in 2015, 2016, 2018, and 2019 are currently assumed to be issued on a subordinate lien basis. Anticipated future bonds in 2017 are currently assumed to be issued on a senior lien basis. The Authority may decide in the future to issue bonds on a senior or subordinate basis. Debt service for anticipated future bonds in Fiscal Year 2015 is calculated based on an assumed annual interest rate of 5.75%, a term of 35 years and level debt service. Debt service for anticipated future bonds starting in Fiscal Year 2016 are calculated based on an assumed annual interest rate of 6.5%, a term of 35 years and level debt service.
- ⁴ The Total Subordinated Debt Service is net of the Build America Bonds (BABs) subsidies the Authority expects to receive from the United States Treasury equal to 32% of the interest payable on the Series 2010A Bonds. It reflects the reduction in BABs subsidy payments due to expected effects of sequestration.
- ⁵ Reflects the interest cost of \$2.5 million per year in FY 2015 through FY 2019 (assumed average of \$150 million of CP outstanding each year at 1.25%), as well as an additional \$12 million of payments over the period of 2015-17 on CP that was used for Capital Equipment Needs.
- ⁶ Beginning in FY 2015, DC Water is including funds in its annual budget that are intended to be used to defease outstanding debt or pay for construction on a cash basis. These funds are separate from the Pay-Go Capital Financing amounts referenced under Reserve Funds above and are presently assumed to be added to the Pay-Go amounts and deposited in total as a source of funds for the CIP. Alternatively, these funds could be used to cover unexpected declines in revenues or increases in expenses. The Authority reserves the right to modify the amount of the funds and the usage of funds during each year.
- ⁷ Board financial policy requires the maintenance of a cash equivalent to 120 days of operating costs less District stormwater revenues, but not less than a cash balance of \$125.5 million.

[Balance of page intentionally left blank]

System Revenues

The Authority collects revenues from retail and wholesale customers as well as other sources that include fees paid by developers and interest earnings on available funds. Authority revenues also include transfers from the Rate Stabilization Fund. The following table shows historical revenues of the Authority for Fiscal Year 2014, and the projected revenues for Fiscal Years 2015 through 2019.

Historical and Projected Revenue on a Cash Basis

Fiscal Years ended/ending September 30

(\$ in thousands)^{1,2}

	Actual 2014	Projected				
		2015	2016	2017	2018	2019
Retail Revenue						
Residential, Commercial, Multi-Family	221,172	235,691	248,481	261,964	274,883	288,437
D. C. Municipal Government	5,913	6,301	6,644	7,005	7,351	7,714
Federal Government	42,097	42,907	44,250	34,159	35,847	37,617
D. C. Housing Authority	7,368	6,491	6,844	7,216	7,572	7,946
Groundwater ³	0	5	5	5	5	5
Metering Fee	11,207	10,776	10,776	10,776	10,776	10,776
Water System Replacement Fee ⁴	0	0	40,000	40,000	40,000	40,000
CRIAC	63,391	81,853	95,137	106,427	112,866	120,122
Total Retail Revenue	351,148	384,024	452,137	467,552	489,299	512,617
Wholesale Revenue						
Loudoun County & Potomac Interceptor	6,941	7,713	6,846	7,052	7,263	7,481
WSSC	50,873	59,239	50,284	51,792	53,346	54,947
Fairfax County	12,949	14,413	12,211	12,578	12,955	13,344
Total Wholesale Revenue	70,763	81,365	69,342	71,422	73,565	75,772
Other Revenues						
District Stormwater Revenues	930	1,000	1,000	1,000	1,000	1,000
Transfer from Rate Stabilization Fund	6,500	7,500	0	10,000	0	2,700
Miscellaneous Revenues	30,773	47,382	25,109	23,609	23,609	22,609
Aqueduct Debt Service Revenue from Falls Church and Arlington	201	193	193	193	193	193
Interest Income	560	631	1,680	3,247	5,246	8,971
D.C. Right of Way Occupancy Fee/PILOT	23,618	20,547	20,744	21,057	21,376	21,702
Total Other Revenue	62,582	77,254	48,726	59,106	51,424	57,175
Total Operating Cash Receipts	484,492	542,643	570,205	598,080	614,288	645,564
Less: Contributions to Rate Stabilization Fund	0	0	(4,500)	0	(8,000)	0
Total Operating Cash Receipts with RSF Transfers	484,492	542,643	565,705	598,080	606,288	645,564

¹ All figures are presented on a cash receipt basis.

² Fiscal Year 2015 - 2019 projections are based on the Authority's financial plan.

³ Groundwater revenue refers to receipts from customers that pump groundwater into the sewer system.

⁴ An meter-based Water System Replacement Fee to recover the cost of the 1% renewal and replacement program for water service lines will be implemented in Fiscal Year 2016.

An overview of the revenue components on a cash basis is provided below.

Retail Water and Wastewater Revenues

Retail revenues comprise the vast majority of all System revenues. In Fiscal Year 2011 through Fiscal Year 2014, retail revenues (excluding PILOT/ROW fees) accounted for approximately 71.9% of total revenue (excluding the effects of withdrawals from the Rate Stabilization Fund), wholesale customer payments represented about 16.6% of total revenues, with the remaining 11.5% coming from a variety of sources, such as interest income, penalties and fines, and fees from service installations. Retail revenues will comprise an increasing percentage of total revenues during the period of Fiscal Year 2015 through Fiscal Year 2019 primarily due to the increasing cost of the DC Clean Rivers Project, which will result in additional revenues being collected from the CRIAC. Retail revenues are derived primarily from water and wastewater service charges of the Authority that are based on water consumption as described earlier in this Official Statement. Other sources of retail revenue include the customer metering fee. See “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges.”

The Authority has projected that revenues from retail customers, excluding PILOT/ROW fees, will be \$384.0 million in Fiscal Year 2015, or 71.8% of the Authority’s total revenues (excluding the effects of withdrawals from the Rate Stabilization Fund). This amount includes approximately \$81.9 million from the CRIAC and excludes the PILOT/ROW fees. Without the effects of the CRIAC, the Fiscal Year 2015 projected revenue is expected to be \$14.4 million, or 5.0%, higher than the Fiscal Year 2014 revenues from retail customers. The projected increases in retail revenue anticipate that the customer metering fee will be unchanged from the current fee schedule and that consumption will be slightly higher in Fiscal Year 2015 compared to Fiscal Year 2014. Cash Receipts for the first six months of Fiscal Year 2015 (through March 31, 2015) excluding PILOT/ROW fees, were about the 2.4% higher than the Budgeted Receipts for this period. As of the date of this Official Statement, it is not possible to predict whether full-year cash receipts will be higher, lower or the same as the Budgeted Receipts.

Revenues from retail consumption are projected to be \$452.1 million in Fiscal Year 2016. This amount includes approximately \$95.1 million from the CRIAC and \$40 million from the new Water System Replacement Fee. Without the effects of the CRIAC and the Water System Replacement Fee, the Fiscal Year 2016 projected revenue represents an increase of \$14.8 million or 4.9% compared to the projected Fiscal Year 2015 revenues.

Revenues from retail consumption are projected to be \$467.6 million in Fiscal Year 2017. This amount includes approximately \$106.4 million from the CRIAC and \$40 million from the Water System Replacement Fee. Without the effects of the CRIAC and the Water System Replacement Fee, the Fiscal Year 2017 projected revenue represents an increase of \$4.1 million or 1.3% compared to the projected Fiscal Year 2016 revenues. The relatively small retail revenue increase is primarily due to the assumed decrease of \$10.1 million in Federal Government revenues in the financial forecast for Fiscal Year 2017. See “CUSTOMER BASE, RATES AND CHARGES – Rate-Setting Authority – Federal Government Charges” for additional information.

Retail revenues in Fiscal Years 2018 and 2019 are anticipated to increase in each year reflecting both the effects of projected rate increases as well as the expectation that water demand will decrease by 1% annually.

Clean Rivers Impervious Area Charge Revenues

The revenues from the CRIAC were \$47.2 million in Fiscal Year 2013 and \$63.4 million in Fiscal Year 2014. Based on increases in the CRIAC in each year, revenues are expected to increase to \$81.9 million in Fiscal Year 2015 and to \$95.1 million in Fiscal Year 2016. The revenues from the CRIAC in Fiscal Years 2017 through 2019 are expected to increase further reflecting the effects of projected rate increases.

The Authority is evaluating a CRIAC credit program that will provide discounts for properties that install facilities and utilize practices that retain stormwater or divert stormwater away from the wastewater system, such as rain gardens and green roofs. The potential program policies and credits have not been approved at this time. The Authority has budgeted \$500,000 per year starting in Fiscal Year 2013 for the value of the credit program. The effects of this credit were considered by the Authority in developing its projection of annual revenues.

Stormwater Revenues

In Fiscal Years 2015 through 2019, the Authority anticipates that it will collect \$1 million in stormwater fees from its retail accounts to cover its share of District stormwater expenditures. The District Council has stormwater rate-setting authority for stormwater services provided by the District. The Authority will work collaboratively with the District Council to set future rates. The projected revenue from stormwater fees that are payable to the District are based

on the current stormwater rate. For more information regarding the stormwater fee, see “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges – Stormwater Fee.”

Wholesale Revenues

The Authority’s wholesale revenues for wastewater operations are stable and reflect modest increases in the cost of service and changes in the volumes of wastewater flow from suburban customers. In Fiscal Year 2014, the Authority received \$70.8 million in revenue from its wholesale customers pursuant to the IMA, which represented a nearly \$4.2 million decline compared to Fiscal Year 2013. Revenues from wholesale customers are expected to increase to \$81.4 million in Fiscal Year 2015 and to decrease to \$69.3 million in Fiscal Year 2016. The revenue decline of about \$12.0 million in 2016 is primarily due to changes in allocation methodology including the removal of excess contingency funding in Authority-wide budget, and incorporation of a 3-year average of actuals for wholesale estimated billing, and adjustment of existing estimated wholesale billing.

The revenues from the wholesale customers in Fiscal Years 2017 through 2019 are projected to increase reflecting the effects of projected rate increases as well as the expectation that water demand will decrease by 1% annually.

Loan Repayment from Arlington County and Falls Church

The Authority provided a loan to the Aqueduct to finance certain improvements at the Aqueduct. This loan is repaid to the Authority by Arlington County, Virginia, and Falls Church, Virginia, as Aqueduct Customers, in the form of a credit that is issued to the Authority on the monthly water bills generated by the Aqueduct. The amount of the credit is determined by the Aqueduct in accordance with the Water Sales Agreement, and the annual amount is expected to be \$193,246 from Fiscal Year 2015 through Fiscal Year 2019.

Interest Income on Reserve Funds

Interest income is earned on the available funds of the Authority and a portion of the interest earnings may be used to pay operating and maintenance expenses or capital costs of the Authority.

Interest earnings will fluctuate from year to year based on changes in cash flow, fund balances and market conditions affecting interest rates and other investment terms. The Authority has projected interest earnings of \$0.6 million in Fiscal Year 2015, \$1.7 million in Fiscal Year 2016, \$3.2 million in Fiscal Year 2017, \$5.2 million in Fiscal Year 2018 and \$9.0 million in Fiscal year 2019, including interest earned from the bond reserves. The assumed annual interest earnings rates for the funds are 0.425% in Fiscal Year 2015, 1.00% in Fiscal Year 2016, 2.00% in Fiscal Year 2017, 3.00% in Fiscal Year 2018 and 5.00% in Fiscal Year 2019. Projected fund balances and interest rate assumptions are reviewed annually as part of the Authority’s budget process. The available interest earnings for secure investments are very low in today’s financial markets. The Authority’s assumed interest earnings reflect these conditions. Recognizing the low earnings rates, the current interest rates on borrowed funds, including commercial paper interest, are also very low compared to historical experience. This helps reduce interest costs (and resulting revenue requirements) of the Authority. The Authority assumes for forecasting purposes that interest earnings rates will increase over time while simultaneously assuming that borrowing rates for future Authority debt will be higher than the assumed rates for Fiscal Year 2015.

Miscellaneous Revenue

The Authority realizes revenue from several sources classified as miscellaneous, such as charges for late payments by customers, service installation charges, service line repairs, engineering reviews, the sale of manuals, the District fire protection fee, and fees charged to commercial waste haulers. Miscellaneous revenues in Fiscal Year 2014 were \$30.8 million. Revenues from these sources are expected to increase to \$47.4 million in Fiscal Year 2015 and then decrease to \$25.1 million in Fiscal Year 2016. Miscellaneous revenues are expected to total \$23.6 million per year in Fiscal Years 2017 and 2018 and \$22.6 million in Fiscal Year 2019. Miscellaneous revenue in Fiscal Year 2015 is \$16.6 million higher than the prior year primarily due to a one-time contribution of \$15 million reflecting 50% of the reserves in the PILOT Fund as agreed to by the District and the Authority per the new PILOT MOU, dated September 4, 2014. Miscellaneous revenue also includes \$5.1 million from the ROW Fund which was not paid to the District in Fiscal Year 2014, but was paid in Fiscal Year 2015.

These amounts also include payments for various development-related services provided by the Authority and charges to the District for fire protection services. The Authority’s annual investments (operating and capital) in fire protection assets and services increased significantly following the execution of the Memorandum of Understanding between the Authority and the District of Columbia Fire and EMS Department (FEMS) on October 25, 2007. The fees

charged by the Authority are intended to recover the costs incurred by the Authority related to fire protection services provided by the water system including, but not limited to, the ability to deliver water for firefighting as well as maintaining and upgrading fire hydrants. The Authority's investments will continue in future years but at a pace that is much lower than the peak years of Fiscal Year 2008 and Fiscal Year 2009. The projected miscellaneous revenues assume that the District will make such payments in each year or that a combination of payments and credits against Authority payments to the District will result in the Authority receiving the full amounts expected from the District.

PILOT/ROW Fee

The total combined revenues from the PILOT/ROW Fee are assumed in the financial forecast to total \$20.5 million in Fiscal Year 2015, and increase to \$21.7 million in Fiscal Year 2019. The Authority and the District have negotiated new MOUs for both the PILOT and the ROW (See "THE AUTHORITY – Relationship to District").

System Expenditures

Operating Expenses

The following table presents the historical Operating and Maintenance ("O&M") expenses of the Authority for Fiscal Year 2014, and the projected O&M expenses for Fiscal Years 2015 through 2019 on a cash disbursement basis. The average annual rate of increase in expenses for Fiscal Years 2011 through 2014 was 4.2%, excluding PILOT/ROW payments to the District.

The projected expenses for Fiscal Year 2015 reflect the current adopted budget of the Authority which represents a 3.5% increase over the expenses for Fiscal Year 2014. The anticipated expenses for Fiscal Year 2016 reflect an annual increase of 4.0% over the projected expenses for Fiscal Year 2015, excluding the PILOT/ROW payments to the District. The Personnel Services amounts shown in operating and maintenance costs table are net of amounts charged to capital projects.

[Balance of page intentionally left blank]

Historical and Projected Operation and Maintenance Costs on a Cash Disbursement Basis

Fiscal Years ended/ending September 30

(\$ in thousands)^{1,2}

	Actual 2014	Projected				
		2015	2016	2017	2018	2019
Personnel Services	104,448	118,278	121,041	124,672	128,412	132,265
Contractual Services	77,851	76,944	79,243	81,620	84,069	89,591
Water Purchases	28,072	28,831	30,740	31,662	32,612	33,590
Chemical & Supplies	37,265	36,187	35,951	37,030	38,140	39,285
Utilities & Rent	33,591	30,416	35,018	36,069	37,151	38,265
Small Equipment	692	1,028	1,465	1,509	1,554	1,601
Total O&M Expenses	281,918	291,684	303,458	312,562	321,939	334,597
PILOT & D.C. Occupancy ROW Fee	12,414	20,437	20,744	21,057	21,376	21,702
Total Expenses	294,332	312,121	324,202	333,619	343,315	356,298

¹ All figures are presented on a cash disbursement basis.

² Fiscal Year 2015 - 2019 cost projections are based on the Authority's financial plan.

The following table provides a comparison of the budgeted versus actual costs from Fiscal Year 2012 to Fiscal Year 2014 on an accrual basis. The Authority has historically under-spent its annual budget (including O&M expenses), as illustrated in the following table.

Budget to Actual Expense Comparison

Fiscal Years ended September 30

(\$ in thousands)¹

Category	2012			2013			2014		
	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance
Personnel Services	\$ 113,354	\$ 107,334	\$ 6,020	\$ 116,609	\$ 118,567	\$ (1,958)	\$ 119,765	\$ 125,756	\$ (5,991)
Contractual Services	78,826	64,939	13,887	82,350	68,430	13,920	76,044	68,172	7,872
Water Purchases	33,000	28,389	4,611	31,513	27,223	4,290	27,991	28,407	(416)
Chemical & Supplies	29,946	26,744	3,202	31,360	27,120	4,240	30,909	30,718	191
Utilities & Rent	37,447	26,786	10,661	34,185	26,098	8,087	30,715	29,939	776
Small Equipment	995	1,139	(144)	993	1,192	(199)	993	317	676
Debt Service	105,387	99,272	6,115	121,330	105,811	15,519	130,120	120,165	9,955
PILOT/ROW Fee	23,401	21,982	1,419	21,982	21,982	-	25,181	11,458	13,723
Total budgetary basis expenditures	422,356	376,585	45,771	440,322	396,423	43,899	441,718	421,835	19,883

¹ All figures are presented on an accrual basis.

Source: Authority Records

Several factors affecting future expenses are described herein. The Authority has undertaken long-term initiatives to optimize the cost of service. Management's forecast of operations and maintenance expenses reflects continued emphasis on managing such expenses. Examples of historical and ongoing initiatives are outlined in the description of the major categories of expense. Management continually monitors expenditures and reports the results monthly to the Board's Finance and Budget Committee. The Authority also has the option, in any given year, to defer certain expenses in order to stay within its budget and conform to Board policy requirements.

Labor-Related Expenses

Personnel costs are directly affected by staffing levels, salaries and wages, fringe benefits including retirement contributions, overtime expenditures and other factors.

Certain individuals at the Authority are responsible for planning and implementing the CIP. The salaries, wages and fringe benefits of such personnel are charged to capital projects and are paid for through the sources of funds for the CIP. In Fiscal Year 2015, the costs of such personnel are budgeted at \$17.27 million.

Salaries and Fringe Benefits. The Authority provides its employees with a comprehensive fringe benefit package, including coverage for health insurance, group term life insurance, dental care, vision care, disability coverage and retirement plans. The fringe benefit component of total labor costs has increased at a greater rate than salaries and wages in recent years, primarily due to the increasing cost of health care coverage. Fringe benefits are budgeted to be approximately 30.9% of salaries in Fiscal Year 2015.

While employed by the Authority, employees contribute to a retirement fund and the Authority contributes a proportional match. Once an employee retires, the Authority has no further financial obligations relating to those employees. Some retired employees may be eligible to receive a federal pension. In addition, the federal government also may assume the employer portion of the healthcare coverage for eligible employees. The Authority is and expects to continue to remain current with its benefit payments.

See “THE AUTHORITY – Employees and Labor Relations” herein for further information regarding the Authority’s labor force and the status of collective bargaining agreements.

Overtime Expenses. The Authority uses overtime work by its employees to address unplanned repairs and service needs (e.g., to repair water main breaks that occur outside of normal business hours) as well as to provide resources to offset unfilled positions and to reduce the need for contractual labor. Overtime expenses in Fiscal Year 2014, including an allowance for fringe benefits, totaled \$7.5 million, or about 5.5% of total personnel services costs.

Total Personnel Expenses. The Authority’s personnel costs increased at an annual average of 4.0% per year from Fiscal Year 2010 through Fiscal Year 2014. Budgeted personnel expenses for Fiscal Year 2015 are \$135.5 million, a 13.2% increase over Fiscal Year 2014. In Fiscal Year 2016, personnel expenses are expected to increase 3.3% from the prior year. Beginning in Fiscal Year 2017, personnel expenses are projected to increase at an average annual rate of 3.0%. The projected rate of increase is supported by the Authority’s demonstrated ability to reduce staffing levels and overtime costs through improvements in its facilities and business practices, as well as the expectation that new employees in the upcoming years will have lower salaries and benefits compared to the employees who will retire during that same period.

Non-Labor Operating Expenses

There are four major categories of operating expenses that are not labor-related: contractual services (which includes the processing and disposal of biosolids), water purchases, chemicals and supplies, and utilities and rent (which includes electricity needed to operate the Authority facilities).

A brief overview of the four major categories of non-labor expenses is provided below.

Contractual Services. Contractual services include the outside services necessary for the Authority to operate and maintain facilities, including the hauling of biosolids from the Blue Plains treatment facility to the disposal location, building maintenance and repair, the maintenance of certain machinery, equipment and vehicles, and other contractual or professional services.

The actual costs for contractual services in Fiscal Year 2014 were \$68.7 million. The budgeted amounts for contractual services in Fiscal Year 2015 and Fiscal Year 2016 are \$76.9 million and \$79.2 million, respectively. Contractual services expenses are assumed to increase at the average annual rate of 3.0% for Fiscal Years 2017 through 2019.

Also included within contractual services is the Authority’s purchase of annual insurance policies. The policies cover property, equipment, workers compensation, umbrella and excess liability, crime and fidelity, public officials’ liability, and fiduciary liability.

Water Purchases. The Authority purchases all of its treated drinking water from the Aqueduct on the basis of a 1997 agreement between the Authority and the Corps of Engineers, the operator of the Aqueduct. Under the terms of the agreement and based on its usage in relation to the other Aqueduct Customers, the Authority pays an average of approximately 73% of the Aqueduct’s operating costs. The Authority’s share of Aqueduct capital costs is reflected in the Authority’s CIP.

The actual costs for water purchases in Fiscal Year 2014 were \$28.4 million. The budgeted amount for water purchases in Fiscal Year 2015 and 2016 is \$28.8 million and \$30.7 million, respectively. An average annual increase in water supply costs is assumed at approximately 3.0% in Fiscal Years 2017 through 2019.

Chemicals and Supplies. The chemicals and supplies component of the Authority's operating and maintenance expenses includes, but is not limited to, office, laboratory, custodial and maintenance supplies, automotive supplies, uniforms, and chemicals. Chemicals are the largest portion of this component. The Authority has implemented an improved polymer management program for use at Blue Plains in cooperation with the University of Delaware. A method for "fingerprinting" polymer has been developed to make sure it is effective before it is used.

The actual expenses for chemicals and supplies in Fiscal Year 2014 were \$30.7 million. The budgeted amount for chemicals and supplies in Fiscal Year 2015 and 2016 is \$36.2 million and \$36 million, respectively. The average annual increase of costs for chemicals and supplies is assumed at 3.0% in Fiscal Year 2017 and 3.0% in Fiscal Years 2018 and 2019.

Utilities and Rent. The Authority is a major user of energy, primarily for the operation of the Blue Plains Wastewater Treatment Facilities. Approximately 83% of the expenses associated with utilities and rent are attributable to the cost of power. The combined heat and power project is projected to provide about a third of the plant's energy needs. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects." The Authority has taken a proactive approach to the procurement of power and its pricing. In Fiscal Year 2005, the Authority entered into a full service electricity contract to purchase power from Amerada Hess in the deregulated environment, which expired on September 30, 2014. The Authority has entered into a replacement agreement with ConEdison Solutions, which went into effect on October 1, 2014. As part of its power purchasing strategy under deregulation, the Authority has entered into a successor five-year contract for generation that allows it to lock in blocks of power at a fixed price when futures pricing meets budget targets. To the extent that the Authority has power needs that exceed the locked in fixed price blocks, the price of the additional power would be established each day at market rates with direct pass-through of all costs. This contract includes an enhanced process for block power purchases that gives the Authority access to the wholesale market. The Authority's Department of Finance, Accounting and Budget monitors the energy market on a continuous basis.

The year-to-date operating expenses of the Authority through March 31, 2015 are 8.3% less than the budgeted expenses for the same period. Expenses for biosolids-related chemicals and the hauling of biosolids are less than anticipated based on the initial results of the new biosolids digestion process.

Reserve Funds

The Authority maintains various reserve funds as previously described herein. See "SECURITY FOR THE SERIES 2015A/B BONDS – Certain Reserve Funds – Discretionary Reserves; – Operating Reserve Fund; – Rate Stabilization Fund; and – Renewal and Replacement Reserve Fund."

Financial Policies

The Authority has developed a ten-year financial plan to ensure compliance with certain Indenture requirements and the Board's financial policies. This plan is updated annually, taking into account revisions to the Capital Improvement Program, current and prior year financial performance and other changes. The Board adopted a series of financial policies in 1997 that the Authority utilizes to develop its ten-year financial plan, operating budgets and rate proposals. The policies summarized below reflect revisions adopted by the Board and effective May 2, 2013.

Capital Financing Policy

In order to secure the lowest practical cost of capital to finance the Authority's long-term capital program, the Authority will aim to achieve the following goals:

- i. Maintain Senior Debt service coverage of 1.40x.*
- ii. Maintain 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. The operating reserve requirement will be evaluated every five years by the Authority's independent rate consultant in

*This policy goal exceeds the Rate Covenant requirement of 1.20x as provided in the Indenture.

Finance and Budget Committee - 4. Action Items

conjunction with the Indenture-required system assessment. At a minimum include in the operating reserve any reserve requirements contained in the Indenture, excluding any debt service reserve funds and the rate stabilization fund.

- iii. 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.
- iv. Whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of the Authority's capital and operating requirements and financial position for each year.
- v. Attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.
- vi. Finance its capital equipment needs (e.g., computer equipment and systems; minor utility equipment such as pumps, motors, etc.) and certain taxable costs of the Aqueduct with operating cash or short-term financing instruments with the same or shorter average lives as the related assets.

Rate-Setting Policies

The Authority's rate-setting policies are based on the following principles:

- i. Rates and fees will be based on the actual cost to deliver each service.
- ii. Current rates must be sufficient to cover current costs and to meet all bond covenants.
- iii. The Authority will achieve a positive net income and cash flow each year.
- iv. Rates will be based on an annually updated ten-year financial plan (both operating and capital).
- v. Rate increases will be implemented in a gradual and predictable manner, avoiding large one-time rate increases.
- vi. Contributions to and usage of the Rate Stabilization Fund as needed to avoid "rate shock." Each year, after reviewing financing improvements from cash and any other non-recurring financing uses of excess operating cash, the annual Rate Stabilization Fund deposit, if any, is determined.

Debt Policy

At its September 10, 2015 meeting, the Finance and Budget Committee approved a recommendation that the Board adopt certain revisions to its debt policy. The Board is expected to consider adopting the revised debt policy at its October 1, 2015 meeting. This policy provides detailed guidelines that the Authority's management applies to the Authority's current and future debt portfolio. The goals of this policy are to ensure compliance with all laws, legal agreements, contracts and adopted policies related to debt issuance and management; to promote cooperation and coordination with all stakeholders in the financing and delivery of services; to promote sound financial management to maximize and best utilize future debt capacity; and to ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood.

Cash Management and Investment Policies

In May 2014, the Board amended its comprehensive Statement of Investment Policy. The statement outlines broad investment policies to include delegation of certain authority to the General Manager, investment objectives, collateralization of deposits, selection of financial institutions, protection of funds, permitted investments, limits on maturities, investment of bond proceeds and investment reporting.

The Office of Treasury and Debt produces daily and monthly internal reports on all cash management and investment activities, with significant peer oversight within the Chief Financial Officer's office, monthly reports to the General Manager and quarterly reports to the Board's Finance and Budget Committee that enables them to monitor compliance with Board policies.

Extendable Municipal Commercial Paper Policy

At its September 10, 2015 meeting, the Finance and Budget Committee approved a recommendation that the Board adopt a formal policy relating to the Authority's proposed EMCP Notes. The goal of this policy is to ensure that the Authority is able to pay (either from its own funds, the proceeds of a new issuance of EMCP Notes, or a new issue of bonds) the principal of and interest on any outstanding EMCP Notes on the Original Maturity Date or Extended Maturity Date thereof, as the case may be.

ENGINEERING FEASIBILITY REPORT

The Authority retained Johnson, Mirmiran & Thompson, Inc. ("JMT") to prepare an Independent Consulting Engineering Assessment Report dated July 9, 2013, a copy of which is available on the Authority's website at www.dewater.com. Pursuant to the Indenture requirement for an inspection of the System at least once every five years, an Independent Consulting Engineering Assessment Report reviews the Authority's progress in implementing capital projects and its plans to initiate additional capital improvements. The Report evaluates the adequacy of the Authority's CIP to maintain its water and wastewater infrastructure and to continue providing reliable service of a high quality to its customers. The Independent Consulting Engineering Assessment Report has not been updated since the date of its issuance.

The Independent Consulting Engineering Assessment Report presents findings and conclusions based upon information provided by the Authority or others which is summarized or referred to therein. Set forth below are JMT's principal findings and conclusions. The Independent Consulting Engineering Assessment Report should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

- The Authority has continued implementing its vision and strategic plan, focusing on increasing the operational efficiency of the Water and Wastewater Systems and providing satisfactory service to its customers.
- The Authority staff, including both management and key operations and maintenance personnel, is well qualified, effectively organized and sufficient to meet overall staffing needs.
- The existing Water and Wastewater Systems are effectively maintained and operated.
- The Authority has developed and continues to implement thorough capital programs for ensuring the integrity of the Water and Wastewater Systems.
- Through appropriate management, operational practices, technology, staffing, tools and equipment and selective outsourcing, the Authority has developed capital, operations and maintenance programs that should ensure the continued effective operation of the systems for the foreseeable future. The systems should continue to provide high levels of service with minimal disruption.
- The Authority's wastewater and drinking water facilities are in material compliance with all applicable permits and regulations and continue to provide uninterrupted service to its wholesale and retail customers. Such compliance is anticipated to continue through the foreseeable future.
- Substantial progress has been made by the Authority in improving the operating condition of existing facilities. The CIP is structured to provide a systematic program to replace and rehabilitate aging infrastructure on a priority basis.
- Implementation of the Authority's CIP is intended to address identified system needs and priorities and is within budget.

FINANCIAL FEASIBILITY OPINION LETTER

The Authority retained Amawalk Consulting Group LLC as its financial feasibility consultant, in which capacity Amawalk prepared the Financial Feasibility Opinion Letter dated August 20, 2015, which is attached hereto as APPENDIX A. Amawalk provides financial and management consulting services to water and wastewater utilities, local governments and other organizations. Examples of the consulting services offered by the firm include: cost of service and rate studies; financial modeling; feasibility studies to support the issuance of debt; competitive assessments,

including benchmarking and implementation of best practices; analyses supporting the consolidation of services; and the formation/start-up of public authorities including transition planning.

The conclusions set forth in the Financial Feasibility Opinion Letter reflect Amawalk's analysis of the Authority's anticipated financial results for Fiscal Years 2015 to 2019. Amawalk has assisted the Authority in preparing certain portions of this Official Statement relating to historical and projected financial performance of the Authority. The Financial Feasibility Opinion Letter has not been updated to reflect any changes occurring after the date of the Financial Feasibility Opinion Letter.

The Financial Feasibility Opinion Letter presents findings and conclusions based upon the analysis of financial statements and reports prepared by or for the Authority and other information provided by the Authority or others which is summarized or referred to therein, including conclusions, assumptions, considerations and recommendations regarding the operation of the System, the necessary improvements and betterments thereto and the steps that should be taken to assure adequate reliable bulk power supply at reasonable cost. Set forth below are Amawalk's principal conclusions. The Financial Feasibility Opinion Letter and this Official Statement should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

Amawalk concluded that the Authority has the ability to effectively execute its mission, operate its System to provide uninterrupted service, maintain regulatory compliance, and finance and implement its CIP within the parameters set forth in the Indenture and the applicable Board policies. In addition, Amawalk makes the following observations:

- The Authority's financial forecast is viable, consistent with industry standards, and its projections are expected to meet the Board's debt service coverage and reserve requirements and targets.
- Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in the Reporting Period will be sufficient to pay: (i) the actual Operating Expenses; (ii) Annual Debt Service on Senior Debt; (iii) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (iv) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (v) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (vi) any amount necessary to make any payments in lieu of taxes in such Fiscal Years. Sufficient funds are projected to be on deposit in each of the required reserve funds during the Reporting Period.
- Pursuant to Board policy, the Authority maintains a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in such Fiscal Years will be sufficient to achieve the more stringent financial policy established by the Authority. There can be no assurance that the Board will not change this additional financial policy.
- Pursuant to Board policy, the Authority maintains operating reserves that are greater than \$125.5 million or 120 days of budgeted operation and maintenance expenses. The Authority's actual cash on hand has exceeded the levels required by Board policy in recent years. Amawalk reviewed the operating reserve policies of the Authority and concluded that the current Board policy provides for an appropriate level of reserves. There can be no assurance that the Board will not change this additional financial policy.
- The water and wastewater rates, fees and charges of the Authority, including projected increases for Fiscal Years 2016 through 2019, are reasonable and compare favorably to the rates and charges of other major cities.

In the analysis of the forecast of future operations summarized in this Official Statement, Amawalk has reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. These assumptions are reasonable and attainable as of the date of the Financial Feasibility Opinion Letter, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur.

INDEPENDENT SUSTAINABILITY CONSULTANT OPINION LETTER

The Authority retained Vigeo to prepare an Independent Sustainability Consultant Opinion on the Series 2015A Project based on issuer, project and reporting standards and commitments described in an Opinion Letter dated [REDACTED], 2015, which is attached hereto as APPENDIX G. Vigeo is a research agency that provides non-financial ratings and research on issuers – of equity and debt – environmental, social and governance performance to investors (through the business brand of Vigeo Rating) and sustainability consulting services to organizations (through the business brand of Vigeo Enterprise). Vigeo provides an opinion based solely on the environmental, social and governance criteria and assessment. Vigeo is not and does not purport to be a financial advisor or financial analyst or to express any opinion on the quality of the security or sources of payment for the Series 2015A Bonds. Accordingly, no financial evaluations, positive or negative, should be attributed to Vigeo. Vigeo does not guarantee that the Authority will honor the current and future commitments to standards and reporting identified in its Opinion Letter.

The Opinion of the Independent Sustainability Consultant presents findings and conclusions based upon the analysis of the Authority’s environmental, social and governance policies, guidelines and results according to criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. Vigeo’s review uses information provided by the Authority or others and from internal interviews with department managers and representatives.

The Opinion of the Independent Sustainability Consultant should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

TAX MATTERS

General

In the opinion of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, under existing law: (i) interest on the Series 2015A/B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series 2015A/B Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2015A/B Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2015A/B Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the Authority’s certifications and representations or the continuing compliance with the Authority’s covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel’s legal judgment as to exclusion of interest on the Series 2015A/B Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Co-Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority may cause loss of such status and result in the interest on the Series 2015A/B Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2015A/B Bonds. The Authority has covenanted to take the actions required of it for the interest on the Series 2015A/B Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2015A/B Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2015A/B Bonds or the market value of the Series 2015A/B Bonds.

A portion of the interest on the Series 2015A/B Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2015A/B Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2015A/B Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2015A/B Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Bond Counsel's engagement with respect to the Series 2015A/B Bonds ends with the issuance of the Series 2015A/B Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Authority or the owners of the Series 2015A/B Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2015A/B Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2015A/B Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2015A/B Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2015A/B Bonds.

Prospective purchasers of the Series 2015A/B Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2015A/B Bonds at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2015A/B Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2015A/B Bonds will not have an adverse effect on the tax status of interest on the Series 2015A/B Bonds or the market value or marketability of the Series 2015A/B Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2015A/B Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Series 2015A/B Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2015A/B Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2015A/B Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the cover of this Official Statement may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's

gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the University's liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

COVENANT BY THE DISTRICT OF COLUMBIA

Under the Act, the District pledges to the Authority and any holders of the bonds that, except as provided under the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of the bonds, or in any way impair the rights and remedies of the holders of the bonds until the bonds, together with interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the bonds, are fully met and discharged.

LITIGATION

There is not now pending or, to the best of the Authority's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2015A/B Bonds or questioning or affecting the validity of the Series 2015A/B Bonds, the proceedings and authority under which they are to be issued, nor is the creation, organization, or existence of the Authority being contested. Nor is there any litigation pending or, to the best of the Authority's knowledge, threatened which (i) in any manner questions the right of the Authority to operate the System or its right to conduct its activities in accordance with the provisions of the Act and of the Indenture or (ii) if determined adversely to the Authority, would have a material adverse impact on the financial condition of the Authority.

The Authority is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely to the Authority. Any such litigation is of a routine nature which does not affect the right of the Authority to conduct its business or the validity of its obligations.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Series 2015A/B Bonds are subject to the approving opinions of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, which will be furnished upon delivery of the Series 2015A/B Bonds, substantially in the form set forth as APPENDIX F. Squire Patton Boggs (US) LLP and Leftwich LLC also serve as Co-Disclosure Counsel to the Authority in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the Authority by its General Counsel, and for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates.

INDEPENDENT AUDITORS

The fiscal year 2014 financial statements of the Authority included in this Official Statement have been audited by KPMG LLP (“KPMG”). KPMG has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Official Statement.

THE TRUSTEE

The Authority has appointed Wells Fargo Bank, N.A., a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Master Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Series 2015A/B Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds of such Series 2015A/B Bonds by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2015A/B Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Series 2015A/B Bonds, the technical or financial feasibility of the Project, or the investment quality of the Series 2015A/B Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

RATINGS

Standard & Poor’s (“S&P”), a division of The McGraw-Hill Companies, Inc., Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Ratings (“Fitch”), have assigned long-term municipal bond ratings of “[____],” “[____]” and “[____],” respectively, to the Series 2015A/B Bonds. A securities rating is not a recommendation to buy, sell or hold the Series 2015A/B Bonds and may be subject to revision or withdrawal at any time. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of the ratings may be obtained from: S&P at 55 Water Street, New York, New York 10041; from Moody’s at 7 World Trade Center, New York, New York 10007; and from Fitch at 1 State Street Plaza, New York, New York 10099. There is no assurance that a rating will apply for any given period of time, or that a rating will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on the market price of or the market for the Series 2015A/B Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of the Rule promulgated by the SEC, the Authority will enter into the Continuing Disclosure Agreement dated the date of delivery of the Series 2015A/B Bonds, which will constitute a written undertaking for the benefit of the Owners of the Series 2015A/B Bonds, solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. Pursuant to the Continuing Disclosure Agreement, the Authority has covenanted to provide certain financial information on an annual basis and to provide notice of certain enumerated events. See APPENDIX D – “Form of the Continuing Disclosure Agreement” for detailed provisions of the Continuing Disclosure Agreement.

FINANCIAL ADVISORS

Public Financial Management, Inc. and G-Entry Principle, PC, together, have served as co-financial advisors (the “Co-Financial Advisors”) to the Authority with respect to the issuance of the Series 2015A/B Bonds.

UNDERWRITING

[____], on behalf of itself and as representative (the “Representative”) of the underwriters identified on the front cover of this Official Statement (collectively, the “Underwriters”) has agreed to purchase from the Authority the Series 2015A/B Bonds at an aggregate purchase price equal to \$[____] (which amount constitutes the

aggregate principal amount of the Series 2015A/B Bonds of \$[_____]*, plus original issue premium of \$[_____] , less the Underwriters' discount of \$[_____]).

The Bond Purchase Agreement by and among the Authority and [_____], on behalf of itself and as representative of the Underwriters dated [_____], 2015 (the "Series 2015A/B Bond Purchase Agreement"), provides that the Underwriters will purchase all of the Series 2015A/B Bonds, if any are purchased, and the obligation to make such purchases is subject to certain terms and conditions set forth in the Series 2015A/B Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Series 2015A/B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2015A/B Bonds into investment trusts) at prices lower than the public offering prices and such public offering prices may be changed from time to time by the Underwriters.

Citigroup Global Markets Inc., an Underwriter of the Series 2015A/B Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Service Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network on UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2015A/B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015A/B Bonds that such firm sells.

Loop Capital Markets LLC ("Loop Capital Markets"), one of the Underwriters of the Series 2015A/B Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of Deutsche Bank Securities Inc. ("DBS") and Credit Suisse Securities USA LLC ("CS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of DBS and CS will purchase the Series 2015A/B Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2015A/B Bonds that such firm sells.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

LEGALITY FOR INVESTMENT

The Act provides that the bonds of the Authority are legal instruments in which public officers and public bodies of the District, insurance companies, insurance company associations and other persons carrying on an insurance business, banks, bankers, banking institutions, including savings and loan associations, building and loan associations, trust companies, savings banks, savings associations, investment companies and other persons carrying on a banking business, administrators, guardians, executors, trustees and other fiduciaries and other persons authorized to invest in bonds or in other obligations of the District, may legally invest funds, including capital, in their control.

The bonds are also, by the Act, securities which legally may be deposited with, and received by, public officers and public bodies of the District or any agency of the District for any purpose for which the deposit of bonds or other obligations of the District is authorized by law.

RELATIONSHIP OF PARTIES

In addition to representing the Authority as Co-Bond Counsel and Co-Disclosure Counsel, Squire Patton Boggs (US) LLP from time to time represents the Authority in other matters, including environmental, regulatory and personnel matters. From time to time, Squire Patton Boggs (US) LLP also represents one or more members of the

*Preliminary; subject to change.

underwriting group as its or their counsel in municipal bond transactions and other matters, but not in any matters related to the Authority.

In addition to representing the Authority as Co-Bond Counsel and Co-Disclosure Counsel, Leftwich LLC from time to time represents the Authority in other matters, including personal injury and personnel matters.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statements herein include matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Authority with the holders of the Series 2015A/B Bonds is fully set forth in the Indenture. Neither any advertisement of the Series 2015A/B Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2015A/B Bonds.

The information contained herein should not be construed as representing all conditions affecting the Authority or the Series 2015A/B Bonds. The foregoing statements relating to the Act, the Federal Act, the Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through G are integral parts of this Official Statement and should be read in their entirety, together with all of the foregoing statements.

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

By: _____
Mark T. Kim
Chief Financial Officer

APPENDIX A

FINANCIAL FEASIBILITY OPINION LETTER OF
AMAWALK CONSULTING GROUP LLC
DATED AUGUST 20, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE YEARS ENDED SEPTEMBER 30, 2014, AND 2013**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
GLOSSARY AND SUMMARY OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the District of Columbia Water and Sewer Authority (the “Issuer”) in connection with the issuance of its Public Utility Subordinate Lien Revenue Bonds, Series 2015A (the “Series 2015A Bonds”) and its Public Utility Subordinate Lien Revenue Bonds, Series 2015B (the “Series 2015B Bonds” and, together with the Series 2015A Bonds, the “Series 2015A/B Bonds”). The Series 2015A/B Bonds are being issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture”), as amended and supplemented to the date of delivery of the Series 2015A/B Bonds (the “Indenture”), including by the Eighteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Series 2015A/B Bonds (the “Eighteenth Supplemental Indenture”), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Series 2015A/B Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Series 2015A/B Bonds required to comply with the Rule in connection with offering of the Series 2015A/B Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the Issuer’s fiscal year (which shall be June 1 of each year, so long as the Issuer’s fiscal year ends on September 30), commencing with the report for the fiscal year ending September 30, 2015 (which is due not later than June 1, 2016), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series 2015A/B Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the

date required in subsection (a), the Issuer shall, in a timely manner, send or cause to be sent to the MSRB a notice to that effect.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) the Issuer's comprehensive annual financial report (the "CAFR"), which includes audited financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available; and

(b) to the extent not included in the CAFR, material historical financial and operating data concerning the Issuer and the Revenues of the Issuer generally of the type found in the tables included in the Issuer's Official Statement dated [____], 2015, relating to the Series 2015A/B Bonds (the "Official Statement") under the captions "THE SYSTEM," "CAPITAL IMPROVEMENT PROGRAM," "CUSTOMER BASE, RATES AND CHARGES" and "FINANCIAL OPERATIONS."

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including Official Statements of debt issues of the Issuer or related public entities, which have been made available to the public on the MSRB's website. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015A/B Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement

or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015A/B Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2015A/B Bonds or other material events affecting the tax status of the Series 2015A/B Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Series 2015A/B Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(d) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections 5(a)(7) or 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015A/B Bonds. If such termination occurs prior to the final maturity of the Series 2015A/B Bonds, the Issuer shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015A/B Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015A/B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2015A/B Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Series 2015A/B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement; provided, that any such action may be instituted only in the District of Columbia. The sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2015A/B Bonds, and shall create no rights in any other person or entity.

Date: [_____], 2015

DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY

By _____
Mark T. Kim, Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

DTC BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2015A/B Bonds, payments of principal, premium, if any, and interest on the Series 2015A/B Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2015A/B Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based on information furnished by DTC. The Authority and the Underwriters take no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2015A/B Bonds. The Series 2015A/B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2015A/B Bond will be issued for the Series 2015A/B Bonds of each series and maturity in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers, and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2015A/B Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for such Series 2015A/B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015A/B Bonds Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015A/B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015A/B Bonds, except in the event that use of the book-entry system for the Series 2015A/B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A/B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede& Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015A/B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A/B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015A/B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A/B Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2015A/B BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2015A/B BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015A/B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015A/B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015A/B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015A/B Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015A/B Bonds Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015A/B Bonds Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2015A/B Bonds, as partnership nominee for DTC, references herein to Bondholders or registered owners of the Series 2015A/B Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2015A/B Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2015A/B BONDS; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2015A/B BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2015A/B BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2015A/B BONDS; OR (VI) ANY OTHER MATTER.

APPENDIX F
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

OPINION LETTER OF INDEPENDENT SUSTAINABILITY CONSULTANT,
DATED [_____], 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

M&A draft 8/21/15

BOND PURCHASE AGREEMENT

\$ _____ □
**DISTRICT OF COLUMBIA WATER AND SEWER
 AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
 Series 2015A
 (Green Bonds)**

\$ _____ *
**DISTRICT OF COLUMBIA WATER AND SEWER
 AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
 Series 2015B**

October __, 2015

District of Columbia Water and Sewer Authority
 5000 Overlook Avenue, S.W.
 Washington, D.C. 20032

Ladies and Gentlemen:

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the “Representative”) on behalf of itself and Barclays Capital Inc., Goldman, Sachs & Co., Loop Capital Markets, LLC, Samuel A. Ramirez & Co., Inc., Citibank, JP Morgan Securities LLC, Morgan Stanley & Co., LLC and U.S. Bancorp (collectively, the “Underwriters”) offers to enter into this bond purchase agreement (this “Agreement”) with the District of Columbia Water and Sewer Authority (the “Authority”). The offer made hereby is subject to acceptance thereof by execution of this Agreement and its delivery to the Representative, on behalf of the Underwriters, at or prior to 5:00 p.m., New York, New York Time, on the date hereof, or on such other date as may be agreed upon by the Underwriters. Upon such acceptance, this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters. If this offer is not so accepted, it is subject to withdrawal by the Representative on behalf of the Underwriters upon written notice delivered to the Authority at any time prior to acceptance. Terms used but not defined herein are defined in the Indenture identified below.

1. **Purchase and Sale of Bonds.** On the terms and conditions and on the basis of the representations, warranties, covenants and agreements set forth herein, the Representative, on behalf of the Underwriters, hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriters for such purpose, all (but not less than all) of its Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds), in the original principal amount of \$ _____ * (the “Series 2015A Bonds”) and its Public Utility Subordinate Lien Revenue Bonds, Series 2015B Bonds, in the original principal amount of \$ _____ * (the “Series 2015B Bonds” and the Series 2015A Bonds, each a “Series” and, together, the “Bonds”). The proceeds of the Bonds will be used to pay (i) the

* Preliminary; subject to change.

costs of the Series 2015A Project, (ii) the costs of the Series 2015B Project and (iii) costs of issuing the Bonds. The purchase price of the Series 2015A Bonds will be \$_____ (the par amount of the Series 2015A Bonds) less the Underwriters' discount of \$_____ plus net original issue premium of \$_____. The purchase price of the Series 2015B Bonds will be \$_____ (the par amount of the Series 2015B Bonds) less the Underwriters' discount of \$_____ plus net original issue premium of \$_____. The Bonds will mature on the dates and in the amounts and will bear interest and will be subject to redemption prior to maturity as set forth on Exhibit A hereto.

2. **Bond Authorization.** The Bonds shall be issued under and pursuant to provisions of the laws of the United States of America and the District of Columbia (the "District"), including particularly, an act of the Council of the District entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," as amended, codified at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), and all proceedings necessary to authorize and provide for the issuance of the Bonds, including a resolution adopted by the Board of Directors of the Authority, dated October 1, 2015 (the "Resolution"), and the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented, including by the Eighteenth Supplemental Indenture of Trust, dated as of the Closing Date (as defined below) (the "Eighteenth Supplemental Indenture," and together with the Master Indenture as previously amended and supplemented, the "Indenture"), between the Authority and the Trustee, substantially in the forms previously delivered to us.

3. **Closing.** At 10:00 a.m. Eastern Standard/Eastern Daylight Time on October __, 2015, or at such other time and date as may be mutually agreed upon by the Authority and the Underwriters (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriters in definitive form, duly executed and authenticated, together with the other documents hereinafter required, and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in federal funds to the order of the Authority (the "Closing"). Delivery of the Bonds will be made through the facilities of The Depository Trust Company, New York, New York. The Closing will occur at the offices of Squire Patton Boggs (US) LLP, Washington, D.C., or such other place as may be mutually agreed on by the Authority and the Underwriters.

4. **Public Offering of the Bonds.** It is a condition of the Authority's obligation to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds is sold and delivered by the Authority and accepted and paid for by the Underwriters at the Closing. The Underwriters intend to make an initial public offering of all of the Bonds at the initial public offering prices set forth on the cover page of the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the initial public offering prices.

5. **Preliminary and Final Official Statement.** The Authority ratifies and consents to the legally permissible use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement, dated October __, 2015, relating to the Bonds (the “Preliminary Official Statement”) in connection with the public offering of the Bonds and the Authority represents that such Preliminary Official Statement is deemed final as of its date under Rule 15c2-12 (“Rule 15c2-12”) promulgated by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Exchange Act”), except for Permitted Omissions (as defined in Rule 15c2-12). The form of the final Official Statement of the Authority relating to the Bonds, dated October __, 2015, including the cover page and Appendices thereto, and any revisions, amendments or supplements thereto (the “Official Statement”) is attached hereto as Exhibit B. The Authority authorizes, approves, ratifies and confirms the distribution of the Official Statement in paper and electronic format by the Underwriters in connection with the public offering and sale of the Bonds.

The Authority agrees to provide to the Underwriters, at such addresses as the Underwriters specify, as many copies of the Official Statement as the Underwriters reasonably request as necessary to comply with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”). The Authority agrees to deliver the Official Statement within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer and to permit the Underwriters to comply with the requirements of Rule 15c2-12 (defined below). The Official Statement may be revised, amended, changed or supplemented by the Authority after the execution of this Agreement only with the permission of the Underwriters.

If, during the period from the date hereof to and including the date which is 25 days after the “end of the underwriting period” (as hereinafter defined), there shall exist any event, including, but not limited to, any material adverse change in the financial condition, results of operation or condition, financial or otherwise, of the Authority, and of which the Authority has knowledge, which, in the opinion of the Underwriters and counsel to the Underwriters or in the opinion of the Authority, requires a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the Authority will supplement or amend or cause to be supplemented or amended the Official Statement in a form and in a manner approved by the Underwriters and the Authority and will furnish to the Underwriters such supplement or amendment in sufficient quantity to permit the Underwriters to comply with the requirements of Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended.

For the purpose of the preceding paragraph, the Authority may assume that the “end of the underwriting period” (in accordance with and as defined in Rule 15c2-12) means the Closing Date unless the Representative advises the Authority in writing on the Closing Date that there remains an unsold balance of the Bonds, in which case the “end of the underwriting period” means the date as of which the Representative notifies the Authority that the Underwriters, directly or as a syndicate, no longer retain an unsold balance of the Bonds for sale to the public. The deemed end of the underwriting period, in order to allow the Underwriters to comply with Rule 15c2-12, shall be extended for additional periods of 30 days each upon receipt of written

notification from the Underwriters that any Bonds remain unsold however, in no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing Date. The Representative agrees to provide to the Authority written notification that none of the Bonds remain unsold which will be deemed the end of the underwriting period.

The Representative hereby agrees to deliver a copy of the printed paper form of the Official Statement to the MSRB in an electronic format prescribed by the MSRB for its Electronic Municipal Market Access (“EMMA”) website at www.emma.msrb.org within one (1) business day of receipt of the executed final Official Statement by the Underwriters.

6. **Representations, Warranties and Covenants of the Authority.** The Authority hereby represents, warrants, covenants and agrees as follows:

a. The Authority is, and at the Closing Date will be, a duly organized and validly existing corporate body and independent authority of the District established under the laws of the United States and the District, including the Act and the Federal Act, with the full legal right, power and authority to (i) adopt the Resolution, (ii) execute, deliver and perform its obligations under this Agreement, the Indenture, the Certificate of Award of the Authority establishing the purchase price, maturities, interest rates, redemption provisions and other terms of the Bonds, dated the date hereof (the “Certificate of Award”), and the Continuing Disclosure Agreement of the Authority dated as of the Closing Date (the “Continuing Disclosure Agreement,” and together with this Agreement and the Indenture, the “Bond Documents”); (iii) perform its obligations under the Water Sales Agreement, dated as of July 31, 1997, between the Authority and the United States of America, acting through the Secretary of the Army (the “Water Sales Agreement”) and the Blue Plains Intermunicipal Agreement of 2012 between the District, Fairfax County, Virginia, Montgomery County, Maryland, Prince George’s County, Maryland and the Washington Suburban Sanitary Commission (the “IMA,” and together with the Water Sales Agreement, the “System Agreements”), (iv) sell, issue and deliver the Bonds to the Underwriters as provided herein, and (v) carry out and consummate the transactions contemplated by the Resolution, the Bond Documents, the Preliminary Official Statement, the Official Statement and the System Agreements; and the Authority has complied, and at the Closing Date will be in compliance, in all material respects, with the Act and the Federal Act and with the obligations on its part in connection with the issuance of the Bonds contained in the Bonds, the Resolution, the Indenture, the Preliminary Official Statement, the Official Statement and this Agreement.

b. The Authority (i) has duly and validly adopted the Resolution, (ii) has authorized the execution and delivery of the Bond Documents, (iii) is authorized to execute, issue, sell and deliver the Bonds in book-entry form, (iv) is authorized to appoint, and has appointed, Wells Fargo Bank, N.A., as Trustee (the “Trustee”), (v) is authorized to apply and will apply the proceeds of the Bonds as provided in and subject to all of the terms and provisions of the Resolution, including the payment or reimbursement of the Authority expenses incurred in connection with the negotiation, marketing, issuance and delivery of the Bonds to the extent required by Section 14 and (vi) has taken or will take on or before the Closing Date, all action necessary or appropriate for (a) execution, issuance, sale and delivery of the Bonds in book-entry form to the Underwriters, (b) approval, execution and delivery of and the performance by the Authority of its obligations contained in the Bonds and the Bond Documents, (c) the approval,

distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriters in connection with the public offering of the Bonds and (d) the consummation by it of all other transactions described in the Official Statement, the Bond Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Authority in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement.

c. The adoption of the Resolution, the execution and delivery of the Bond Documents, the execution, issuance, sale and delivery of the Bonds in book-entry form and the performance by the Authority of its obligations hereunder and thereunder, and the performance by the Authority of its obligations under the System Agreements (collectively, the “Authority Undertakings”) are within the corporate powers of the Authority and are not in conflict with and will not constitute a breach, default or result in a violation of (i) the Act, (ii) any federal constitutional or federal or District statutory provision, including the Federal Act, (iii) any agreement or other instrument to which the Authority is a party, or (iv) any order, rule, regulation, decree or ordinance of any court of competent jurisdiction, government or governmental authority having jurisdiction over the Authority or its property.

d. The District has authorized the Authority to use all of the property and assets of the water distribution and wastewater collection, treatment and disposal systems of the Authority (the “System”), uninterrupted by the District, for as long as any revenue bonds of the Authority, including the Bonds, remain outstanding. The Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues therefrom in accordance with the Indenture.

e. The Resolution or other appropriate actions adopted or taken by the Authority establishing the rates and charges for services of the System described in the Preliminary Official Statement and the Official Statement have been duly adopted or taken and are in full force and effect.

f. The System Agreements and all other agreements, permits, licenses, consents, approvals, actions, consent decrees and settlement orders material to the operation and management of the System, including the collection of the Revenues therefrom as described in the Preliminary Official Statement and the Official Statement, are in full force and effect as of the date hereof and will be on the Closing Date, and the Authority is not and will not be in default thereunder or in breach thereof. The System Agreements have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity.

g. The Bonds, when issued, delivered to the Underwriters and paid for, in accordance with the Act, the Resolution, the Indenture and this Agreement, will have been duly authorized, executed, issued and delivered by the Authority and will constitute valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws

affecting creditors' rights generally and subject, as to enforceability, to general principles of equity. The Bonds are not a pledge of and do not involve the faith and credit or the taxing power of the District and the District shall not be liable thereon. The Bonds, the Indenture and the Resolution conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement and the proceeds of the sale of the Bonds will be applied as described in the Preliminary Official Statement and the Official Statement.

h. The Authority is not currently failing to comply and except as disclosed in the Preliminary Official Statement and the Official Statement, has not failed to comply during the past five years with any continuing disclosure obligation pursuant to Rule 15c2-12. The Authority has voluntarily agreed to deliver to the Underwriters a Continuing Disclosure Agreement with respect to the Bonds that complies with the requirements of Rule 15c2-12.

i. This Agreement constitutes, and, upon execution and delivery by the Authority and the other parties thereto, each of the other Bond Documents will constitute, the valid, binding and enforceable obligation of the Authority in accordance with their respective terms, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

j. The Authority is not in material breach of or material default under any applicable constitutional provision or law of the United States, the District or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it is a party or to which it or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Bonds, this Agreement and the other Bond Documents and the adoption of the Resolution, and compliance with the provisions contained therein and herein, and in the System Agreements, do not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which it is a party or any of its property or assets are otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its property or assets or under the terms of any such law, regulation or instrument, except as provided by the Bonds.

k. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter have been duly obtained or, with respect to the issuance of the Bonds, will be obtained prior to the issuance of the Bonds, which are required for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance of the Bonds and under this Agreement, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

l. Except as otherwise described in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at

law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Authority, threatened against the Authority (i) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the use of the Preliminary Official Statement or the Official Statement or the collection of the Revenues pledged to the payment of the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity, enforceability, due authorization, execution or delivery of the Bonds, including this Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, nor, to the best knowledge of the Authority, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Bond Documents, (iii) questioning the tax-exempt status of the Bonds under the laws of the District, (iv) affecting or in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement or any supplement thereto contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

m. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate, (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and (iii) continue such qualifications in effect so long as required for the distribution of the Bonds and will advise the Representative promptly of receipt by the Authority of any written notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose; provided, however, that the Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

n. The audited balance sheets of the Authority for the years ended September 30, 2014 and September 30, 2013, and the related statements of revenues, expenditures and changes in net assets and cash flows for the fiscal year ended on such date, as set forth in the Preliminary Official Statement and the Official Statement, are true, complete and correct and fairly present the financial condition of the Authority as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the Authority since September 30, 2014, except as described in the Preliminary Official Statement and the Official Statement. The financial statements of, and other financial information of the Authority in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the Authority as of the dates and for the periods therein set forth, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the Authority's audited financial statements included in the Preliminary Official Statement and in the Official Statement.

o. The Authority has duly authorized, approved and delivered the Preliminary Official Statement and the Official Statement to the Underwriters.

p. The Preliminary Official Statement, as of its date and as of the date of this Agreement, did not and does not, and the Official Statement, at the time of the Authority's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing Date any event shall occur or any pre-existing fact or condition shall become known to the Authority that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriters thereof, and if in the reasonable opinion of the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld. If the Official Statement is supplemented or amended as aforesaid, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the underwriting period, as defined in Section 5, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which made, not misleading.

q. The obligation of the Authority to know or provide information within the knowledge of the Authority is limited to providing information that is in the actual knowledge of, or reasonably should have been in the actual knowledge of, the key staff members of the Authority listed in the Official Statement under the caption "Senior Management" or their respective successors.

r. The Authority undertakes that, for a period beginning with the day on which the Bonds are delivered to the Underwriters and ending on the 25th day following the end of the underwriting period, as defined in Section 5, it will apprise the Underwriters of all material developments, if any, occurring with respect to the Authority, and if requested by the Underwriters, at the Authority's expense, prepare a supplement to the Official Statement in respect of any such material event.

s. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certificates may not be relied upon.

t. Any certificate signed by an authorized delegate of the Authority in connection with the transactions described in this Agreement will be deemed a representation, warranty, covenant and agreement by the Authority to the Underwriters as to the statements made therein.

u. Prior to the Closing, the Authority will not take any action within or under its control that will cause any adverse change of a material nature in the Authority's financial position, or its results of operations or condition, financial or otherwise.

v. The Authority will not, prior to the Closing, offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Representative.

w. The Bonds and the Eighteenth Supplemental Indenture conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement under the caption "THE SERIES 2015A/B BONDS" and in Appendix C "GLOSSARY AND SUMMARY OF THE INDENTURE."

7. **Representations of Underwriters.** (a) The Underwriters represent and warrant that they will offer the Bonds only pursuant to the Official Statement and the Underwriters agree to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement as the Underwriters may deem necessary or desirable in connection with the offering and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices. The Underwriters agree to deliver a final Official Statement to all purchasers of the Bonds in accordance with all applicable legal requirements.

(b) The Underwriters hereby certify that at the time of the execution of this Agreement (the "Sale Date"), based upon prevailing market conditions, they do not have any reason to believe that the Bonds will be first sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than or yields lower than the prices or yields set forth in Exhibit A to this Agreement. At the Closing, the Representative shall deliver to the Authority a certificate to the effect that (a) the Bonds have been the subject of a bona fide initial offering to the public as herein provided on the Sale Date and (b) either (i) the Underwriters first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date, or (ii) the Underwriters first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date.

8. **Rights to Cancellation by Underwriters.** The Underwriters will have the right to cancel their obligation to purchase, accept delivery of and to pay for the Bonds if between the date hereof and the Closing Date, the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall be materially adversely affected in the reasonable judgment of the Representative, on behalf of the Underwriters, by the occurrence of any of the following: (a) legislation has been enacted by or introduced in Congress or a decision by a federal court of the United States or the United States Tax Court has been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency has been made

or proposed to be made with respect to federal taxation on revenues or other income to be derived from the operation of the Authority, or other actions or events have occurred which have the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith, or (b) legislation has been enacted, or actively considered for enactment with an effective date being prior to the date of the issuance of the Bonds, or a decision by a court of the United States has been rendered, or a ruling or regulation by the SEC or another governmental agency having jurisdiction of the subject matter has been made, the effect of which is that the Bonds are not exempt from the registration or other requirements of the Securities Act of 1933, as amended and as then in effect (the "1933 Securities Act"), or that the Indenture is not exempt from the qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"), or (c) a stop order, ruling or regulation by the SEC has been issued or made, the effect of which is that the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of any provision of the 1933 Securities Act, or of the 1934 Exchange Act, or of the Trust Indenture Act, or (d) there exists any event which in the reasonable judgment of the Underwriters either (i) makes untrue or incorrect any statement or information of a material fact contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading, and, in either such event the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as in the reasonable judgment of the Underwriters would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriters of the Bonds, or (e) there has occurred any new outbreak of hostilities (including, without limitation, an act of terrorism) or escalation of hostilities existing prior to the date hereof or any other extraordinary event, material national or international calamity or crisis, including a financial crisis, not existing on the date hereof, or (f) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates or the establishment of minimum or maximum prices) or any material increase of restrictions now in force (including the extension of credit by, or a charge to the net capital requirements of, Underwriters) shall have been established by the New York Stock Exchange, the SEC, any other federal agency, the Congress of the United States, or by Executive Order, or (g) there is in force a general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange or (h) a general banking moratorium has been declared by Federal, District or New York authorities, or (i) there has occurred since the date hereof any material adverse change in the affairs of the Authority from that reflected in the financial information and data of the Authority included in or as an appendix to the Official Statement, other than as previously disclosed to the Underwriters, or (j) a material disruption in securities settlement, payment or clearance services shall have occurred, or (k) there shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that on the date hereof has published a rating (or has been asked to furnish a rating on the Bonds) on any of the Authority's debt obligations, which action reflects a change or possible change in the ratings accorded any such obligations of the Authority (including any rating to be accorded to the Bonds) or (l) there shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this Agreement has published a rating (or has

been asked to furnish a rating on the Bonds) on any of the Authority's debt obligations, which action reflects a change or possible change, in the ratings accorded any such obligations of the Authority (including any rating to be accorded the Bonds).

9. **Rights to Cancellation by the Authority.** The Authority will have the right to cancel its obligation to issue, sell and deliver the Bonds if between the date hereof and the Closing Date, the market price or marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Authority, by the occurrence of any of the following: (a) legislation has been enacted by or introduced in Congress or a decision by a federal court of the United States or the United States Tax Court has been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency has been made or proposed to be made with respect to federal taxation on revenues or other income to be derived from the operation of the Authority, or other actions or events have occurred which have the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith, or (b) legislation has been enacted, or actively considered for enactment with an effective date being prior to the date of the issuance of the Bonds, or a decision by a court of the United States has been rendered, or a ruling or regulation by the SEC or another governmental agency having jurisdiction of the subject matter has been made, the effect of which is that the Bonds are not exempt from the registration or other requirements of the 1933 Securities Act, or that the Indenture is not exempt from the qualification or other requirements of the Trust Indenture Act, or (c) a stop order, ruling or regulation by the SEC has been issued or made, the effect of which is that the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of any provision of the 1933 Securities Act, or of the 1934 Exchange Act, or of the Trust Indenture Act, or (d) there has occurred any new outbreak of hostilities (including, without limitation, an act of terrorism) or escalation of hostilities existing prior to the date hereof or any other extraordinary event, material national or international calamity or crisis, including a financial crisis, not existing on the date hereof, or (e) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates or the establishment of minimum or maximum prices) or any material increase of restrictions now in force (including the extension of credit by, or a charge to the net capital requirements of, Underwriters) shall have been established by the New York Stock Exchange, the SEC, any other federal agency, the Congress of the United States, or by Executive Order, or (f) there is in force a general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange or (g) a general banking moratorium has been declared by Federal, District or New York authorities, or (h) a material disruption in securities settlement, payment or clearance services shall have occurred.

10. **Conditions to Obligations of Underwriters at Closing.** The Underwriters have entered into this Agreement in reliance on the representations, warranties, covenants and agreements of the Authority contained herein, and in reliance on the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and on the performance by the Authority of its obligations hereunder, as of the Closing Date. Accordingly, the Underwriters' obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds, are conditioned on the performance by the Authority of its obligations to be performed hereunder and the delivery of such documents and instruments

enumerated herein in form and substance reasonably satisfactory to the Underwriters and Orrick, Herrington & Sutcliffe LLP, and McKenzie & Associates, co-counsel to the Underwriters, at or before the Closing, and are also subject to the following additional conditions:

a. The representations, warranties, covenants and agreements of the Authority contained herein are true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

b. The provisions of the Act and the Federal Act, as in effect on the date of this Agreement, shall be in full force and effect and shall not have been amended, except as to amendments which, in the reasonable opinion of the Underwriters, are not adverse to the interest of the Underwriters or the Bondholders;

c. At the time of the Closing, the Resolution is in full force and effect in accordance with its terms and has not been amended, modified or supplemented, and the Official Statement has not been supplemented or amended, except in any such case as may have been agreed to by the Underwriters;

d. At the time of the Closing, all official action of the Authority relating to the Bonds, the Bond Documents and the System Documents are in full force and effect in accordance with their respective terms and have not been amended, modified or supplemented, except in each case as may have been agreed to by the Underwriters;

e. At the time of the Closing the Authority will perform or will have performed all of its obligations required under or specified in this Agreement, the Resolution and the Indenture, or contemplated by the Resolution, the Indenture or the Official Statement, to be performed prior to the Closing; and

f. At or before the Closing, the Underwriters will have received true and correct copies of each of the following documents:

i. A certified copy of the Resolution;

ii. The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority;

iii. Counterparts of each of the fully executed Bond Documents and the System Agreements;

iv. The approving opinion of Co-Bond Counsel in substantially the form attached to Preliminary Official Statement and the Official Statement as Appendix F and a supplemental opinion, dated the Closing Date, in form and substance satisfactory to the Underwriters, and reliance letters with respect to such opinions addressed to Wells Fargo Bank, N.A., as Trustee;

v. An opinion, dated the Closing Date, of the General Counsel to the Authority, substantially in the form of Exhibit B hereto;

vi. An opinion, dated the Closing Date, of Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates, co-counsel to the Underwriters, substantially in the form of Exhibit C hereto;

vii. An opinion, dated the Closing Date, of Squire Patton Boggs (US) LLP, and Leftwich LLC, in their capacity as disclosure counsel to the Authority, in form and substance satisfactory to the Underwriters and their co-counsel;

viii. An opinion, dated the Closing Date, of counsel to the Trustee, in a form approved by the Underwriters and their co-counsel;

ix. A manually signed Financial Feasibility Opinion Letter dated October __, 2015, of Amawalk Consulting Group LLC (the "Financial Feasibility Consultant"), regarding the financial feasibility of the issuance of the Bonds in substantially the form attached to the Preliminary Official Statement and the final Official Statement as Appendix A and a certificate of the Financial Feasibility Consultant with respect to the issuance and sale of the Bonds, permitting the use of such letter and references to said firm in the Preliminary Official Statement and the Official Statement in form and substance satisfactory to the Underwriters;

x. One or more certificates of the Authority, dated the Closing Date, (A) to the effect that the representations, warranties, covenants and agreements of the Authority herein are true and correct on and as of the Closing Date as if made on the Closing Date, and that the Authority has performed all obligations to be performed hereunder as of the Closing Date; (B) to the effect that the Bond Documents, the Bonds and the System Agreements have not been modified, amended or repealed after the date hereof without the written consent of the Underwriters; (C) to the effect that no material change has occurred with respect to the System from the period from the date of this Agreement through the Closing Date;

xi. Evidence of the completion of Internal Revenue Service Form 8038-G with respect to the issuance of the Bonds;

xii. Evidence that Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have issued ratings on the Bonds of "__", "__" and "__" respectively; and

xiii. Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Authority's representations, warranties, covenants and agreements contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriters.

11. **Obligations Upon Cancellation.** If the Authority is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept the delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds is terminated for any reason permitted by this Agreement, this Agreement will terminate and neither the Underwriters nor the Authority will be under any further obligation hereunder, except that the Authority and the Underwriters shall pay their respective expenses as set forth in Section 14.

12. **Certain Information Provided by Underwriters.** The Underwriters confirm and the Authority acknowledges that the statements with respect to the public offering of the Bonds by the Underwriters set forth on the cover page of the Official Statement, the legend concerning over-allotments in the Official Statement and the text under the caption “UNDERWRITING” in the Official Statement constitute the only information concerning the Underwriters furnished in writing to the Authority by or on behalf of the Underwriters for inclusion in the Official Statement.

13. **No Advisory or Fiduciary Role.** The Authority acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm’s-length, commercial transactions between the Authority and the Underwriters in which the Underwriters are acting solely as principals, and are not acting as an agent, a municipal advisor, financial advisor or fiduciary to the Authority; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transactions contemplated hereby and the discussions, conferences, negotiations, undertakings and procedures leading thereto (irrespective of whether the Underwriters or their affiliates have provided other services or are currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriters have to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Agreement; (iv) the Authority has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate; and (v) this Agreement expresses the entire relationship between the parties hereto.

14. **Expenses.** The Authority will pay all costs of issuance of the Bonds including, but not limited to (a) the cost of preparation and posting of the Preliminary Official Statement and the cost of preparation, posting, printing and delivery of the Official Statement, including the number of copies the Underwriters and the Authority deem reasonable; (b) any cost of preparation of the Bonds; (c) the fees and disbursements of Co-Bond Counsel; (d) the fees and disbursements of any accountants, consultants, financial advisors or additional legal counsel retained in connection with the issuance of the Bonds, including the Independent Engineer and the Financial Feasibility Consultant; (e) fees for Bond ratings and CUSIP numbers; (f) the expenses of travel, lodging and meals for Authority representatives in connection with the negotiation, marketing, issuance and delivery of the Bonds; (g) all advertising expenses in connection with the public offering of the Bonds, including investor meetings; (h) the costs of filing fees required by any of the Blue Sky laws; and (i) all reasonable and necessary out-of-pocket associated with the issuance of the Bonds. The Authority shall reimburse the Underwriters for the fees and expenses of Underwriters’ counsel, any expense advanced or incurred by the Underwriters for which the Authority is responsible hereunder including (f) above and other reasonable expenses incurred in connection with the performance of Underwriters’ obligations hereunder (reimbursement may be included in the expense component

of the Underwriters' discount, which the Underwriters acknowledge includes their expenses as set forth in Section 1).

15. **Notices.** Any notice or other communication to be given to the Authority under this Agreement may be given by delivering the same in writing to the address shown on the first page of this Agreement to the attention of the Chief Financial Officer, and any notice or other communication to be given to the Representative under this Agreement may be given by delivering the same in writing to Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, 9th floor, New York, NY 10036, Attention: Tony Griffith, Managing Director.

16. **Parties in Interest; Survival of Representations and Warranties.** This Agreement, when accepted in accordance with the provisions hereof, shall constitute the entire agreement between the Authority and the Underwriters and is made solely for the benefit of the Authority and the Underwriters (including the successors or assigns of the Authority or the Underwriters) and no other person will acquire or have any right hereunder or by virtue hereof. All of the Authority's and Underwriters' representations, warranties, covenants and agreements contained in this Agreement will remain operative and full force and effect regardless of (a) any investigations made by or on behalf of the Underwriters; or (b) delivery of and payment for the Bonds pursuant to this Agreement.

17. **Effective Date.** This Agreement will become effective upon its acceptance by the Authority, as evidenced by the execution hereof by the appropriate official of the Authority, and will be valid and enforceable at the time of such acceptance.

18. **Execution in Counterparts.** This Agreement may be executed in counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

19. **Finder.** The Authority represents and warrants that no finder or other agent of a finder has been employed or consulted by it in connection with this transaction.

20. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia.

MERRILL LYNCH, PIERCE, FENNER & SMITH INC.
BARCLAYS CAPITAL INC.
GOLDMAN, SACHS & CO.
LOOP CAPITAL MARKETS, LLC
SAMUEL A. RAMIREZ & CO., INC.
CITIBANK
JP MORGAN SECURITIES LLC
MORGAN STANLEY & CO. LLC
U.S. BANCORP

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INC., as Representative of the Underwriters

By: _____
Tony Griffith
Managing Director

[SIGNATURE PAGE TO SERIES 2015A/B BOND PURCHASE AGREEMENT]

Accepted: October __, 2015

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By _____

Name: Mark Kim

Title: Chief Financial Officer

[SIGNATURE PAGE TO SERIES 2015A/B BOND PURCHASE AGREEMENT]

EXHIBIT A

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds
Series 2015A
(Green Bonds)
Serial Bonds

Year (Oct. 1)	Principal Amount	Interest Rate	Yield
	\$	%	%

Term Bonds

\$[_____] [____]% Term Bonds, due October 1, 20 __, Yield [____]% *

\$ _____ *

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds
Series 2015B
Serial Bonds

Year (Oct. 1)	Principal Amount	Interest Rate	Yield
	\$	%	%

Term Bonds

\$[_____] [____]% Term Bonds, due October 1, 20 __, Yield [____]% *

* Preliminary; subject to change.

TERMS OF REDEMPTION

Optional Redemption

The Bonds are subject to optional redemption prior to maturity on or after October 1, 20__ from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

MANDATORY SINKING FUND REDEMPTION

The \$00,000,000 Series 2015A Term Bonds maturing on October 1, 20__ shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
20	\$
20	\$
20__*	\$

The \$00,000,000 Series 2015B Term Bonds maturing on October 1, 20__ shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
20	\$
20	\$
20	\$
20__*	\$

*Final maturity.

EXHIBIT B

FORM OF AUTHORITY'S GENERAL COUNSEL OPINION

October __, 2015

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, DC 20032

\$ _____ □
**DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
Series 2015A
(Green Bonds)**

\$ _____ *
**DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
Series 2015B**

Ladies and Gentlemen:

I am General Counsel to the District of Columbia Water and Sewer Authority (the "Authority") and in connection with the issuance by the Authority of its Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds), in the original principal amount of \$ _____* (the "Series 2015A Bonds") and its Public Utility Subordinate Lien Revenue Bonds, Series 2015B Bonds, in the original principal amount of \$ _____* (the "Series 2015B Bonds" and the Series 2015A Bonds, each a "Series" and, together, the "Series 2015A/B Bonds"). I have reviewed an executed copy of the Bond Purchase Agreement, dated October __, 2015, between the Authority and Merrill Lynch, Pierce, Fenner & Smith Inc., as Representative on behalf of the Underwriters, with respect to the Series 2015A/B Bonds (the "Bond Purchase Agreement") and the Preliminary Official Statement, dated October __, 2015 (the "Preliminary Official Statement") and the Official Statement, dated October __, 2015, being distributed in connection with the issuance of the Series 2015A/B Bonds (collectively, the "Official Statement"). Capitalized terms used and not defined herein shall have the respective meanings given to such terms in the Bond Purchase Agreement.

I have also examined an act of the Council of the District of Columbia entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," codified, as amended, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), certified copies of proceedings of the Authority authorizing the issuance of the Series 2015A/B Bonds, including the Resolution

* Preliminary; subject to change.

and such other proceedings as I have considered necessary or advisable to render the following opinions.

In rendering the following opinions, I have relied on representations of the Authority as to matters of fact without independent investigation or verification and, as to matters of law, the representations of Co-Bond Counsel without independent research or verification and have assumed the genuineness of all signatures, the authenticity of all documents tendered to me as originals and the conformity to original documents of all documents submitted to me as certified or photostatic copies.

Based upon review of the materials described above and subject to the recitals and qualifications herein contained, to the best of my knowledge, information and belief, it is my opinion that:

1. The Authority is a body corporate duly created, organized and validly existing as an independent authority of the District under the Act and under the Federal Act (the Act and the Federal Act being sometimes hereinafter referred to as, the “Acts”). The Authority has the full legal right, power and authority to (i) adopt the Resolution, (ii) issue the Series 2015A/B Bonds, (iii) execute, deliver and perform its obligations under the Bond Documents, and (iv) perform its obligations under the System Agreements.

2. The Federal Act was duly enacted by Congress and the Act was duly enacted by the Council of the District of Columbia. The Acts remain in full force and effect. The Act transferred all assets and liabilities of the Water and Sewer Utility Administration (“WASUA”) as indicated on the balance sheet prepared by WASUA, effective April 17, 1996, on an interim basis for the exclusive use and possession of the Authority for so long as any revenue bonds of the Authority, including the Bonds, remain outstanding.

3. The Resolution was adopted by the Authority and has not been amended since the date of the adoption thereof and remains in full force and effect as the date hereof.

4. (i) The adoption of the Resolution, the issuance of the Series 2015A/B Bonds, the execution and delivery of the Bond Documents and the performance of the Authority’s obligations thereunder, and (ii) the performance of the Authority’s obligations under the System Agreements, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority, a breach of or default under any agreement or other instrument to which the Authority is a party, or any existing law, administrative regulation, court order, settlement order or consent decree to which the Authority is subject.

5. Except as otherwise described in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best of my knowledge, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2015A/B Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Series

2015A/B Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Series 2015A/B Bonds or the validity, enforceability, due authorization, execution or delivery of the Series 2015A/B Bonds, including the Bond Purchase Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii) questioning the tax-exempt status of the Series 2015A/B Bonds under the laws of the District, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. The statements and information contained in the Preliminary Official Statement and the Official Statement under the caption entitled "LITIGATION," are true, correct and complete in all material respects, and the information under such caption does not contain any untrue statement of a material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

7. Pursuant to the Acts, the Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues therefrom in accordance with the Indenture.

8. The Authority has approved the form of the Preliminary Official Statement and the Official Statement, the execution of the Official Statement and the delivery of the Official Statement to the purchasers of the Series 2015A/B Bonds.

9. The Authority has obtained the consents, approvals, authorizations or other orders required for the consummation of the transactions contemplated by the Bond Purchase Agreement, including the issuance of the Series 2015A/B Bonds.

This opinion and all documents which relate to this opinion are to be construed in accordance with the laws of the District and the United States of America. This opinion is rendered solely for the use of the Authority and may not be relied on by any other person.

Very truly yours,

General Counsel

EXHIBIT C

FORM OF OPINION OF UNDERWRITERS' COUNSEL

October __, 2015

\$ _____[□]
**DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
Series 2015A
(Green Bonds)**

\$ _____^{*}
**DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY**
**Public Utility Subordinate Lien Revenue Bonds,
Series 2015B**

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative
One Bryant Park
New York, NY 10036

Ladies and Gentlemen:

We have acted as counsel for you as the representative (the "Representative") acting on behalf of yourself and other underwriters (the "Underwriters") in connection with your purchase from the District of Columbia Water and Sewer Authority (the "Authority") of its Public Utility Subordinate Lien Revenue Bonds, Series 2015A (Green Bonds), in the original principal amount of \$ _____^{*} (the "Series 2015A Bonds") and its Public Utility Subordinate Lien Revenue Bonds, Series 2015B Bonds, in the original principal amount of \$ _____^{*} (the "Series 2015B Bonds" and the Series 2015A Bonds, each a "Series" and, together, the "Series 2015A/B Bonds"), pursuant to the Bond Purchase Agreement, dated October __, 2015 (the "Purchase Agreement"), between you and the Authority. The Bonds are to be issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), as amended and supplemented to the date of delivery of the Bonds (the "Indenture"), including by the Eighteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Bonds (the "Eighteenth Supplemental Indenture"), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The proceeds of the Series 2015A/B Bonds will be used to pay (i) the costs of the Series 2015A Project, (ii) the costs of the Series 2015B Project and (iii) costs of issuing the Series 2015A/B Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In that connection, we have reviewed the Indenture, the Preliminary Official Statement of the Authority dated October __, 2015 (the "Preliminary Official Statement") and the Official Statement of the Authority, dated October __, 2015, with respect to the Series 2015A/B Bonds (the "Official Statement"), the Continuing Disclosure Agreement, dated October __, 2015 (the "Continuing Disclosure Agreement"), the Purchase Agreement, certificates of the Authority, the

^{*} Preliminary; subject to change.

Trustee and others, the opinions referred to in paragraph 10(f)(vi) of the Purchase Agreement, and such records and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed. We do not assume any responsibility for any electronic version of the Official Statement and assume that any such version is identical in all material respects to the printed version.

In arriving at the opinions and conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above, including the accuracy of all factual matters represented and legal conclusions contained therein, including (without limitation) any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds, and any laws, documents and instruments that may be related to the issuance, payment or security of the Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Series 2015A/B Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as your counsel, to assist you with your responsibility with respect to the Preliminary Official Statement and the Official Statement, we participated in conferences with your representatives and representatives of the Authority, Squire Patton Boggs (US) LLP, and Leftwich LLC, as co-bond counsel and as co-disclosure counsel, financial advisors, feasibility consultants and others, during which the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon, on oral and written statements and representations of the Authority and others and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), we advise you as a matter of fact and not opinion that, during the course of our representation of you on this matter, no facts came to the attention of the attorneys in our firm rendering legal services to you in connection with the Preliminary Official Statement and the Official Statement which caused us to believe that the Preliminary Official Statement and the Official Statement as of their dates and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation to which the Authority is a party, any management discussion and analysis, Appendices to the Preliminary Official Statement and the Official Statement, or any information about book-entry, DTC, ratings, rating agencies, and tax exemption of the Bonds, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or

omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement and the Official Statement.

3. In our opinion, the Continuing Disclosure Agreement with respect to the Series 2015A/B Bonds for the benefit of the holders thereof, satisfies in all material respects the requirements for such an agreement in paragraph (b) (5) of the Rule 15c2-12; provided that, for purposes of this opinion, we are not expressing any view regarding the content of the Official Statement that is not expressly stated in numbered paragraph 2 of this letter.

We are furnishing this letter to you pursuant to paragraph 10(f)(vi) of the Purchase Agreement solely for your benefit as the Representative. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

Presented and Adopted: October 1, 2015

Subject: Approving the Final Form of Certain Documents,
Authorizing the Sale and Setting Terms and Details
of the Extendable Municipal Commercial Paper Notes, Series A

#15-_____
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 (“Authority”), at its meeting on October 1, 2015, by a vote of _____ (___) in favor and _____ (___) opposed, decided to approve the following:

WHEREAS, the Authority intends to issue its Extendable Municipal Commercial Paper Notes, Series A (the “Series A EMCP Notes”), in an aggregate principal amount not to exceed One Hundred Million Dollars (\$100,000,000) outstanding at any one time;

WHEREAS, the Authority will use the proceeds from the sale of the Series A EMCP Notes (1) to redeem Indebtedness of the Authority, including but not limited to, the Public Utility Subordinate Lien Multimodal Revenue Bonds, Subseries 2012B-2, on December 1, 2015, (2) to finance certain costs incurred in connection with the construction of certain capital improvements to its wastewater collection treatment and disposal system and its water distribution system (collectively, the “System”), and (3) to finance certain costs of issuance of the Series A EMCP Notes (collectively, the “Project”);

WHEREAS, there have been presented at this meeting drafts of the substantially final forms of the following documents that the Authority proposes to execute to carry out the transactions described above, copies of which documents shall be filed with the records of the Authority:

(a) a Nineteenth Supplemental Indenture of Trust, dated the same date as and relating to the Series A EMCP Notes (the “Nineteenth Supplemental Indenture”), between the Authority and the Trustee;

(b) an Issuing and Paying Agency Agreement (the “Issuing and Paying Agency Agreement”), dated as of November 1, 2015, between the Authority and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”);

(c) the form of the Authority’s Extendable Municipal Commercial Paper Notes, Series A, attached as an exhibit to the Issuing and Paying Agency Agreement;

(d) the form of Dealer Agreement, dated as of November 1, 2015 (the “Dealer Agreement”), between the Authority and Goldman, Sachs & Co. (the “Dealer”), relating to the public offering and sale of the Series A EMCP Notes; and

(e) the form of Offering Memorandum (the “Offering Memorandum”), relating to the initial offering and distribution of the Series A EMCP Notes.

NOW, THEREFORE, BE IT RESOLVED,

1. That the Dealer is authorized to distribute the Offering Memorandum to prospective purchasers of the Series A EMCP Notes.

2. That the aggregate principal amount of the Series A EMCP Notes shall not exceed One Hundred Million Dollars (\$100,000,000) outstanding at any one time.

3. That the Notes shall be issued, from time to time, in book-entry form in minimum denominations of \$100,000 and increments of \$1,000 in excess thereof pursuant to the Issuing and Paying Agency Agreement and distributed by the Dealer pursuant to the Dealer Agreement, all upon the terms and conditions specified herein.

4. That the Notes shall be issued from time to time as the proceeds thereof are needed to pay the costs of the Project, and are to be repaid pursuant to a subordinate lien on Net Revenues as defined in the Master Indenture of Trust dated as of April 1, 1998, between the Authority and the Trustee (the “Master Indenture”), and from the Pledged Funds as described in the Issuing and Paying Agency Agreement.

5. That the Chairman and Vice Chairman of the Board and the General Manager, Chief Financial Officer, Controller, Budget Director, and Finance Director of the Authority shall be “Authorized Officials”, provided that any official other than the Chairman shall be designated by the Chairman as his designee for the purpose of executing and delivering any document authorized hereunder.

6. That the Authorized Officials are, and each of them is, authorized and directed to execute and deliver the Nineteenth Supplemental Indenture, the Issuing and Paying Agency Agreement, the Dealer Agreement, and the initial Offering Memorandum, and the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority on such documents as required and to attest to the same.

7. That the Authorized Officials are, and each of them is, authorized and directed to execute, by manual or facsimile signature, the Series A EMCP Notes, the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority or a facsimile thereof on the Series A EMCP Notes, and to attest the same, by manual or facsimile signature, and any of such persons is authorized and directed to deliver the Series A EMCP Notes to the Issuing and Paying Agent for authentication upon the terms provided in the Issuing and Paying Agency Agreement.

8. That the Authorized Officials are, and each of them is, hereby appointed as an “Authorized Representative of the Authority” under the Issuing and Paying Agency Agreement and shall determine the date of issuance, principal amount, interest rate and maturity of any Series A Note issued hereunder and under the Issuing and Paying Agency Agreement, all within the parameters and limitations set forth herein and in the Issuing and Paying Agency Agreement, and to take all other actions in the name of and on behalf of the Authority to accomplish the

issuance and sale of the Series A EMCP Notes from time to time. An Authorized Representative of the Authority shall approve the issuance and award the sale of the Series A EMCP Notes to the Dealer or to the purchaser or purchasers obtained by the Dealer pursuant to the Dealer Agreement, provided that the Series A EMCP Notes shall be sold at a purchase price equal to 100% of the principal amount thereof, the final maturity date of each Series A Note shall be a date (which shall be a Business Day, as defined in the Issuing and Paying Agency Agreement) not later than 270 days from the date of issuance thereof, and the interest rate on any Note shall not exceed twelve percent (12%), the Maximum Rate under the Issuing and Paying Agency Agreement.

9. That each of the Series A EMCP Notes constitutes Subordinate Debt under the Master Indenture payable from Net Revenues on a parity with other Subordinate Debt outstanding thereunder from time to time.

10. That the Authorized Officials are, and each of them is, hereby individually authorized to approve any changes, modifications or updates of the Offering Memorandum from time to time.

11. That the Nineteenth Supplemental Indenture, the Issuing and Paying Agency Agreement, the Dealer Agreement, and the Series A EMCP Notes shall be in substantially the forms submitted to the Board at this meeting, which hereby are approved, with such completions, omissions, insertions and changes necessary to reflect the note principal amount and other terms of the Series A EMCP Notes, the redesignation of the Nineteenth Supplemental Indenture as a result of any refunding bonds the Authority may issue and as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes.

12. That the Authorized Officials are, and each of them is, hereby individually authorized with respect to the Series A EMCP Notes to execute, if necessary, a tax certificate on behalf of the Authority in implementation of the covenants and agreements set forth in the Issuing and Paying Agency Agreement, or to make any election permitted by the Internal Revenue Code of 1986, as amended, and determined by such Authorized Official to be to the advantage of the Authority; and the representations, agreements, and elections set forth therein shall be deemed the representations, agreements and elections of the Authority, as if the same were set forth in the Issuing and Paying Agency Agreement.

13. That the Authorized Officials are, and each of them is, individually authorized to execute, deliver and file, from time to time, all other certificates and instruments, and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the issuance, sale and distribution of the Series A EMCP Notes.

14. That this resolution is effective immediately.

Secretary to the Board of Directors

DRAFT 8/31/15

NEW ISSUE – BOOK-ENTRY ONLYRATINGS: Standard & Poor's: Moody's: Fitch:

See "RATINGS" herein

In the opinion of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series A EMCP Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Series A EMCP Notes and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series A EMCP Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

OFFERING MEMORANDUM**NOT TO EXCEED****\$100,000,000****DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY****Extendable Municipal Commercial Paper Notes, Series A**

This cover page, including the inside cover page, contains certain information for quick reference only. It is not a summary of this Offering Memorandum. Prospective purchasers must read the entire Offering Memorandum to obtain the information essential to the making of an informed investment decision.

The short-term ratings in this Offering Memorandum are only accurate as of the date of this Offering Memorandum, and do not reflect watch status, if any. The ratings may subsequently be changed or withdrawn, and, therefore, any prospective purchaser should confirm the ratings prior to purchasing any Series A EMCP Notes (as defined below).

The Extendable Municipal Commercial Paper Notes, Series A (the "Series A EMCP Notes") are being issued by the District of Columbia Water and Sewer Authority (the "Authority," also commonly referred to as "DC Water") pursuant to a Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented from time to time, including as amended and supplemented by the Nineteenth Supplemental Indenture of Trust, by and between the Authority and the Trustee, dated as of November 1, 2015 (the "Nineteenth Supplemental Indenture" and, together with the Master Indenture, as previously amended and supplemented, the "Indenture"). The proceeds of the Series A EMCP Notes will be used to (i) redeem indebtedness of the Authority, (ii) pay Costs of the System, and (iii) pay costs of issuing the Series A EMCP Notes.

The Series A EMCP Notes are subject to redemption after their Original Maturity Date and prior to their Extended Maturity Date, as described in this Offering Memorandum.

The Series A EMCP Notes are special, limited obligations of the Authority payable solely from the Net Revenues of the Authority. The Series A EMCP Notes shall be without recourse to the District of Columbia (the "District"). The Series A EMCP Notes are not general obligations of the District or of the Authority. The Series A EMCP Notes shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction (as defined herein) or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series A EMCP Notes also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act (as defined herein). The Authority has no taxing power.

The Series A EMCP Notes will be secured by a pledge of Net Revenues that is subordinate to the pledge of Net Revenues that secures the Outstanding Senior Debt and any other Senior Debt the Authority may issue from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and any other Subordinate Debt the Authority may issue from time to time in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt, all as further described and defined herein. The Series A EMCP Notes will not be secured by a Debt Service Reserve Fund. See "SECURITY FOR THE SERIES A EMCP NOTES."

Goldman, Sachs & Co. will be the exclusive dealer (the "Dealer") in connection with the Series A EMCP Notes.

GOLDMAN, SACHS & CO.

November __, 2015

IMPORTANT NOTICES

This Offering Memorandum is intended for use only in an offering to qualifying investors and is not to be used for any other purpose. It does not purport to provide a complete description of all risks and factors that may be considered by an investor. Qualifying investors include institutional investors and individual investors who customarily purchase commercial paper in denominations of at least \$100,000.

This Offering Memorandum is provided in connection with the sale of the Extendable Municipal Commercial Paper Notes (the "EMCP Notes") referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Offering Memorandum has been obtained from the District of Columbia Water and Sewer Authority (the "Authority"), and other sources that are believed to be reliable. Goldman, Sachs & Co. (the "Dealer") has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to investors under federal securities law as applied to the facts and circumstances of this transaction, but the Dealer does not guarantee the accuracy or completeness of such information. Neither the information, nor any opinion expressed, constitutes a solicitation by the Dealer for the purchase or sale of any instruments.

No dealer, broker, salesman or other person has been authorized by the Authority or the Dealer to give any information or to make any representations other than those contained in this Offering Memorandum, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the EMCP Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

The EMCP Notes will be exempt from registration under the Securities Act of 1933, as amended.

The short-term ratings in this Offering Memorandum are only accurate as of the date hereof, and do not reflect watch status, if any. The ratings may subsequently be changed or withdrawn, and, therefore, any prospective purchaser should confirm the ratings prior to purchasing the EMCP Notes.

This Offering Memorandum contains certain information for quick reference only; it is not a summary of the terms of the EMCP Notes. Information essential to the making of an informed decision with respect to the EMCP Notes may be obtained in the manner described herein. All references to the documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced which may be obtained in the manner described herein. The information in this Offering Memorandum is subject to change without notice after November [], 2015, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since November [], 2015.

The information contained herein will not typically be distributed or updated upon each new sale of EMCP Notes, although the information will be distributed from time to time. Further, the information herein is not intended as substitution for an investor's own inquiry into the creditworthiness of the Authority, and investors are encouraged to make such inquiry.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING MEMORANDUM

Some statements contained in this Offering Memorandum reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Offering Memorandum.

The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
(202) 787-2000
www.dewater.com

Principal Board Members

Matthew T. Brown*, Chairman
 Ellen O. Boardman
 Rachna Butani
 Elisabeth Feldt
 Timothy L. Firestine
 Bradley Frome
 Edward L. Long, Jr.†
 Nicholas A. Majett
 Robert Mallett
 Obiora “Bo” Menkiti
 Alan J. Roth‡

Jurisdiction

District of Columbia
District of Columbia
District of Columbia
Montgomery County
Montgomery County
Prince George’s County
Fairfax County
Prince George’s County
District of Columbia
District of Columbia
District of Columbia

Alternate Board Members

Shirley Branch
 Bonnie Kirkland
 David W. Lake
 Adam Ortiz
 James Patteson†
 Brenda L. Richardson
Vacant
Vacant
Vacant
Vacant
Vacant

Jurisdiction

Prince George’s County
Montgomery County
Montgomery County
Prince George’s County
Fairfax County
District of Columbia
District of Columbia
District of Columbia
District of Columbia
District of Columbia

Authority Staff

George S. Hawkins
 Mark T. Kim
 Leonard R. Benson
 Randy Hayman
 Biju George
 Mustaafo Dozier
 Aklile Tesfaye
 Charles Kiely
 Carlton Ray

Title

General Manager
Chief Financial Officer
Chief Engineer
General Counsel
Chief Operating Officer
Chief of Staff
Assistant General Manager of Wastewater Treatment
Assistant General Manager of Customer Care & Operations
Director of DC Clean Rivers Project

Authority Consultants and Counsel

Squire Patton Boggs (US) LLP and Leftwich LLC
 Amawalk Consulting Group LLC
 Johnson, Mirmiran, and Thompson, Inc.
 Public Financial Management, Inc. and G~Entry Principle, P.C.

Co-Bond Counsel and
Co-Disclosure Counsel
Financial Feasibility Consultant
Engineering Feasibility Consultant
Co-Financial Advisors

* Term ends in September 2015, and continues until renominated and appointed or a successor is nominated and appointed.
 † Term ends September 12, 2015; will not be reappointed, but will continue in position until successor’s term begins.
 ‡ Will replace Edward L. Long, Jr., as a principal member of the Board, upon official order of the Mayor of the District of Columbia.

TABLE OF CONTENTS

	Page
IMPORTANT NOTICES	ii
CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING MEMORANDUM	ii
INTRODUCTION	1
General	1
District of Columbia Water and Sewer Authority	1
Use of the Series A EMCP Note Proceeds	2
Security and Source of Payment	2
Rate Covenant and Financial Forecast	3
Capital Improvement Program	3
Miscellaneous	3
THE SERIES A EMCP NOTES	4
General	4
Book-Entry Only System	4
Redemption Provisions	4
SOURCES AND USES OF FUNDS	6
SECURITY FOR THE SERIES A EMCP NOTES	7
Pledge of the Master Indenture	7
Amendment of the Master Indenture	8
Effect of Sequestration on Direct Payments	8
Limited Remedies of Holders of Subordinate Debt	8
Flow of Funds	9
Certain Reserve Funds	12
Rate Covenant	13
Additional Senior Debt	14
Additional Subordinate Debt	15
DEBT SERVICE REQUIREMENTS	16
Outstanding Senior and Subordinate Debt	16
List of Outstanding Indebtedness	18
Outstanding Senior Debt	18
Outstanding Subordinate Debt	19
Interest Rate Exchange Agreements and Guaranteed Investment Contracts	19
THE AUTHORITY	19
General	19
Purposes and Powers	21
Board of Directors	22
Organizational Structure	24
Senior Management	24
Relationship to District	25
Employees and Labor Relations	27
Retirement/Pension Plan	27
Risk Management and Insurance	28
THE SYSTEM	29
The Wastewater System	29
Wastewater Regulation and Permits	31
The Water System	32
Water System Regulation and Permits	35
Protection of the Water System and Wastewater System	37
CAPITAL IMPROVEMENT PROGRAM	37
General	37
Categories of CIP Projects	40
CIP Financing Sources	41

Cost Estimates	42
CUSTOMER BASE, RATES AND CHARGES.....	43
Customer Categories and Accounts.....	43
Customer Base.....	43
Customer Demand.....	44
Rate-Setting Authority	46
Components of Retail Rates and Charges	47
Historical and Projected Water and Wastewater Retail Rates	49
Retail Rate Comparison.....	50
Collections.....	52
Special Accounts	53
Customer Assistance Programs	53
Customer Service Operations	54
FINANCIAL OPERATIONS.....	54
Historical Financial Operations	54
Annual Budget.....	56
Projected Financial Operations.....	57
System Revenues.....	61
System Expenditures	64
Reserve Funds	67
Financial Policies	67
ENGINEERING FEASIBILITY REPORT.....	69
FINANCIAL FEASIBILITY OPINION LETTER	69
INDEPENDENT SUSTAINABILITY CONSULTANT OPINION LETTER	70
TAX MATTERS	71
General	71
Risk of Future Legislative Changes and/or Court Decisions.....	72
Original Issue Discount and Original Issue Premium	72
COVENANT BY THE DISTRICT OF COLUMBIA.....	73
LITIGATION	73
LEGAL MATTERS	73
INDEPENDENT AUDITORS	73
THE TRUSTEE.....	74
RATINGS	74
CONTINUING DISCLOSURE.....	74
FINANCIAL ADVISORS	74
UNDERWRITING	74
LEGALITY FOR INVESTMENT	75
RELATIONSHIP OF PARTIES	75
MISCELLANEOUS.....	75
SIGNATURE	76
APPENDIX A FINANCIAL FEASIBILITY OPINION LETTER OF AMAWALK CONSULTING GROUP LLC, DATED AUGUST 20, 2015	
APPENDIX B AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEARS ENDED SEPTEMBER 30, 2014, AND 2013	
APPENDIX C GLOSSARY AND SUMMARY OF THE INDENTURE	
APPENDIX D DTC BOOK-ENTRY ONLY SYSTEM	
APPENDIX E PROPOSED FORM OF OPINION OF CO-BOND COUNSEL	

OFFERING MEMORANDUM

NOT TO EXCEED

\$100,000,000

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY Extendable Municipal Commercial Paper Notes, Series A

INTRODUCTION

General

This Offering Memorandum, including the cover page and the appendices hereto (the "Offering Memorandum"), is provided in connection with the issuance by the District of Columbia Water and Sewer Authority (the "Authority," also commonly referred to as "DC Water") of its Extendable Municipal Commercial Paper Notes, Series A (the "Series A EMCP Notes").

Capitalized terms used in this Offering Memorandum and not otherwise defined herein shall have the meanings ascribed thereto in APPENDIX C – "Glossary and Summary of the Indenture."

District of Columbia Water and Sewer Authority

The Authority is an independent authority of the District of Columbia (the "District"), which was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the "Council"), which is entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996" (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the "Act"), and an act of the U.S. Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184) (the "Federal Act"). The Council was authorized to adopt the Act pursuant to the authority set forth in the District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat 777; D.C. Official Code, 2006 Repl., §§ 1-201 *et seq.*), as amended (the "Home Rule Act"). See "THE AUTHORITY."

The Authority provides retail water and wastewater services to approximately 650,000 residents in the District and wholesale wastewater conveyance and treatment to approximately 1.6 million people in major suburban areas of Prince George's and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia (collectively, the "User Jurisdictions"). Pursuant to the Act, the District authorized the Authority to use all of the property and assets of the water distribution system (the "Water System") and the wastewater collection, treatment and disposal system (the "Wastewater System" and, together with the Water System, the "System") formerly operated by the District, for as long as any revenue bonds of the Authority, including the Series A EMCP Notes, remain outstanding. In accordance with the Act, the District retains full legal title to and a complete equitable interest in the System. See "THE SYSTEM."

The Authority's service area consists of the District and certain areas of the User Jurisdictions and, therefore, certain demographic, economic and statistical information relating to the District and the User Jurisdictions may be relevant to prospective purchasers of the Series A EMCP Notes. The Authority makes no representation as to the accuracy or completeness of information derived from other sources.

Use of the Series A EMCP Notes Proceeds

The proceeds of the Series A EMCP Notes will be used to (i) redeem indebtedness of the Authority, (ii) pay Costs of the System, and (iii) pay costs of issuing the Series A EMCP Notes.

Security and Source of Payment

Under the Indenture, the Authority may issue "Senior Debt" and "Subordinate Debt" from time to time. The Series A EMCP Notes will constitute Subordinate Debt under the Indenture. The Series A EMCP Notes will be secured by a pledge of Net Revenues that is subordinate to the pledge of Net Revenues that secures the Outstanding Senior Debt and any other Senior Debt the Authority may issue from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and any other Subordinate Debt the Authority may issue from time to time in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt. Prior to the issuance of the Series A EMCP Notes, \$1,833,041,188 aggregate principal amount of Subordinate Debt and \$676,870,000 aggregate principal amount of Senior Debt will be outstanding. See

“OUTSTANDING INDEBTEDNESS.” The Series A EMCP Notes will be payable solely from Net Revenues after the funding of certain Funds and Accounts established under the Indenture. The principal sources of Net Revenues are the payments received by the Authority pursuant to its rates and charges imposed for the use of and the services furnished by the System, as described in the Indenture. See “RATES AND CHARGES.” The Series A EMCP Notes will not be secured by a Debt Service Reserve Fund.

The Series A EMCP Notes shall be special and limited obligations of the Authority. The Series A EMCP Notes shall be without recourse to the District. The Series A EMCP Notes shall not be general obligations of the District or of the Authority. The Series A EMCP Notes shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction, nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series A EMCP Notes also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act of the District. The Authority has no taxing power.

The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt is outstanding. The right of acceleration of the Series A EMCP Notes is also subject to the requirement that acceleration of the Series A EMCP Notes may occur only in connection with the acceleration of all Subordinate Debt, and accordingly shall be subject to the rights of the holders (including bond insurers acting on behalf of the bondholders to the extent their policies so provide) of other Subordinate Debt. The Nineteenth Supplemental Indenture confers upon the holders of the Series A EMCP Notes comparable rights to direct the Trustee in the exercise of remedies (other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series A EMCP Notes from moneys in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series A EMCP Notes are discretionary with the Trustee and subject to the herein-described rights of the holders of the Bonds (the term “Bonds” as defined in the Indenture does not include Other System Indebtedness and Subordinate Debt). See “SECURITY FOR THE SERIES A EMCP NOTES.”

Rate Covenant and Financial Forecast

The Master Indenture includes a rate covenant as described below. Rates, fees and charges are established by the Authority and are not subject to regulatory approval, nor are they subject to other regulations under current law. In general, and as more fully described herein, the Rate Covenant provides that the Authority covenants to fix, charge, revise and collect rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that:

(i) Revenues collected by the Authority in such Fiscal Year will be sufficient to pay at least the actual Operating Expenses and required deposits and payments; and

(ii) Net Revenues shall be sufficient in each Fiscal Year to be at least equal to the sum of (a) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (b) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

See “SECURITY FOR THE SERIES A EMCP NOTES – Rate Covenant.” Financial information, including projections and projected debt service coverages are included in “FINANCIAL OPERATIONS – Projected Financial Operations” herein.

Capital Improvement Program

The Authority utilizes an annually adopted ten-year Capital Improvement Program (the “Capital Improvement Program” or the “CIP”) to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its water and wastewater systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority, operations staff and senior management. The Authority intends to finance the costs of the CIP from a number of sources, including proceeds of the Series A EMCP Notes, future bonds, grants, certain operating revenues and wholesale customer contributions. As more fully described herein, the Authority estimates the cost of the current ten-year CIP at \$3.8 billion on a cash disbursement basis. The Board approved the CIP on February 5, 2015. See “CAPITAL IMPROVEMENT PROGRAM.”

Miscellaneous

This Offering Memorandum contains brief descriptions of the Series A EMCP Notes, the Authority, the System, the Capital Improvement Program, the Indenture and certain provisions of the Act. Such descriptions and the

summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be comprehensive or definitive, and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Authority. All references to the Series A EMCP Notes are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Insofar as any statements are made in this Offering Memorandum involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact.

The information in this Offering Memorandum is subject to change without notice, and neither the delivery of this Offering Memorandum, nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority since the date hereof. This Offering Memorandum is not to be construed as a contract or agreement between the Authority or the Underwriters and the purchasers or owners of any of the Series A EMCP Notes.

Inquiries regarding information about the Authority and the financial matters contained in this Offering Memorandum may be directed to the Chief Financial Officer of the Authority at (202) 787-2000.

THE SERIES A EMCP NOTES

Description of the Series A EMCP Notes

The Authority is authorized to issue its Series A EMCP Notes pursuant to a Resolution of the Authority’s Board of Directors passed at its October 1, 2015, meeting (the “Series A Authorizing Resolution”). The aggregate principal amount of Series A EMCP Notes that may be executed, authenticated and delivered pursuant to the Series A Authorizing Resolution is not limited. However, the aggregate principal amount of Series A EMCP Notes that may be outstanding at any time may not exceed \$100,000,000. The Series A EMCP Notes will be deemed Bond Anticipation Notes, pursuant to the Indenture; therefore, the Authority will utilize an assumed amortization for each Series A EMCP Note issuance for purposes of the Additional Bonds Test. See “SECURITY FOR THE SERIES A EMCP NOTES – Additional Subordinate Debt.”

The Series A EMCP Notes will be dated the date of their respective authentication and issuance; each series will be issued in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof and, except as described below, will be issued in book–entry form through the book–entry system of the Depository Trust Company, New York, New York (“DTC”) as described in APPENDIX E – “DTC Book-Entry Only System.” Each Series A EMCP Note will mature on its respective “Original Maturity Date”, which may range from one to 90 days from the date of issuance, unless its maturity is extended on the Original Maturity Date to the “Extended Maturity Date”, which will be the date that is 270 days after the date of issuance of the Series A EMCP Note. See “ – Extension of Maturity Date.”

Each Series A EMCP Note will bear interest from its date of issuance to its Original Maturity Date at the rate determined at the date of issuance, payable on the Original Maturity Date unless its maturity is extended to the Extended Maturity Date. If a Series A EMCP Note’s maturity date is extended, it will bear interest from its Original Maturity Date at the Reset Rate described below and interest will be payable on the first Business Day of the month after the Original Maturity Date, the first Business Day of each month thereafter and on the Extended Maturity Date or the date of earlier redemption (each a “Reset Interest Payment Date”). Interest on a Series A EMCP Note will not be payable on its Original Maturity Date if its maturity date has been extended. Interest is computed on the basis of a 365 or 366 day year, and the actual number of days elapsed (actual/actual basis). In no event may the rate of interest, including a Reset Rate, exceed 12% per annum.

The principal of and interest on the Series A EMCP Notes in book–entry form will be paid at maturity to DTC and distributed by it to its participants as described below. The principal of and interest on all other Series A EMCP Notes will be paid upon presentation and surrender at maturity at the principal corporate trust office of U.S. Bank National Association, New York, New York (the “Issuing and Paying Agent”), by wire transfer to the Holders of the Series A EMCP Notes at the wire transfer addresses in the continental United States to which the holders have directed the Issuing and Paying Agent to wire payment.

Extension of Maturity Date

The Authority will notify the Dealer and the Issuing and Paying Agent no later than 11:00 a.m. (New York City time) on the Original Maturity Date of a Series A EMCP Note of its intent to extend the Original Maturity Date of such Series A EMCP Note to the Extended Maturity Date, and the Issuing and Paying Agent shall correspondingly notify DTC by 11:30 a.m. (New York City time) that the maturity date of that Series A EMCP Note is being extended. Such notice, however, is for convenience purposes only, and any such Series A EMCP Note, for which payment is not received on or before the Original Payment Date will be automatically extended. Furthermore, in no event will the extension of the Original Maturity Date of a Series A EMCP Note to the Extended Maturity Date constitute a default under the Series A EMCP Notes or a breach of any covenant under the Issuing and Paying Agency Agreement, by and between the Authority and the Issuing and Paying Agent, dated as of November 1, 2015 (as may be amended or supplemented from time to time, the “Issuing and Paying Agency Agreement”).

Reset Rates

As set forth in the Issuing and Paying Agency Agreement, the Reset Rate will be a rate of interest per annum determined by the following formula; provided such Reset Rate shall not exceed the Maximum Rate:

The greater of (*SIFMA* + *E*) or *F*

As used in the above formula, the *SIFMA* variable will be the SIFMA Index and the *E* and *F* variables will be fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings, as follows:

Prevailing Rating				
<u>Fitch</u>	<u>Moody's</u>	<u>S&P</u>	<u>E Variable</u>	<u>F Variable</u>
F-1+	P-1	A-1+	300 basis points	7.00%
F-1	-	A-1	400	8.00%
F-2	P-2	A-2	600	9.00%
F-3	P-3	A-3	800	10.00%
Lower than F-3 (or rating withdrawn for credit reasons)	Lower than P-3 (or rating withdrawn for credit reasons)	Lower than A-3 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the Prevailing Ratings would indicate different *E* or *F* variables, as the case may be, as a result of split ratings assigned to the Authority, the applicable *E* or *F* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to a Series A EMCP Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m. New York time on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

Redemption of Notes

The Series A EMCP Notes are not subject to redemption before their respective Original Maturity Dates.

Series A EMCP Notes may be redeemed any time after their respective Original Maturity Dates and prior to their respective Extended Maturity Dates at the election of the Authority, in whole with all other Outstanding Series A EMCP Notes of such Series on which the Maturity Date is the Extended Maturity Date, but not in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series A EMCP Notes of the Series to be redeemed plus accrued and unpaid interest to the date of redemption.

To exercise its redemption option, the Authority will provide not less than five calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will promptly notify, by certified mail, postage prepaid, return receipt requested, to DTC of the Series A EMCP Notes to be redeemed.

Use of Proceeds

The proceeds of the Series A EMCP Notes will be used to redeem indebtedness of the Authority, to finance various Costs of the System, and to pay costs of the issuing the Series A EMCP Notes.

SECURITY FOR THE SERIES A EMCP NOTES

Pledge of the Master Indenture

General

The Series A EMCP Notes are authorized and will be issued in accordance with the statutes of the District and the United States, and will constitute valid and legally binding special and limited obligations of the Authority.

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go in effect to meet the Rate Covenant (as defined herein) immediately after the issuance of such Subordinate Debt under the Indenture, payable solely from the Net Revenues of the System, subject to the prior payment of the principal of and interest due and payable on the Outstanding Senior Debt and any other Senior Debt hereafter issued or incurred by the Authority, the replenishment of the Debt Service Reserve Fund for the Senior Debt and the funding of the Operating Reserve Fund and the Renewal and Replacement Reserve Fund.

The Series A EMCP Notes will constitute Subordinate Debt under the Indenture, payable solely from the Net Revenues of the System. The Series A EMCP Notes are payable and secured on a subordinate basis with the Outstanding Senior Debt and any other Senior Debt hereafter issued or incurred by the Authority pursuant to the Indenture, and on a parity basis with the Outstanding Subordinate Debt and any other Subordinate Debt hereafter issued or incurred by the Authority pursuant to the Indenture. The Authority expects to issue additional Senior Debt and Subordinate Debt in the future. For a list of the Authority's Outstanding Senior Debt and Subordinate Debt, see "OUTSTANDING INDEBTEDNESS."

The Master Indenture defines "Senior Debt" as Bonds and Other System Indebtedness, and "Bonds" as bonds, notes or other obligations issued pursuant to the Master Indenture, but not including Other System Indebtedness and Subordinate Debt. "Other System Indebtedness" means any indebtedness issued or incurred in connection with the System that the Authority is required, or has elected, to treat as payable on a parity basis with the Bonds with respect to the pledge of Net Revenues. "Subordinate Debt" means bonds, notes or other obligations issued in connection with the System that are expected to be paid from and have pledged to their payment Net Revenues on a subordinate lien basis after the pledge of Net Revenues to Senior Debt.

The Indenture pledges to the payment of the principal of and premium, if any, and interest on all Senior Debt and Subordinate Debt (at their respective levels of priority of security) that may from time to time be outstanding: (i) all right, title and interest of the Authority in and to the Net Revenues; (ii) all moneys or securities in any of the funds or Accounts established under the Indenture (other than the Operating Fund, and all Accounts in the Construction Fund other than the Construction Account, except to the extent a specific Account or subaccount therein relates, and is pledged, solely to specific series of Bonds or Subordinate Debt); and (iii) all rights and privileges of every kind and nature appurtenant to, all proceeds of, and all right, title and claim which the Authority now or may hereafter acquire in the aforesaid property, subject only to the provisions of the Indenture and the Act relating to the use and application thereof. Furthermore, the Indenture provides for specific Accounts in the Debt Service Reserve Fund to be pledged solely to the Senior Debt to which they relate and specific Accounts in the Subordinate Debt Service Reserve Fund to be pledged solely to the Subordinate Debt to which they relate. No Account in the Debt Service Reserve Fund has been established for any Outstanding Subordinate Debt or will be established for the Series A EMCP Notes.

Direct Payment Bonds and the Effect of Sequestration on Direct Payments

The Direct Payments on the Series 2010A Bonds (as described herein) do not constitute Revenues under the Indenture and so are not part of the pledged Net Revenues, but the Twelfth Supplemental Indenture provides that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied.

On October, 26, 2010, the Twelfth Supplemental Indenture amended the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment is related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment is related to Subordinate Debt. This amendment became effective upon the execution of the Twelfth Supplemental Indenture.

On November 20, 2014, the Twelfth Supplemental Indenture amended the Master Indenture to provide that, for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made (whether previously issued or proposed to be issued by the Authority) in connection with any proposed issuance of additional Bonds or Other System Indebtedness, the amount of any Direct Payment expected to be received by the Authority or the Trustee in the then current or any future Fiscal Year shall be credited against the Annual Debt Service on such Direct Payment BABs. This amendment became effective upon the issuance of the Authority's Series 2014C Bonds, in connection with which the Authority obtained the required consent of a majority (specifically, 50.5%) of the Holders of the Outstanding Bonds.

The Series 2010A Bonds are Build America Bonds, a form of “direct payment bonds.” An amount equal to thirty-five percent (35%) of the Authority’s semiannual interest payments on the Series 2010A Bonds is to be paid to the Authority by the federal government in the form of Direct Payments. It is possible that the Direct Payments could be reduced or discontinued or that the timing of their receipt could be changed. For example, the Direct Payments expected to be received by the Authority with respect to the Series 2010A Bonds will be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (the “Budget Control Act”), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration – automatic spending cuts to federal spending in designated agencies and programs – was triggered. Sequestration resulted in cuts in federal programs to states and localities, including payments to issuers of direct payment bonds such as the Series 2010A Bonds.

On February 2, 2015, the President signed an executive order (the “Sequestration Order”) reducing the spending authority in accounts subject to sequestration in accordance with the Report of the Office of Management and Budget (“OMB”) to the Congress for Fiscal Year 2016. According to the OMB report for Fiscal Year 2016, interest subsidy payments to issuers of direct payment bonds processed on or after October 1, 2015, through and including September 30, 2016, will be reduced by 6.8%, unless intervening Congressional action changes the reduction percentage.

The Sequestration Order does not affect interest subsidy payments for future years, but under the Budget Control Act there may be additional sequester orders for future fiscal years through and including fiscal year 2024. Any such additional sequester order signed by the President may or may not establish a different reduction value – e.g., the fiscal year 2015 reduction was 7.3%.

The largest Direct Payment the Authority currently expects to collect in any future year is \$5,710,149; 6.8% of that amount is approximately \$388,290. The Authority cannot predict by what percentage, if any, cuts may be made to interest subsidy payments in the future. The projected financial operations of the Authority, as presented herein (see “FINANCIAL OPERATIONS – Projected Financial Operations”), assume that Direct Payments will be 32% of the interest payments on Series 2010A Bonds in each year starting in Fiscal Year 2017. The projected debt service shown in “DEBT SERVICE REQUIREMENTS – Outstanding Senior and Subordinate Debt” reflects the known subsidy reduction of 7.3% for Fiscal Year 2015 and 6.8% for Fiscal Year 2016, and assumes Direct Payments equal to 32% of the interest payments on Series 2010A Bonds in each year starting in Fiscal Year 2017. The Authority is obligated to make all payments of principal of and interest on the Series 2010A Bonds whether or not such Direct Payments are received.

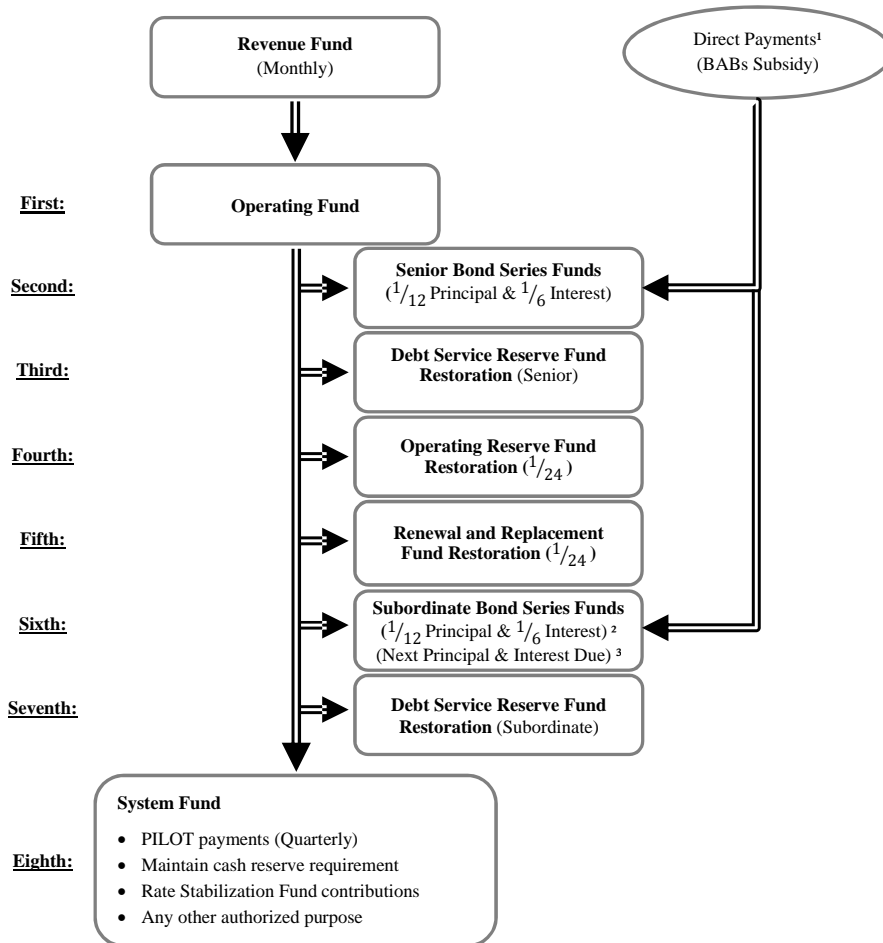
Limited Remedies of Holders of Subordinate Debt

The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt (including Bonds) is outstanding. In addition, the acceleration of the Series A EMCP Notes may occur only in connection with the acceleration of all Subordinate Debt. Therefore, the right of acceleration of the Series A EMCP Notes also is subject to the rights of the holders (including bond insurers acting on behalf of the holders to the extent their bond insurance policies provide) of other Subordinate Debt. The Indenture confers upon the holders of not less than 25% of the aggregate principal amount of Outstanding Bonds (which includes Senior Debt only, not Subordinate Debt) the right to direct the Trustee to protect and enforce their rights by mandamus or other suit, action or proceeding, and confers upon the holders of a majority of the aggregate principal amount of Outstanding Bonds the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, in accordance with the provisions of law and the Indenture. The Indenture does not confer those rights upon any specified percentage of the holders of Subordinate Debt, including the Series A EMCP Notes. The Nineteenth Supplemental Indenture confers upon the holders of the Series A EMCP Notes comparable rights to direct the Trustee in the exercise of remedies (other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series A EMCP Notes from money in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series A EMCP Notes is discretionary with the Trustee and subject to the above-described rights of the holders of Bonds.

Flow of Funds

The Authority deposits all revenues, as received, in the Revenue Fund. The chart below depicts a simplified flow of Revenues required by the Indenture after being deposited into the Revenue Fund. This chart is for illustrative purposes only, is in no way comprehensive or definitive, and must be read in conjunction with the entire Offering Memorandum.

Indenture Revenue Flow of Funds



¹ The Twelfth Supplemental Indenture amended the above-described deposit requirements in the Master Indenture by providing that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied.

²For fixed rate Subordinate Debt

³For variable rate Subordinate Debt

Finance and Budget Committee - 4. Action Items

Pursuant to the Indenture, all Revenues received by the Authority shall be deposited in the Revenue Fund to be held by the Authority; provided, however, that upon an Event of Default, the Authority will transfer all amounts in all Authority-held funds to the Trustee, and the Trustee shall hold such moneys in trust for the benefit of the holders of Indebtedness.

Each month, the Authority shall transfer from the Revenue Fund to the Operating Fund an amount sufficient to pay Operating Expenses during such month. Thereafter, Net Revenues shall be disbursed on the last Business Day of each month in the following order (as noted above, the term "Series of Bonds" refers to Senior Debt):

- i. To the subaccounts in the Interest Account established for each Series of Bonds the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds, and an amount equal to 1/6 of the interest due on each Series of Bonds to pay interest required to be paid on any interest payment date related to such Series of Bonds.
- ii. On a parity with (i) above, to the subaccounts in the Principal Account established for each Series of Bonds and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds and an amount equal to 1/12 of the principal due on each Series of Bonds.
- iii. To the applicable Account in the Debt Service Reserve Fund with respect to each Series of Bonds the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement. For a description of the requirements for and the uses of the Debt Service Reserve Fund, see "Certain Reserve Funds – Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund" below.
- iv. To the Operating Reserve Fund the amounts, if any, necessary to restore the amounts on deposit therein to the Operating Reserve Requirement, which requirement shall be funded within 24 months of any withdrawal and replenished from time to time by depositing 1/24 of the Operating Reserve Requirement on the last Business Day of each month after such withdrawal, if necessary. For a description of the requirements for and the uses of the Operating Reserve Fund, see "Certain Reserve Funds – Operating Reserve Fund" below.
- v. To the Renewal and Replacement Reserve Fund, to the extent that there has been a withdrawal from such fund, the Authority shall deposit Net Revenues to the fund, in the amounts necessary to make the amounts on deposit therein equal to the Renewal and Replacement Reserve Requirement. Such withdrawn amounts shall be funded within 24 months by depositing in such fund 1/24 of the Renewal and Replacement Reserve Requirement on the last Business Day of each month after such withdrawal. For a description of the uses of the Renewal and Replacement Reserve Fund, see "Certain Reserve Funds – Renewal and Replacement Reserve Fund" below.
- vi. To the Subordinate Bond Fund, the amount equal to the deposits to such funds and Accounts required by the related Supplemental Indentures or other documents evidencing such debt. Generally, an amount equal to 1/6 of the interest and 1/12 of the principal next due on any fixed rate Subordinate Debt shall be deposited each month, and generally an amount equal to interest and principal next due on any variable rate Subordinate Debt shall be deposited prior to any date on which such interest and principal is due.
- vii. To the applicable Account, if any, in the Subordinate Debt Service Reserve Fund with respect to each Subordinate Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Subordinate Debt Reserve Requirement or to reimburse the provider of any Qualified Reserve Credit Facility for amounts drawn thereunder and to pay related costs.
- viii. To the System Fund, any moneys remaining in the Revenue Fund, after all deposits and transfers required by (i) through (vii) above have been made. Moneys in the System Fund may be used for any authorized purpose. On the following dates, moneys on deposit in the System Fund shall be used to make the following payments:
 - (a) on each May 15, and quarterly thereafter, to the District to make the payment in lieu of taxes (the "PILOT") required by the District Memorandum of Understanding relating to the PILOT dated January 29, 1998, as amended;

- (b) on each September 1, an amount retained by the Authority in the System Fund necessary to satisfy the Cash Reserve Requirement (\$125.5 million as of the date of this Offering Memorandum); and
- (c) on each September 30, to the Rate Stabilization Fund, the amount that the Board determines based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval not later than its regularly scheduled meeting in July of each Fiscal Year. For a description of the uses of the Rate Stabilization Fund, see "Certain Reserve Funds – Rate Stabilization Fund" below.

The Twelfth Supplemental Indenture amended the above-described deposit requirements in the Master Indenture by providing that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied. See " – Pledge of Master Indenture – Direct Payment Bonds and Effect of Sequestration on Direct Payments" above.

For a more extensive discussion of the terms and provisions of the Indenture including the security for the Series A EMCP Notes, the funds and Accounts established by the Indenture and the purposes to which moneys in such funds and Accounts may be applied, see APPENDIX C – "Glossary and Summary of the Indenture."

Certain Reserve Funds

Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund. The Indenture creates a Debt Service Reserve Fund and a Subordinate Debt Service Reserve Fund, each to be held by the Trustee. The Indenture permits, but does not require, the Authority to specify a debt service reserve requirement for each issuance of Senior Debt or Subordinate Debt and to make provision for the means by which any such reserve requirements will be met. The Authority will not specify a debt service reserve requirement for the Series A EMCP Notes.

Operating Reserve Fund. The Master Indenture creates an Operating Reserve Fund in which the Authority must maintain a balance equal to at least 60 days of operating and maintenance expenses of the prior year. Money in the Operating Reserve Fund shall be used to pay, to the extent necessary, Operating Expenses of the Authority. In addition, to the extent that amount on deposit in the Bond Fund is insufficient to make the required interest and principal payments on Senior Debt, money in the Operating Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Board has adopted a policy of funding operating reserves to a level in excess of that required by the Master Indenture. See " – Discretionary Reserves" below. As of March 31, 2015, the balance in the Operating Reserve Fund was \$46.1 million, which represents 60 days of operating and maintenance expenses.

Renewal and Replacement Reserve Fund. The Master Indenture creates a Renewal and Replacement Reserve Fund to be held by the Authority to provide funding for unforeseen or emergency needs. Money in the Renewal and Replacement Reserve Fund may be used to pay for any capital expenditures related to the System. In addition, to the extent that the amounts on deposit in the Bond Fund and the Operating Reserve Fund are insufficient to make the required interest and principal payments on Senior Debt, money in the Renewal and Replacement Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Master Indenture allows this requirement to be met if an amount equal to 2% of original plant in service cost, or some other amount as approved by the Board, is held by the Authority. The Board has adopted a policy requiring the Authority to maintain a balance of at least \$35 million in the Renewal and Replacement Reserve Fund. As of March 31, 2015, the balance in the Renewal and Replacement Reserve Fund was \$35.0 million.

Rate Stabilization Fund. The Master Indenture creates a Rate Stabilization Fund to be held by the Authority, the moneys in which may be transferred by the Authority to the Revenue Fund at any time. The Board has adopted a policy allowing moneys to be transferred to the Rate Stabilization Fund from the System Fund annually based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval during the fourth quarter of each Fiscal Year, and at other times at the direction of the Board. The Authority withdrew moneys from the Rate Stabilization Fund in 2014, and expects to withdraw additional funds in 2015, 2017, and 2019, to reduce rate increases that might otherwise be required. See "FINANCIAL OPERATIONS – Reserve Funds – Rate Stabilization Fund." The Rate Stabilization Fund has no minimum balance requirements. As of March 31, 2015, the balance in the Rate Stabilization Fund was \$22.5 million. See also "FINANCIAL OPERATIONS – Projected Financial Operations."

Discretionary Reserves. The Board has adopted a policy of funding operating reserves at a level in excess of the 60-day operating and maintenance reserve required by the Master Indenture. To comply with the Board's policy, the Authority is required to have cash reserves equal to 120 days of budgeted operating and maintenance costs calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. For purposes of calculating this requirement, the balances in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund are included. For Fiscal Year 2015, the operating reserves requirement is \$125.5 million. As of March 31, 2015, the Authority had an operating reserve cash balance of \$146.0 million which exceeded the Board's policy requirement.

In Fiscal Year 2013, Amawalk independently evaluated the adequacy of the Authority's reserves and concluded that the current Board policy provides for an appropriate level of reserves.

Rate Covenant

Master Indenture Covenant. The Master Indenture includes a rate covenant (the "Rate Covenant") as described below. Rates, fees and charges are established by the Authority and are not subject to regulatory approval, nor are they subject to other regulations under current law. (For a description of the pledge of the District not to limit or alter rights vested in the Authority to fulfill agreements made with holders of its bonds, see "COVENANT BY THE DISTRICT OF COLUMBIA.") The Authority has never failed to satisfy the Rate Covenant, which provides that the Authority shall fix, charge, revise and collect rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that:

- i. Revenues collected by the Authority in such Fiscal Year will be sufficient to pay at least: (a) the actual Operating Expenses; (b) Annual Debt Service on Senior Debt; (c) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (d) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (e) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (f) any amount necessary to make any PILOT payments in such Fiscal Year; and
- ii. Net Revenues shall be sufficient in each Fiscal Year to be at least equal to the sum of (a) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (b) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

If at the end of any Fiscal Year the Authority is not in compliance with the Rate Covenant, or if the Authority fails for three consecutive months to make the deposits required under the Indenture to the Interest Account and the Principal Account (or the Sinking Fund Account, as applicable) or there is a deficiency in a Series Debt Service Reserve Account for longer than three consecutive months, the Authority shall immediately request a Qualified Independent Consultant to submit a written report and recommendations with respect to increases in the Authority's rates, fees and other charges and improvements in the operations of and the services rendered by the System and the Authority's accounting and billing procedures necessary to bring the Authority into compliance with the Rate Covenant. The report and recommendations shall be filed with the Trustee and the Authority within 120 days from the date of discovery of noncompliance with the Rate Covenant. The Authority shall promptly revise its rates, fees and charges, and alter its operations and services to conform with the report and recommendations of the Qualified Independent Consultant to the extent permitted by law.

Deposit and Crediting of Direct Payments. The Twelfth Supplemental Indenture amended the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment related to Subordinate Debt. This amendment became effective upon the execution of the Twelfth Supplemental Indenture. See "SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

Additional Board Policy. In addition to the Rate Covenant described above, in 1997, the Board adopted a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. See "FINANCIAL OPERATIONS – Financial Policies." To date, the Authority consistently has met or exceeded this policy goal. There

can be no assurance, however, that the Board will not change this financial policy or that the Authority will continue to meet this policy goal.

Additional Senior Debt

The Indenture provides that the Authority may issue additional Senior Debt and Other System Indebtedness, including Bonds, to pay Costs of the System only upon satisfaction of certain requirements, including, among other things, receipt by the Trustee of the following:

- i. evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement; and
- ii. either: (a) a certificate of the Authorized Representative of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant taking into account (1) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (2) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds; or (b) a written statement of a Qualified Independent Consultant, which projects Operating Expenses, Revenues and Net Revenues for five full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and which demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

If any Bonds are issued to refund any Indebtedness, the Trustee must receive the following:

- i. evidence that the Authority has made provision as required by the Indenture for the payment or redemption of all Indebtedness to be refunded; and
- ii. either: (a) a written determination by the Authorized Representative of the Authority that the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Indebtedness not to be refunded will not increase more than 5% over what the Annual Debt Service requirements for such Fiscal Year would have been on all Senior Debt immediately prior to the issuance of such Bonds, and that the final maturity of Indebtedness being refunded has not been extended; or (b) a certificate of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant, taking into account (1) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (2) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds; or (c) a written statement of a Qualified Independent Consultant, that projects Operating Expenses, Revenues and Net Revenues for five full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and that demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

The Authority may incur or refinance Other System Indebtedness provided that: (i) the documents relating to the Other System Indebtedness acknowledge that such debt constitutes Other System Indebtedness under the Master Indenture and is subject to the applicable terms and conditions thereof, and specify the amounts and due dates of Annual Debt Service with respect to the Other System Indebtedness; (ii) the conditions of the Master Indenture regarding the issuance of Bonds have been met as if the Other System Indebtedness was an additional Series of Bonds; (iii) the Trustee receives written notice of the issuance of the Other System Indebtedness and the material terms and conditions thereof, and the Trustee shall register the holder as owner thereof as such on its books and records; and (iv) the Trustee receives an Opinion of Counsel that the documents creating the Other System Indebtedness have been duly authorized, executed and delivered on behalf of the Authority and constitute valid, binding and enforceable obligations. In connection with the incurrence of any Other System Indebtedness, the Trustee shall enter into an intercreditor arrangement with the holder of such Other System Indebtedness, the terms of which shall be determined at the time of incurrence of such Other System Indebtedness.

The Authority has modified the Master Indenture to include provisions regarding the crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds or Other System Indebtedness. See "SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

Additional Subordinate Debt

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. The Authority has modified the Master Indenture to include provisions regarding the crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or other Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds, Subordinate Debt or Other System Indebtedness. See “SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments.”

[Balance of page intentionally left blank]

DEBT SERVICE REQUIREMENTS

Outstanding Senior and Subordinate Debt

The following tables set forth the annual principal and interest requirements for (i) Outstanding Senior Debt, (ii) Outstanding Subordinate Debt and (iii) the Series A EMCP Notes, as well as annual and aggregate totals.

[INSERT UPDATED CHART THAT INCLUDES DEBT SERVICE FOR SERIES 2015A/B BONDS AND PROJECTED SERIES A EMCP NOTES DEBT SERVICE]

Finance and Budget Committee - 4. Action Items

¹ Amounts due October 1 are shown as debt service for the preceding Fiscal Year ending September 30 (since the amounts actually are required to be set aside in such Fiscal Year). For example, debt service payments due October 1, 2015, are shown in the Fiscal Year ending September 30, 2015.

² Outstanding Subordinate Debt is calculated excluding the impact of the direct payment of the federal BABs subsidy related to the Series 2010A Bonds.

³ Series 2012B-2 Bonds have a variable rate based on SIFMA plus a spread to that benchmark of 58 bps. For calculation of the debt service requirement, the all-inclusive rate was assumed to be 1.00% in 2015, 2% in 2016 and 3.25% thereafter.

⁴ The Authority currently has \$41.2 million of Commercial Paper outstanding. Debt service is based on a hypothetical amortization of 20 years with an assumed interest rate of 3.25%.

⁵ Includes the Authority's Debt Service requirements for Government Notes associated with Jennings Randolph.

⁶ Series 2014B Bonds are weekly-reset variable rate bonds payable through a Liquidity Facility provided by TD Bank, N.A. For calculation of the projected debt service requirement, the all-inclusive rate was assumed to be 1.00% in 2015, 2% in 2016 and 3.25% thereafter. The debt is assumed to amortize in FY 2041 - FY 2050.

⁷ Amounts shown for FY 2051 - FY 2104 are annual totals for each fiscal year and do not represent the cumulative total.

⁸ Amounts represent cumulative totals for all fiscal years shown. Totals from consolidated rows are included.

⁹ [Reserved].

¹⁰ Total Subordinate Debt is calculated including the impact of the direct payment of the federal BABs subsidy related to the Series 2010 A Bonds. With respect to the effect of sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, a reduction of 7.3% was applied for 2015 and a reduction of 6.8% was applied for 2016. Thereafter, the subsidy amount is assumed to be 32% of the interest payments. See "SECURITY FOR THE SERIES A EMCP NOTES – Amendment of the Master Indenture" and for a discussion of the effect of sequestration on the Direct Payments to be received by the Authority, see "SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments."

List of Outstanding Indebtedness

A table summarizing the Authority’s existing indebtedness as of October 1, 2015, is set forth below. For a summary of the annual debt service payments for the Authority’s existing indebtedness, see “FINANCIAL OPERATIONS – Debt Service.”

Outstanding Indebtedness				
(\$ in thousands)				
	Original Principal Amount	Interest Rates	Final Maturity	Amount Outstanding ¹
Senior Debt				
Series 1998 Bonds	\$ 266,120	5.50-6.00%	2028	\$ 183,660
Series 2009A Bonds	300,000	3.00-5.50	2039	159,520
Series 2014A Bonds	350,000	4.814	2114	350,000
Total Senior Debt				\$ 693,180
Subordinate Debt				
Series 2007A Bonds	\$ 218,715	4.75-5.00%	2038	\$ 115,580
Series 2008A Bonds	290,375	5.00	2034	168,190
Series 2010A Bonds	300,000	4.07-5.52 ²	2044	300,000
Series 2012A Bonds	177,430	3.00-5.00	2037	168,405
Series 2012B-2 Bonds	47,310	N/A ³	2040	47,310
Series 2012C Bonds	163,215	4.00-5.00	2033	163,215
Series 2013A Bonds	300,000	4.75-5.00	2048	300,000
Series 2014B Bonds	100,000	N/A ⁵	2050	100,000
Series 2014C Bonds	377,700	3.00-5.00	2044	377,700
Series 2015A Bonds				
Series 2015B Bonds				
Government Notes				
Jennings Randolph Reservoir Debt	\$ 18,269	3.25%	2041	\$ 13,580
Commercial Paper Notes (“CP Notes”)⁶				
Series B CP Notes (tax-exempt)	N/A	0.05-0.11%	2020 ⁴	12,000
Series C CP Notes (taxable)	N/A	0.16-0.18	2020 ⁴	29,200
Total Subordinate Debt				\$ 1,795,180
Total				\$ 2,488,360

¹ Amounts outstanding do not reflect any amortization of accrued principal.

² Taking into account the Direct Payment subsidy, the Series 2010A Bonds had an all-in-true interest cost of 3.6%. With respect to the effect of sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, see “SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments.”

³ Series 2012B-2 Bonds have a variable rate based on SIFMA plus 58 basis points. As of [____], 2015, SIFMA was [__] basis points.

⁴ Final maturity of the CP Notes reflects expiration of current credit facility.

⁵ The Series 2014B Bonds are weekly-reset variable rate bonds supported by a Liquidity Facility provided by TD Bank, N.A.

⁶ Maximum amount authorized for the CP Notes is \$150 million; the Series A CP Notes have been retired.

Source: Authority records.

Outstanding Senior Debt

As indicated above, as of October 1, 2015, the Authority had Senior Debt outstanding in the aggregate principal amount of \$[693,180,000] consisting of its Public Utility Senior Lien Revenue Bonds, Series 1998 (the “Series 1998 Senior Bonds”), its Public Utility Senior Lien Revenue Bonds, Series 2009A (the “Series 2009A Senior Bonds”), and its Public Utility Senior Lien Revenue Bonds, Series 2014A (Federally Taxable) (Green Bonds) (the “Series 2014A Bonds”). The Authority expects to issue additional Senior Debt in the future to finance capital improvements to the System. See “CAPITAL IMPROVEMENT PROGRAM.”

Outstanding Subordinate Debt

The Subordinate Debt summarized above consists of the following categories of outstanding debt: (i) Subordinate bonds; (ii) Government Notes; and (iii) Commercial Paper Notes. As of August 26, 2015, the Authority had Subordinate Debt outstanding in the aggregate principal amount of \$1,844,816,188. Upon the issuance of the Series A EMCP Notes, the amount of Outstanding Subordinate Debt will be \$[_____].

Subordinate Bonds. As of August 26, 2015, the Authority had Subordinate bonds outstanding in the aggregate principal amount of \$1,740,400,000 consisting of its Public Utility Subordinate Lien Revenue Bonds, Series 2007A (the “Series 2007A Subordinate Bonds”), its Public Utility Subordinated Lien Revenue Bonds, Series 2008A (the “Series 2008A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2010A (the “Series 2010A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “Series 2012A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012B (the “Series 2012B Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2012C (the “Series 2012C Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2013A (the “Series 2013A Subordinate Bonds”), its Public Utility Subordinate Lien Revenue Bonds, Series 2014B (the “Series 2014B Subordinate Bonds”), and its Public Utility Subordinate Lien Revenue Bonds, Series 2014C (the “Series 2014C Subordinate Bonds”). The Authority expects to issue additional Subordinate bonds in the future to finance capital improvements to the System. See “CAPITAL IMPROVEMENT PROGRAM.” Notably, the Authority has previously authorized the issuance of additional Subordinate bonds to refund all or a portion of the Series 2009A Senior Bonds; however, such bonds will only be issued under appropriate market conditions.

Upon the issuance of the Series A EMCP Notes, the amount of Outstanding Subordinate bonds will be \$2,078,625,000.

Government Notes. The Authority is responsible for debt service on notes payable to the federal government for the construction of the Jennings Randolph Reservoir. Previous obligations of the Authority regarding the Little Seneca Reservoir have been paid in full. As of August 26, 2015, the Authority had \$13.22 million of Government Notes outstanding. Upon the issuance of the Series A EMCP Notes, the amount of outstanding Government Notes will be \$13,216,188.

Commercial Paper Notes. The Authority has established a commercial paper program to provide interim financing for Costs of the System. The Board has authorized the three series of notes to be issued under the commercial paper program in the aggregate principal amounts as follows: (i) the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed \$0, (ii) the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed \$100 million, and (iii) the taxable Series C CP Notes in an aggregate principal amount not to exceed \$50 million (collectively, the “Commercial Paper Notes”), each as Subordinate Debt. See “OUTSTANDING INDEBTEDNESS – Outstanding Senior Debt.” To provide liquidity and credit support for the Commercial Paper Notes, the Authority obtained irrevocable, direct-pay letters of credit (the “Letters of Credit”) issued by Landesbank Hessen-Thüringen Girozentrale, New York Branch (the “Bank”) which currently expire on May 15, 2020. In connection with the Bank’s issuance of the Letters of Credit, the Authority and the Bank entered into a Reimbursement Agreement for each series of CP Notes, each dated as of May 1, 2015, each as amended (collectively, the “Reimbursement Agreements”) that obligates the Authority to pay Bank Obligations and Reimbursement Obligations (both as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and Fee Obligations (as defined in each Reimbursement Agreement) to the Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are Subordinate Debt under the Indenture. The amount of the Commercial Paper Notes outstanding as of August 26, 2015, was \$91.2 million. Upon the issuance of the Series A EMCP Notes, the amount of outstanding Commercial Paper Notes will be \$[91,200,000].

Extendable Municipal Commercial Paper Notes. Upon their issuance, the Series A EMCP Notes will be the first and only outstanding series of EMCP Notes of the Authority in the amount of \$[_____].

Interest Rate Exchange Agreements and Guaranteed Investment Contracts

The Authority has not entered into any interest rate exchange agreements or any guaranteed investment contracts.

THE AUTHORITY

General

The Authority is a corporate body and an independent authority created pursuant to the Act that has a separate legal existence within the District government. It was created in 1996 to expedite the repair, replacement, rehabilitation, modernization and extension of existing water distribution and sewage collection, treatment and disposal systems, and the financing, on a self-sustaining basis, of capital and operation expenses relating thereto. The Authority began operations on October 1, 1996, and in June 2010, adopted a new logo and rebranded itself as “DC Water.” Prior to creation of the Authority, the District, through its Department of Public Works, Water and Sewer Utility Administration (“WASUA”), owned, operated and maintained the System. In accordance with the Act, the District authorized the Authority to use all of the property and assets of the System and transferred to the Authority any liabilities of the District that were directly attributable to the System. The District has retained full legal title to, and a complete equitable interest in, the System. In accordance with the Act, however, the System must remain under the control of the Authority for as long as any Authority revenue bonds remain outstanding.

The Authority currently provides retail water and wastewater services to approximately 650,000 residents of the District of Columbia and wholesale wastewater conveyance and treatment to approximately 1.6 million residents of Prince George’s and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia. In addition, the Authority annually serves approximately 17.8 million visitors to the area and approximately 700,000 workers in the District. In addition to providing services to the White House, the U.S. Congress and the Supreme Court, the Authority also counts among its customers a number of international organizations, including the International Monetary Fund and numerous diplomatic embassies. The Authority also provides services to a number of nationally recognized cultural and educational institutions, including the John F. Kennedy Center for the Performing Arts, and Georgetown, Howard, American, Catholic and George Washington Universities.

The Authority operates the largest advanced wastewater treatment facility in the United States and is in compliance with all requisite permits. Since its creation as an independent authority of the District, the Authority has become a leader in the water and wastewater industry. The Board has provided stable leadership and a focus on establishing long-term policies and planning, particularly financial stability. Under its leadership, the Authority has adopted and implemented financial and rate-setting policies that have enhanced financial performance. The Authority’s unrestricted cash, cash equivalents and investment balances have increased from \$20.5 million as of September 30, 1997, to \$240 million as of September 30, 2014. The Authority’s operating revenues have increased, from \$221.5 million in Fiscal Year 1997 to \$473.8 million in Fiscal Year 2015.

The Authority’s accomplishments have been recognized by several industry associations and publications (only awards for 2014 and 2015 indicated below):

- *American Council of Engineering Companies of Metropolitan Washington*: Engineering Excellence Merit Award in Design (2014).
- *American Council of Engineering Companies of Maryland*: Honor Award in Engineering Design (2014).
- *American Academy of Environmental Engineers*: Excellence in Environmental Engineering for Environmental Communications Award (2014).
- *American Academy of Environmental Engineers*: Edward J. Cleary Award for exemplary management of environmental protection enterprises (2014).
- *American Academy of Environmental Engineers*: Grand Prize for Research for developing new approach for anammox retention in deammonification process (2014).
- *Bond Buyer*: “Deal of the Year” Northeast Region (2014).
- *Engineering News Record* (Mid-Atlantic): Owner of the Year (2014).
- *Government Finance Officers Association*: Certificate of Achievement for Excellence in Financial Reporting Program (2014).

Finance and Budget Committee - 4. Action Items

- *Government Finance Officers Association*: Distinguished Budget Presentation Award Program (2014).
- *Government Fleet*: DC Water fleet named one of 100 Best Fleets (2014).
- *Government Fleet*: DC Water fleet named a Notable Leading Fleet (2014).
- *Greater Washington Clean Cities Coalition*: Member of the Year (2014)
- *International Water Association*: Global Honor Award for mainstream deammonification research (2014).
- *International Water Association*: Global Honor Award in research for mainstream deammonification (2014).
- *National Association of Clean Water Agencies*: Gold Peak Performance Award for wastewater treatment facilities that have achieved outstanding plant effluent quality and 100 percent compliance with the NPDES requirements at Blue Plains (2014).
- *National Association of Clean Water Agencies*: Platinum Award for Excellence in Management (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – First place, Social Media: Advocacy (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – Second Place, Social Media: Apps (2014).
- *Public Relations Society of America, National Capital Chapter*: Thoth Award – Second Place, Brochure in Print: Blue Plains Advanced Wastewater Treatment Plant Brochure (2014).
- *Water Environment Federation*: Camp Applied Research Award (2014).
- *Water Environment Federation Annual Technical Exhibition and Conference*: Residuals and Biosolids Committee – Platinum Award for ten years of successful biosolids management (2014).
- *Global Water Intelligence*: Water Deal of the Year (2015).

Purposes and Powers

The Act requires the Authority to establish, fix and revise fees, rates or other charges for the use of, or services furnished, rendered or made available by the System, owned, leased or utilized by the Authority at least in an amount sufficient, together with other revenues available to the Authority, if any, to pay its costs, the principal of and interest on and other requirements pertaining to its bonds, and to make transfers to the District of amounts equal to the debt service payments on the District General Obligation Bonds, which financed WASUA capital projects, as such debt service and transfers become due and payable. All such General Obligation Bonds are now retired.

Pursuant to the Home Rule Act, the Council delegated to the Authority, under the Act, its power to issue revenue bonds, including the Series A EMCP Notes, for the purpose of financing “water and sewer facilities” (as such term is defined in the Home Rule Act). Pursuant to the Home Rule Act and the Act, the Authority is required to submit its annual operating budget to the District for its review and recommendations; however, the District has no power to change the annual budget of the Authority. After receiving the Authority’s budget, the District then submits its annual operating budget, of which the Authority’s budget is a part, to the United States Congress for approval. See “FINANCIAL OPERATIONS – Annual Budget.”

Board of Directors

The Authority is governed by a Board of Directors consisting of 11 principal and 11 alternate members, each appointed for a staggered four-year term. Six principal members (appointed by the Mayor of the District with the advice and consent of the Council) represent the District and five principal members (appointed by the Mayor on the recommendations of the User Jurisdictions) represent the User Jurisdictions, two each from Prince George’s and

Finance and Budget Committee - 4. Action Items

Montgomery Counties in Maryland, and one from Fairfax County, Virginia. The powers of the Authority are vested in and exercised by the Board at meetings duly called and held where a quorum of at least six members is present. All Board members participate in decisions directly affecting the management of joint-use facilities which are those facilities used by all three jurisdictions. Only the six members appointed to represent the District participate in those matters that affect District ratepayers and in setting rates, fees and charges for various services that affect only District residents. The Board meets monthly and operates through various standing and ad-hoc committees. The committees include Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget, Human Resources and Labor Relations, Audit, Strategic Planning, Governance, and District of Columbia Retail Water and Sewer Rates. The current principal members of the Board are listed below:

Principal Board Members	Appointing Authority	Term Start Date*	Term Expiration
Matthew T. Brown, Chairman	District of Columbia	January 2015	September 2015**
Ellen O. Boardman	District of Columbia	July 2013	September 2016
Rachna Butani	District of Columbia	July 2012	September 2018
Elisabeth Feldt	Montgomery County	June 2015	May 2019
Timothy L. Firestine	Montgomery County	February 2007	May 2016
Bradley Frome	Prince George's County	June 2015	May 2019
Edward L. Long, Jr.	Fairfax County	June 2012	September 2015**
Nicholas A. Majett	Prince George's County	June 2014	September 2018
Robert Mallett	District of Columbia	April 2013	September 2016
Obiora "Bo" Menkiti	District of Columbia	July 2013	September 2016
Alan J. Roth	District of Columbia	April 2007	September 2015**

* Term start date indicates start of the Board member's initial term as a principal member.

** Member serves until renominated and appointed or a successor is appointed.

Source: Authority records.

The following are short biographies of the principal members of the Board.

Matthew T. Brown (Chairman) (District of Columbia)

Mr. Brown was appointed as a principal member and chairman of the Board in 2015. Mr. Brown is the Director of the Office of Budget and Finance of the District. Prior to his current position, Mr. Brown served as the Deputy Director for Resource Allocation for the District's Department of Transportation, in addition to a variety of other public sector management and budget positions for several large municipal governmental entities. Mr. Brown also has significant private sector experience as a result of his tenure with Public Financial Management, Inc. Mr. Brown holds a B.A. in Political Science from Texas Wesleyan University, and an M.P.A. in Budget and Public Finance from The George Washington University.

Ellen O. Boardman (District of Columbia)

Ms. Boardman was appointed as a principal member to the Board in 2013. Ms. Boardman is a partner at O'Donoghue & O'Donoghue LLP. Prior to joining O'Donoghue & O'Donoghue LLP, in 1986, Ms. Boardman served as an attorney for the National Labor Relations Board. Ms. Boardman is a member of the District of Columbia and Maryland bar associations, numerous federal district and appellate courts, and the U.S. Supreme Court. Ms. Boardman is a fellow of the College of Labor and Employment Lawyers, and is listed as a Washington, D.C. Super Lawyer.

Rachna Butani (District of Columbia)

Ms. Butani was appointed as a principal member to the Board in July 2012. Ms. Butani serves as Director at HRGM Corporation. Ms. Butani has been with HRGM since 2001. Previously, Ms. Butani served as an Associate for Wachovia Securities, and as a consultant for Deloitte & Touche, LLP. Ms. Butani holds an MBA from The Wharton School, University of Pennsylvania, with a major in Real Estate and Management, and a Bachelor of Science in Business Administration from Georgetown University. Ms. Butani serves as a Board member for the Professional Women in Construction and holds a Virginia Class A Contractor's License.

Elisabeth Feldt (Montgomery County)

Ms. Feldt was appointed as a principal member to the Board in June 2015. Ms. Feldt is currently the Associate Deputy Administrator of the United States Environmental Protection Agency. Prior to her current position, Ms. Feldt served as the Deputy Assistant Administrator in the Office of Solid Waste and Emergency Response of the

Finance and Budget Committee - 4. Action Items

United States Environmental Protection Agency, and held a variety of other positions dealing with environmental management. Ms. Feldt holds a B.S. in engineering from George Washington University.

Timothy L. Firestine (Montgomery County)

Mr. Firestine was appointed as a principal member to the Board in February 2007. Mr. Firestine serves as the Chief Administrative Officer for Montgomery County. Prior to his current position, Mr. Firestine was Chief Financial Officer for Montgomery County and held other positions in public sector financial management. Mr. Firestine holds a B.A. in Political Science from Albright College and an M.P.A. from the University of Pittsburgh.

Bradley Frome (Prince George's County)

Mr. Frome was appointed as principal member to the Board in June 2015. Mr. Frome is currently the Assistant Deputy Chief Administrative Officer for the Economic Development and Public Infrastructure Team within the Administration of County Executive Rushern L. Baker, III. Mr. Frome was appointed to this position in early 2014. Mr. Frome previously served as the Deputy Chief of Staff for County Executive Baker from 2010-2014. Mr. Frome began his work in the public sector for the Maryland House of Delegates as a Legislative Director for four years and served six years as the Chief of Staff to a Council Member for Prince George's County.

Mr. Frome graduated cum laude from the University of Maryland in College Park with a Bachelor of Science Degree in Government and Politics and attended George Washington University Law School.

Edward L. Long, Jr. (Fairfax County)

Mr. Long was appointed as a principal member to the Board in June 2012. He was named Fairfax County Executive in April 2012, marking his return from retirement. Mr. Long has more than 34 years of experience in Fairfax County government, and retired as Deputy County Executive and Chief Financial Officer. In his role as Deputy County Executive, Mr. Long oversaw all of the county's financial and human resources functions, including tax administration and assessments, revenue collection, investments, internal and external auditing, budgeting, revenue projections, purchasing and supply management, facilities management, fleet management, issuance and management of county debt, retirement funds administration and more. Under Mr. Long's leadership, Fairfax County maintained the highest credit rating possible for a local government - Aaa from Moody's Investors Service, AAA from Standard and Poor's and AAA from Fitch Ratings. Mr. Long received the 2012 Distinguished Local Government Leadership Award from the Association of Government Accountants, and in 2006 he received the A. Heath Onthank Award - Fairfax County's highest employee award. Mr. Long has a bachelor's degree in Political Science from Emory and Henry College and a Master of Arts in Urban Studies from the University of Maryland.

Nicholas A. Majett (Prince George's County)

Mr. Majett was appointed as a principal member of the Board in June 2014. Mr. Majett previously served the District government in several capacities for over 29 years. In 1985, Mr. Majett joined the D.C. Office of the Attorney General and served as an Assistant Attorney General for approximately 19 years. During his tenure as an Assistant Attorney General, Mr. Majett regularly handled regulatory, real estate, tax and civil cases and prosecuted tax and government fraud cases. From 1990 until 1991 Mr. Majett served as the Chief of Assessment Services for the Office of Tax and Revenue and then returned to the Office of Attorney General.

In 2006, Mr. Majett became the Deputy Director of the Department of Consumer and Regulatory Affairs ("DCRA") and served until he was appointed as Director on December 18, 2010, and subsequently unanimously confirmed by the Council of the District. As Director of DCRA, Mr. Majett was responsible for overall management and oversight of the District's regulatory agency that ensures the health, safety and economic welfare of District residents through licensing, inspection, compliance, and enforcement programs.

Mr. Majett earned both his Bachelor of Science and Law Degrees from Howard University before becoming a member of the District of Columbia Bar Association. In 2005, he was elected to the District of Columbia Bar Association's District of Columbia Affairs Section Steering Committee where he currently serves as a member. He is also a member of the Board of Directors for the Washington, DC Economic Partnership, a member of the DC Streetcar Task Force, and former Board Member of Joseph's House, non-profit organization in the District.

Robert Mallett (District of Columbia)

Mr. Mallett was appointed as a principal member to the Board in April 2013. Mr. Mallett is the Peter P. Mullen Visiting Professor of Law at Georgetown University. Before coming to Georgetown, he served as Executive

Vice President & General Counsel, Public and Senior Markets Group, a division of United Health Group. Immediately prior to joining United Health Group, Mr. Mallett served as Senior Vice President, Worldwide Policy & Public Affairs, Pfizer Inc. Prior to joining Pfizer in April 2001, Mr. Mallett served as Deputy Secretary of the U.S. Department of Commerce. Prior to his federal executive service, Mr. Mallett was a shareholder and associate attorney at two major law firms in Washington, D.C. He also served as City Administrator and Deputy Mayor for the District of Columbia under Mayor Sharon Pratt Kelly, and Legal Counsel to former U.S. Senator Lloyd Bentsen. He has been an adjunct professor at Georgetown University's Law Center, and was a Visiting Professor at Harvard University's John F. Kennedy School of Government. He served as a law clerk to the Honorable John R. Brown of the U.S. Court of Appeals for the Fifth Circuit. Mr. Mallett is a Phi Beta Kappa graduate of Morehouse College (1979) and received his law degree from Harvard University in 1982, where he was Projects Editor of the Harvard Civil Rights-Civil Liberties Law Review.

Obiora "Bo" Menkiti (District of Columbia)

Mr. Menkiti was appointed as a principal member to the Board in 2013. Mr. Menkiti is the founder and CEO of The Menkiti Group, a values-based real estate services company. Mr. Menkiti is also the CEO and founding partner of Keller Williams Capital Properties, a residential real estate brokerage firm. Prior to forming The Menkiti Group and Keller Williams Capital Properties, Mr. Menkiti served as the Chief Operating Officer of College Summit, a national non-profit organization dedicated to increasing the college enrollment rate of low-income students. Mr. Menkiti also serves on the board of City First Bank, Greater Capital Area Association of Realtors, Dance Place, and is the chair of the Public Policy Committee for the Washington, DC Association of Realtors. Mr. Menkiti is a graduate of Harvard University.

Alan J. Roth (District of Columbia)

Mr. Roth was appointed as a principal member to the Board in April 2007. He is Senior Executive Vice President of the U.S. Telecom Association and has 23 years of senior congressional staff and government relations consulting experience. Mr. Roth served as Staff Director and Chief Counsel to the Committee on Energy and Commerce, U.S. House of Representatives, Counsel to the Committee's Chairman and Counsel to the Committee's Minority. Prior to those management roles, Mr. Roth also served as Counsel to the Committee. Mr. Roth earned his B.A. in Government, *magna cum laude*, from American University and his J.D. from New York University School of Law.

Organizational Structure

The Authority's day-to-day operations are managed by the General Manager, who is appointed by the Board. The General Manager is supported by the Assistant General Managers for Blue Plains, Consumer Services, and Support Services; the Chief Financial Officer; and the Chief Engineer. The Assistant General Manager for Blue Plains oversees the departments of Wastewater Treatment Services and Maintenance Services. The Assistant General Manager for Consumer Services oversees the departments of Customer Service, Sewer Services, Water Services and Water/Sewer Pump Maintenance. The Assistant General Manager for Support Services oversees the departments of Human Capital Management, Labor Relations, Facilities and Security, Procurement, Fleet Management, and Safety and Occupational Management. The Chief Financial Officer oversees the departments of Finance, Accounting and Budget. The Chief Engineer oversees the Capital Improvement Program as well as the departments of Engineering and Technical Services, Permit Operations, and DC Clean Rivers. Also reporting to the General Manager are the offices of the General Counsel, Information Technology and External Affairs.

Senior Management

The Authority has in place a senior and mid-level management team with a broad range of private and public sector utility experience. Over half of the Authority's mid-level management team has been with the Authority since 1996, and some have been with the organization for more than 20 years. The following are short biographies of key members of the Authority's senior management.

George S. Hawkins, General Manager

Mr. Hawkins was appointed General Manager in September 2009. Prior to joining the Authority, Mr. Hawkins served as the Director of the District Department of the Environment. Prior to coming to the District, Mr. Hawkins served as Executive Director of New Jersey Future, a non-profit organization promoting smart growth, and Executive Director of the Stony Brook-Millstone Watershed Association. He also has held senior posts with the U.S. Environmental Protection Agency. Mr. Hawkins has served as the Chair of the Green Building Advisory Council, a member of the Mayor's Green Collar Jobs Advisory Committee and a Board member of the Authority. Since 1999, Mr. Hawkins has taught Environmental Law and Policy for the Princeton Environment Institute at Princeton University. He

began his career practicing law for the Boston firm of Ropes & Gray, and is a member of the Bar in Massachusetts and the District of Columbia. Mr. Hawkins holds an A.B. from Princeton University and a J.D. from Harvard Law School.

Mark T. Kim, Chief Financial Officer

Mr. Kim was appointed Chief Financial Officer in March 2013. Prior to joining the Authority, Mr. Kim served as Deputy Comptroller for Economic Development and Assistant Comptroller for Public Finance for the City of New York, and as an investment banker at several global financial institutions. Over his career, Mr. Kim has raised in excess of \$50 billion in the capital markets. Currently, he sits on the Environmental Financial Advisory Board of the U.S. Environmental Protection Agency ("EPA") and the Committee on Governmental Debt Management of the Government Finance Officers Association. Effective October 1, 2015, Mr. Kim will begin his term as a member of the Board of Directors of the Municipal Securities Rulemaking Board. Mr. Kim is a member of the Bars of the State of New York and the District of Columbia. Mr. Kim holds a B.A. from Northwestern University; a J.D. from Cornell Law School; and a Ph.D. in public policy from Harvard University.

Biju George, Chief Operating Officer

Mr. George was appointed Chief Operating Officer in [REDACTED], 2013. Mr. George is responsible for the performance management of all operations of the Authority. He participates in the implementation of the Authority's strategic plan and works with the Chief Financial Officer in overseeing the development of operating budgets and operating policies. Mr. George represents the Authority at Board of Directors' meetings, congressional meetings and meetings with the general public as needed. He also assists the General Manager in developing and implementing the Authority's business plans.

Mr. George joined the Authority from Greater Cincinnati Water Works, Metropolitan Sewer District and Stormwater Utility, where he was the Deputy Director of Water and Sewers and also served as the drinking water utility's interim executive director from 2011 to 2013. Mr. George has more than 27 years of diversified technical and management experience. He is recognized as a leader in treatment technology and science, and is both published writer and a frequent speaker, and the past Assistant Superintendent of the 240 MGD Mill Creek Plant.

Mr. George is the 2014 recipient of the Innovator of the Year Award from the U.S. Environmental Protection Agency. Mr. George has a bachelor's degree in mechanical engineering from the PDA College of Engineering at Gulbarga University. He is a licensed professional engineer in Ohio.

Leonard R. Benson, Chief Engineer

Mr. Benson was appointed Chief Engineer in August 2010, after serving as Acting Chief Engineer and Deputy General Manager since May 2008. Mr. Benson transferred to the Authority as Director of Engineering and Technical Services from its predecessor agency when the Authority was created in 1996. Mr. Benson began his career as a Project Manager for the District of Columbia's Department of Highways and Traffic in 1968 and later transferred to the Department of Sanitary Engineering, and successor agencies including the Department of Environmental Services and the Department of Public Works. Mr. Benson holds a B.S. in Civil Engineering from the University of Maryland.

Randy Hayman, General Counsel

Mr. Hayman assumed the position of General Counsel in November 2010. He previously served as General Counsel to the Metropolitan St. Louis Sewer District ("MSD"), which provides wastewater collection, treatment, and stormwater management to 1.4 million people. Prior to joining MSD in 2000, Mr. Hayman worked as an attorney in law firms in Washington, D.C., Kansas City and St. Louis, Missouri, and served as an Assistant Attorney General for the State of Missouri in Jefferson City. Prior to attending law school, he worked as an intern for ABC News, a reporter for KMOX Radio and, more recently, as a talk show host with KTRS Radio. Mr. Hayman holds a B.A. in Political Science from the University of Michigan and a J.D. from Georgetown University Law Center.

Mustaafa Dozier, Chief of Staff

Mr. Dozier assumed the position of Chief of Staff in August 2015. Mr. Dozier initially joined the Authority in 2011 as the Labor Relations Manager. Prior to joining the Authority, Mr. Dozier served as the Employment and Labor Relations Advisor to the District's Department of Public Works. Mr. Dozier holds a B.A. from Alabama State University and a J.D. from the Howard University School of Law.

Charles Kiely, Assistant General Manager of Consumer Care & Operations

Mr. Kiely joined the Authority as Director of Customer Services Department in November 2002. Prior to joining the Authority, Mr. Kiely was Executive Vice President of Customer Services for Commonwealth Electric, Cambridge Electric and Commonwealth Gas Companies serving 78 communities in eastern and central Massachusetts. He was later appointed Vice President of Customer Care for NSTAR, formed after the BEC Energy and Commonwealth

Energy merger, creating the largest investor-owned gas and electric utility in Massachusetts. Mr. Kiely received a B.S. in Management from the University of Massachusetts and an M.B.A. from Bentley College.

Carlton Ray, Director, DC Clean Rivers Project

Mr. Ray joined the Authority in July 2009, and is responsible for the planning, design, construction and implementation of the DC Clean Rivers Project. The 20-year, \$2.4 billion project is designed to capture nearly all combined sewer overflows (CSOs) to the Potomac and Anacostia Rivers and to the Rock Creek during periods of wet weather through a system of deep underground tunnels. Previously, Mr. Ray managed the capital program for the City of Indianapolis, including successfully developing and managing a similar CSO abatement program. Mr. Ray has over 30 years' experience in water and wastewater engineering and holds a B.S. in Civil Engineering from Auburn University.

Aklile Tesfaye, Assistant General Manager, Blue Plains

Mr. Tesfaye joined the Authority in 1994. Mr. Tesfaye formerly served as the Director of Wastewater Treatment Operations for the Authority. Mr. Tesfaye is a licensed engineer with the American Academy of Environmental Engineers, and holds several other professional certifications. Mr. Tesfaye received a B.S. in Civil Engineering from the University of Rourke (India; now known as Indian Institute of Technology), an M.S. in Civil Engineering from Tampore University of Technology (Finland) and an M.S. in Environmental Engineering from the University of Maryland (College Park).

Authority's Relationship to District

Section 424A of the Home Rule Act (D.C. Official Code Section 1-204.25) sets forth the powers and responsibilities of the District's Chief Financial Officer (the "District CFO"). The "District of Columbia Water and Sewer Authority Independence Preservation Act," P.L. 110-273, enacted by the Congress on July 15, 2008, amended the Home Rule Act to make clear that (i) the authority of the District CFO to hire, supervise and remove certain financial management employees does not apply to personnel of the Authority and (ii) the financial management, personnel and procurement functions and responsibilities of the Authority shall be established exclusively pursuant to the rules and regulations adopted by the Board. The Act provides that, except as provided in the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of Authority bonds, or in any way impair the rights and remedies of the holders of Authority bonds. See "COVENANT BY THE DISTRICT OF COLUMBIA."

The Authority is presently operating under, and is in compliance with, the following Memoranda of Understanding (each, a "Memorandum of Understanding" or "MOU") with the District.

- A January 29, 1998, Memorandum of Understanding provides that the Authority will pay the District a PILOT for government services it receives from the District (the "1998 PILOT MOU"). This MOU provides that, beginning in Fiscal Year 1999, the annual PILOT will be based on the amount due from the Authority to the District for the previous Fiscal Year plus a percentage increase in an amount equivalent to the Authority's System-wide rate increase for the current Fiscal Year. On September 4, 2014, the District and the Authority entered into a new Memorandum of Understanding (the "2014 PILOT MOU") amending the 1998 PILOT MOU. According to the terms of the 2014 PILOT MOU, the Authority shall make a PILOT payment to the District in the amount of \$15,337,410.00 in Fiscal Year 2015 for the services provided by the District to the Authority. In Fiscal Years 2016 to 2024, the Authority shall increase the amount of the PILOT payment by two percent per annum based on the amount of the prior year's annual PILOT payment. In addition, the Authority shall deduct the annual fire protection service fee for services provided by the Authority to the District from the annual PILOT payment. The 2014 PILOT MOU shall remain in effect until September 30, 2024. If the parties have not executed a new amendment to the 1998 PILOT MOU before September 30, 2024, the terms of the 2014 PILOT MOU shall remain in force until a new amendment has been executed.
- As of September 30, 2014, the Authority had set aside \$30,044,338.00 (the "set-aside amount") in reserves pending resolution of negotiations with the District over the PILOT. Upon the execution of the 2014 PILOT MOU, the District and the Authority agreed to split the set-aside amount with \$15,022,169.00 going to each of the District and the Authority. The portion of the set-aside amount delivered to the District is payment-in-full of any outstanding amounts due and claimed for services rendered by the District prior to the date of the 2014 PILOT MOU.
- A September 12, 2003, Memorandum of Understanding provides that the Authority will make quarterly payments to the District for its public right of way occupancy permit fee (the "2003 ROW MOU"). Under the terms of this MOU, the Authority was obligated to pay the District an annual fee

of \$5.1 million through September 30, 2013, the expiration date of the MOU. On October 2, 2014, the parties entered in a new Memorandum of Understanding (the "2014 ROW MOU") amending the expiration date of the 2003 ROW MOU to September 30, 2024. As with the 2014 PILOT MOU, if the parties have not executed a new ROW MOU before September 30, 2024, the terms of the 2014 ROW MOU shall remain in force until a new amendment has been executed.

- A July 25, 2008, Memorandum of Understanding between the District Department of the Environment (DDOE) and the Authority establishes the basis for the billing and collection of a stormwater fee by the Authority on behalf of DDOE, and the transfer of those fees on a pass-through basis to DDOE. This MOU extends for one-year periods at the option of the Parties. See "THE SYSTEM – The Wastewater System – District Stormwater Permit and Management Program" and "CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges."
- A May 3, 2013, Memorandum of Understanding between the District of Columbia Fire and Emergency Medical Services Department ("FEMS") and the Authority memorializes the ongoing commitment between the two agencies to share information about public fire hydrant inspections and upgrades. The Authority is required to inspect all public fire hydrants once per year in accordance with National Fire Protection Association ("NFPA") guidelines, and FEMS may, as time permits, also conduct a second inspection of fire hydrants in coordination with the Authority. The Authority is responsible for identifying and installing new hydrants as part of its ongoing capital program, developing manuals and protocols for hydrant inspection and inspection data management, and ensuring that the required preventative maintenance is performed on each hydrant as required by the manufacturer. The Authority is required to flow test all hydrants every six years, and those hydrants that have been upgraded as part of the capital program will be tested upon being placed in service to ensure proper pressure and operation. Furthermore, the Authority has committed to providing water supply personnel on scene to FEMS when requested for two-alarm or greater fires. The Authority annually bills the District to recover the Authority's costs for these fire hydrant protection services activities.
- A September 11, 2014, Memorandum of Understanding provides the terms by which the District and the Authority will cooperate in the execution of the Northeast Boundary Neighborhood Protective Project (the "2014 Bloomingdale MOU"). This MOU established the value of incremental capital expenditures totaling \$58,579,499.00 incurred by the Authority at the request of the District in order to mitigate overland flooding and sewer backups in the Bloomingdale and LeDroit Park neighborhoods in Northwest Washington, D.C. The District CFO and the Authority CFO have agreed to establish a repayment schedule by separate agreement amending the 2014 Bloomingdale MOU.

Employees and Labor Relations

The total number of authorized positions for the Authority for Fiscal Year 2015 is 1,260. As of March 31, 2015, the Authority had 1,110 full-time equivalent employees, of whom approximately 719 were represented by five unions:

- American Federation of Government Employees ("AFGE") consisting of Locals 631, 872 and 2553, representing 462 employees;
- American Federation of State, County and Municipal Employees ("AFSCME"), Local 2091, representing 240 employees; and,
- National Association of Government Employees ("NAGE"), representing 17 employees.

The Authority and the unions operate under a single Master Collective Bargaining Agreement for Compensation which expires on September 30, 2015. The parties were due to commence bargaining for a successor agreement in the spring of 2015. However, negotiations have been delayed due to an internal dispute among the unions regarding selection of a chief negotiator. Additionally, AFSCME Local 2091 is seeking to negotiate on its own. The Public Employee Relations Board (PERB) is currently reviewing whether this local can negotiate without the other members of the coalition that comprise one compensation unit. Resolution of these two issues (selection of a chief negotiator and whether AFSCME Local 2091 can negotiate on its own), will determine when negotiation of a successor agreement will commence.

There are five separate working conditions agreements with the unions. The Authority has reached agreement on four of the five unions for successor agreements on working conditions. These agreements expire on

September 30, 2016 and September 30, 2017. The Authority is preparing to proceed to impasse arbitration with one union. By law, the Authority employees may not strike.

The percentage of current employees eligible to retire within the next ten years (based on age and years of service) is shown in the table below:

Percentage of Current Employees Eligible to Retire Within the Next Ten Years
(based on age and years of service)

	12/31/2015	12/31/2020	12/31/2025
Employees	13.77%	24.24%	34.72%
Directors and Executives	19.05%	28.57%	61.90%

Source: Authority records.

Although the percentage of current Authority employees eligible to retire in five years is a little higher than the median five-year retirement eligibility for combined water and wastewater utilities, which is 22% (as reported by the 2010 American Water Works Association/Water Environment Federation Qualseve Survey), it is within the range experienced by other large municipal water and wastewater utilities. To prepare for future retirements, since 2006, the Authority has had in place a comprehensive succession planning program for senior executives and a knowledge capture program for operational elements of the organization. In addition to identifying tacit knowledge use in operational activities, the knowledge capture program is identifying needed competencies to improve the replacement process, as well as improving the efficiency of the studied processes.

Retirement/Pension Plan

The Authority employees hired before October 1, 1987, participate in the U.S. Civil Service Retirement System (the “CSRS”). The employees and the Authority each annually contribute 7% of the employee’s base pay to the CSRS. The Authority employees who retire under the CSRS receive retiree medical and life insurance benefits under the Federal Employees’ Health Benefits Program and the Federal Employees’ Group Life Insurance Program at no cost to the Authority. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the CSRS programs.

With a few exceptions, all of the employees hired after September 30, 1987, participate in the U.S. Social Security System and the Authority’s Defined Contribution Plan. Under the Authority’s Defined Contribution Plan, the Authority annually contributes 7% of base pay plus an additional 5% of base pay earning above the Social Security Wage Base. Employees do not contribute to this plan and are 100% vested in the plan after three years of continuous service. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the Defined Contribution Plan. The Authority employees hired after September 30, 1987, do not receive any retiree medical or life insurance benefits.

The Authority has no unfunded pension liability or other post-employment benefits liability under any of the plans described above.

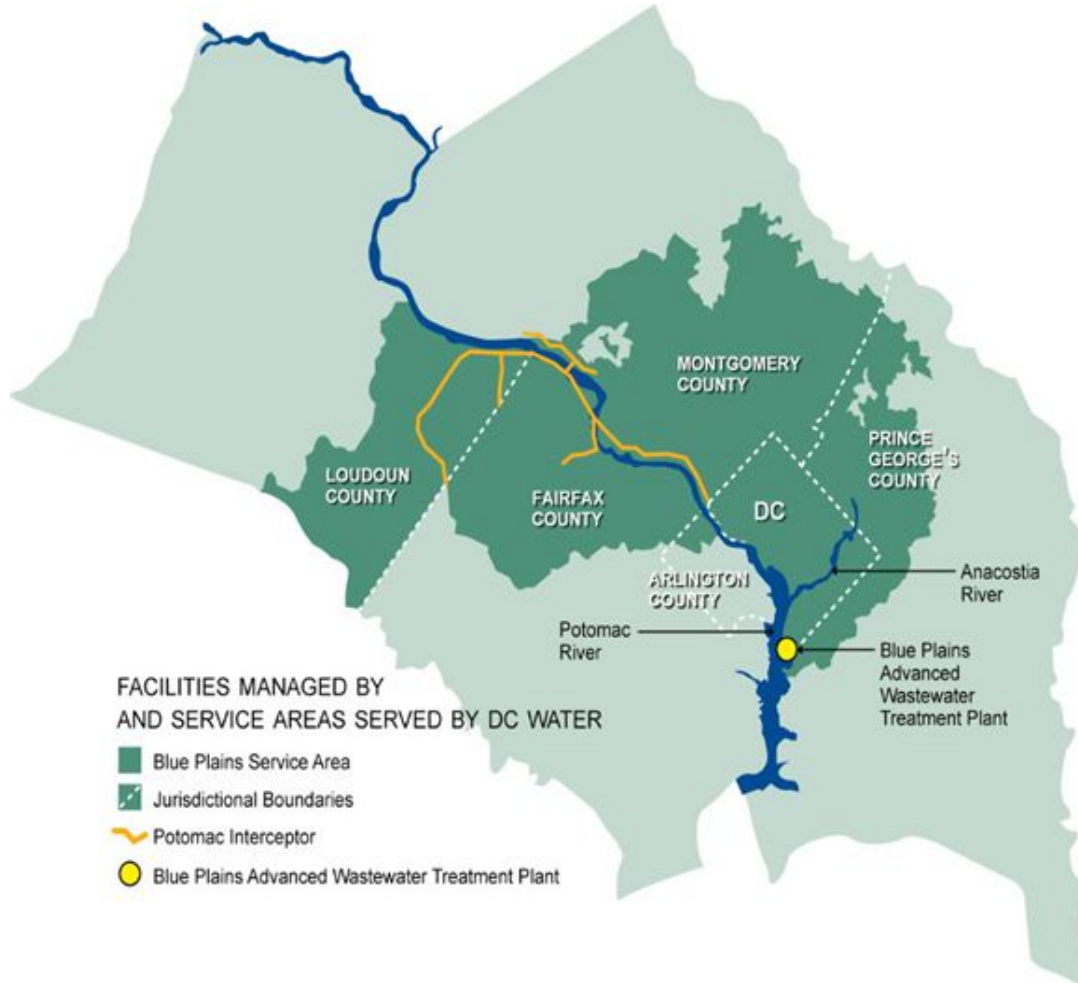
Risk Management and Insurance

The Authority has developed a comprehensive risk management and insurance program which is annually reviewed and periodically bid by management and their independent insurance advisors through qualified brokers and direct insurance writers. The most recent risk management, insurance assessment and bid process was completed in July 2013. The Authority’s insurance policies (including liability insurance and workers’ compensation, property, equipment, crime, fiduciary, public officials’ and employment practices liability) were renewed in July 2015. Since the passage of the Terrorism Risk Insurance Act of 2002 (“TRIA”), terrorism coverage is included under all insurance policies.

[Balance of page intentionally left blank]

THE SYSTEM

The Authority provides retail water distribution to the District and wastewater treatment, collection and disposal services to the District and certain neighboring counties in Maryland and Virginia. The following section describes the Water and Wastewater Systems of the Authority, including a description of the Aqueduct.



The Wastewater System

History and Description of Blue Plains Advanced Wastewater Treatment Plant

The Authority operates the Blue Plains Advanced Wastewater Treatment Plant (“Blue Plains”), the largest advanced wastewater treatment facility in the United States. The original wastewater treatment facility at the site of Blue Plains was built in 1938. The original facility provided only primary treatment for up to 130 million gallons per day (“mgd”). Subsequently, there have been several expansions and upgrades. Since 1983, Blue Plains has provided advanced treatment, which includes nutrient removal, filtration and dechlorination. The most recent expansion of Blue Plains was completed in 1997, which increased the plant’s capacity to 370 mgd.

Service Area

The Blue Plains service area includes the District (retail service), parts of Fairfax and Loudoun Counties, the Town of Vienna in Virginia, parts of Prince George's and Montgomery Counties in Maryland, Washington Dulles International Airport and various U.S. Government agencies located in Virginia and Maryland (wholesale service). The population of the Blue Plains service area totals approximately 2.2 million, consisting of more than 640,000 residents of the District and 1.6 million residents of the surrounding jurisdictions. In addition, the Authority annually serves approximately 17.8 million visitors to the area and approximately 700,000 workers in the District.

Wholesale Customer Agreements

Intermunicipal Agreements – In 1985, the District signed the Blue Plains Intermunicipal Agreement of 1985 (the "1985 IMA") with Fairfax County in Virginia, Montgomery and Prince George's Counties in Maryland and the Washington Suburban Sanitary Commission (the "WSSC") in order to address wastewater treatment, biosolids management and cost allocation rights, obligations and objectives with respect to Blue Plains. A significant portion of the wastewater collection and all of the wastewater treatment and related biosolids management required by the 1985 IMA was provided by the District at Blue Plains until 1996, when the District created the Authority as an independent authority with regional responsibilities to provide those services through the operation and management of Blue Plains and associated facilities. The District, however, retained and continues to hold title to the real property, appurtenances and fixtures of Blue Plains.

The 1985 IMA was replaced in 2012 by a new Intermunicipal Agreement (the "2012 IMA"), which was negotiated, approved and executed by each of the signatories to the 1985 IMA, in addition to the Authority. The 2012 IMA incorporates provisions and establishes terms relating to: facility location; current and long-range infrastructure planning and development; allocation of wastewater treatment capacity of Blue Plains and associated facilities and related peak flows for the collection system; funding and allocation of the capital costs of wastewater treatment, biosolids management and O&M costs; responsibilities with respect to pretreatment and operational requirements; the process of making future wastewater capacity planning decisions, including load allocations; mechanisms for coordination among the parties; and long-term management of the wastewater treatment and disposal process. Under those terms, the cost of operations and maintenance of Blue Plains are shared among the 2012 IMA signatories on an actual basis, whereas the costs of the capital program of Blue Plains are shared among the 2012 IMA signatories commensurate with their respective capacity allocations, with 45.8% of Blue Plains flow capacity allocated to the District and the remainder to the WSSC (on behalf of Montgomery and Prince George's Counties) and Fairfax County. The 2012 IMA also establishes the Authority's right to require the User Jurisdictions to off-load flows to other wastewater treatment plants as necessary to provide the Authority capacity as needed to serve the District's portion of the service area.

Potomac Interceptor Agreements – Since October 1963, the District has entered into separate, limited allocation agreements with several entities that were tributaries to the Potomac Interceptor sewer as provided by statute. Certain of those agreements remain in effect and include users that did not participate in the IMA as signatories, but are allocated flow capacity under the 2012 IMA in accordance with the original individual agreements they entered into with the District prior to the 1985 IMA. Those entities include the Department of Transportation/Federal Aviation Administration on behalf of Washington Dulles International Airport, the Department of the Navy, the National Park Service, and the Town of Vienna, Virginia, which together account for less than 1% of Blue Plains allocated flow capacity. These Potomac Interceptor agreements provide for the pro-rata recovery, through the District, of the Authority's costs of constructing, operating and maintaining the Potomac Interceptor sewer and certain major interceptor sewers within the Blue Plains service territory. A separate Potomac Interceptor agreement was executed after the 1985 IMA with the Loudoun County Sanitation Authority and is described below.

Loudoun County Sanitation Authority Agreement – In November 1998, the Authority and the District executed an agreement with the Loudoun County Sanitation Authority ("LCSA") allocating the right to limited Potomac Interceptor flow capacity to the LCSA, including the treatment and disposal of the associated wastewater at Blue Plains. Consistent with that agreement, the 2012 IMA allocates commensurate Blue Plains flow capacity to the LCSA, although it is also not a signatory to the IMA. The agreement requires LCSA to pay for its share of the Potomac Interceptor and Blue Plains operating and capital costs, following the IMA methodology (i.e., based upon metered flows for operating costs and a pro rata capacity allocation for capital costs).

Wastewater Collection

The wastewater collection system consists of approximately 1,800 miles of sanitary, stormwater and combined sewers, 125,000 building sewer laterals, 22 flow-metering stations, nine off-site wastewater pumping stations and 16 stormwater pumping stations. The Authority has completed detailed assessments and a large number of improvements to many of the pumping stations. See "THE SYSTEM – Wastewater Regulation and Permits" below.

Sanitary Sewer System

A sanitary sewer system serves two-thirds of the District's land area. The system includes 600 miles of interceptor and sewer collection pipes with eight sanitary pumping stations. The typical operation is a gravity flow system with a few pumping stations to pump across higher grades in the District. A series of recent upgrades to the Authority's sanitary sewer system have made the system compliant with new code standards and regulations, and increased the efficiency and effectiveness of several of the system's pump stations.

Combined Sewer Overflow Wastewater System

Approximately one-third of the District's land area is served by a combined sewer overflow ("CSO") wastewater system that combines both stormwater and wastewater in a single conveyance system. Combined sewer systems are common among older cities throughout the United States. The District's combined sewer system conveys only sanitary flow to Blue Plains during dry weather. During and immediately following periods of heavy rainfall, however, the combined sanitary and stormwater flows frequently exceed the capacity of the combined sewer system and a combination of stormwater and untreated wastewater is discharged through one or more of the 53 existing CSO outfalls authorized in the Authority's NPDES Permit. See "THE SYSTEM - Wastewater Regulation and Permits – NPDES Permit" below.

Biosolids Disposal

In the second quarter of Fiscal Year 2015, the Authority fully implemented its new Blue Plains biosolids processing facilities featuring thermal hydrolysis and anaerobic digestion. Operation of these facilities resulted in a reduction in biosolids production from 1200 tons per day (60 truckloads) to approximately 500 tons per day (25 truckloads). Currently these biosolids are considered Class B (as defined by EPA) and are applied directly to farmland at various sites in Virginia and Maryland, with disposal in landfills being utilized as an alternate method if weather conditions do not allow land application. In the fourth quarter of Fiscal Year 2015, the Authority expects that EPA will upgrade the status of the biosolids produced at Blue Plains as Class A (as defined by EPA). Such an upgrade will provide the Authority with greater flexibility in its efforts to recycle biosolids produced at Blue Plains. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects."

Wastewater Regulation and Permits

NPDES Permit. Blue Plains is authorized to discharge treated effluent to the Potomac River through two outfalls (Outfalls 001 and 002) pursuant to an NPDES permit (the "NPDES Permit") that was reissued to the Authority by the U.S. Environmental Protection Agency. The NPDES Permit became effective on September 30, 2010, and expires on September 30, 2015, though the permit will automatically remain in effect until a new permit is issued. The Authority expects the NPDES Permit to be reissued for an additional five-year term, effective as September 30, 2015. Discharges through Outfall 002, which consist of sanitary flow and some combined sewer flow from the CSO system during and following rainfall events, receive complete treatment. Combined sewer flows that exceed Blue Plains' capacity to provide complete treatment receive partial treatment and are discharged through Outfall 001. The NPDES Permit also authorizes discharges to the Anacostia River, the Potomac River and Rock Creek from the combined sewer system through a total of 53 CSO outfalls and four emergency relief outfalls.

The NPDES Permit requires that discharges from the CSO outfalls not exceed those limits necessary to comply with applicable water quality standards under the Clean Water Act, 33 U.S.C. § 1251 et seq. (the "Clean Water Act"). The Authority was the first agency to meet the voluntary nutrient reduction goal of the 1987 Chesapeake Bay Agreement. See "– *The Chesapeake Bay Agreements*" below. The NPDES Permit also requires the development and implementation of a Nine Minimum Controls program (the "NMC Program"), consisting of proper operation and maintenance of the existing collection and treatment system to minimize untreated discharges from the CSO outfalls, as well as the implementation of a CSO Long-Term Control Plan (the "DC Clean Rivers Project") designed to control CSO discharges to prevent them from causing or contributing to violations of applicable water quality standards.

The DC Clean Rivers Project continues on schedule. The current FY 2015 - FY2024 CIP includes approximately \$1.6 billion for the costs of the DC Clean Rivers Project and combined sewer projects. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Combined Sewer Overflow Projects." Implementation of the DC Clean Rivers Project is required by a consent decree (the "2005 LTCP Consent Decree") dated March 25, 2005, among the Authority, the District, and the United States. The Authority successfully renegotiated the terms of the 2005 LTCP Consent Decree to allow the Authority to incorporate certain green infrastructure ("GI") in the DC Clean Rivers Project and remain in compliance with the 2005 LTCP Consent Decree. With the modifications to the 2005 LTCP Consent Decree, the DC Clean Rivers Project will create 17 miles of tunnels with a combined storage capacity of 187 million gallons, five new tunnels, a dewatering pumping station, several diversion structures and sewers to collect CSO overflows, and green infrastructure to control selected CSOs. Effective May 1, 2009, the Authority implemented a rate

structure that more equitably allocates the costs of the DC Clean Rivers Project to retail customers based on the impervious surface area on customers' properties. See "CUSTOMER BASE, RATES AND CHARGES – Rate-Setting Authority – Components of Retail Rates and Charges – Clean Rivers Impervious Area Charge."

Industrial Pretreatment Program. As with most large wastewater systems, the Authority, under the provisions of the Clean Water Act, operates an industrial pretreatment program to control the discharge into the wastewater system of industrial wastewater containing certain toxins or prohibited pollutants. The Authority regulates 71 "significant industrial users" as defined by EPA regulations. Twenty-five of these users are located within the District; the remaining users are located in the User Jurisdictions.

Wastewater Consent Decree and Stipulated Agreement and Orders. Upon its creation, the Authority assumed responsibility for compliance with various legal actions taken against the District related to operation of, and discharges from, Blue Plains, specifically including a judicial Consent Decree issued in 1995 (the "1995 Consent Decree") and a subsequent Stipulated Agreement and Order (the "1996 Stipulated Agreement and Order"). The Authority is presently in compliance with all of the requirements under each of the 1995 Consent Decree and the 1996 Stipulated Agreement and Order. The EPA Region III has acknowledged satisfaction of these requirements, although the 1995 Consent Decree remains in effect.

The Chesapeake Bay Agreements. In 1987, the Mayor of the District and the Governors of the Commonwealths of Virginia and Pennsylvania and the State of Maryland entered into the 1987 Chesapeake Bay Agreement, committing each jurisdiction to, and subsequently achieving, a 40% reduction of nutrients such as nitrogen and phosphorus reaching the main stem of the Chesapeake Bay by the year 2000. In 2000, the parties entered into Chesapeake 2000, a comprehensive agreement to guide further efforts to improve the water quality in the Chesapeake Bay through 2010. Unlike many municipal wastewater treatment facilities that discharge into the Chesapeake Bay, the Authority has historically removed phosphorus and nitrogen and is currently meeting the reduction goal. As a supplemental environmental project in settlement of liability for stipulated penalties under the 1995 Consent Decree, the Authority installed a pilot program to test a nitrogen reduction process on one-half of its wastewater, which demonstrated a greater than 40% nitrogen reduction in completely treated effluent. As a result, in 2000, the Authority began operation of full plant scale biological nutrient removal.

The NPDES Permit required the Authority to comply with a new total nitrogen discharge limit by January 1, 2015. The new total nitrogen discharge limit matches the 2010 goal of the Chesapeake 2000 Agreement. The Authority negotiated with EPA Region III to define the scope and schedule of capital improvements necessary to implement this modification and as a result developed the Blue Plains Enhanced Nitrogen Removal Facilities program ("ENRF"), which is designed to improve treatment processes to achieve advanced treatment with nitrification and denitrification facilities. The ENRF was completed and began treating the full Blue Plains plant flow in October, 2014. As a result of the successful completion and placement in service of the ENRF, the Authority satisfied its obligation under the NPDES Permit to reduce nitrogen discharge from Blue Plains by January 1, 2015. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects."

Air Quality Issues. In March 2008, the Authority submitted an application to the District of Columbia Department of Environment for a Title V air quality operating permit pursuant to Chapter 3 of Title 20 of the District of Columbia Municipal Regulations (referred to as a Chapter 3 Operating Permit). As of the date of this Offering Memorandum, the Authority's application was still pending.

Future Matters. In addition to continued compliance with its current permits and regulations described above, in the future, the Authority's wastewater discharges may become subject to additional requirements based on new federal or local requirements. As the EPA promulgates additional regulations, the Authority may be required to modify operations and/or construct facilities beyond those contemplated in the CIP.

The Water System

The Washington Aqueduct

Established in 1852, the Washington Aqueduct Division of the U.S. Army Corps of Engineers (the "USACE") provides water to the District and parts of Virginia. The USACE owns and operates the Washington Aqueduct (the "Aqueduct"), including its two water treatment plants, raw water conduits, reservoirs, pumping stations and treated water transmission lines.

The Aqueduct facilities supply treated water to distribution systems of the Authority, Arlington County, Fairfax County Water Authority ("FCWA") (collectively, the "Aqueduct Customers"), the federal government, and other parts of northern Virginia. As of January 3, 2014, FCWA assumed ownership and operation of the water distribution

system previously owned and operated by the City of Falls Church. The Authority is responsible for managing the treated Water System that serves the District and several other governmental customers outside the District. The Authority purchases approximately 73% of the finished water produced by the Aqueduct, and Arlington County and the FCWA, Virginia purchase the remainder. The Authority’s share of the water purchased from the Aqueduct in the last ten Fiscal Years is set forth in the following table. For a discussion regarding the reduction in consumption and customer demand, see “CUSTOMER BASE, RATES AND CHARGES – Customer Demand.”

Historical Water Demand

Fiscal Year ended September 30	Annual Deliveries to System (MG)	Average Day (MGD)	Max Day (MGD)
2005	45,057	123.4	149.6
2006	41,541	113.8	161.6
2007	41,687	114.2	156.5
2008	40,755	111.7	150.5
2009	39,998	109.6	150.4
2010	38,589	105.7	146.9
2011	37,556	102.9	143.7
2012	36,930	100.9	142.9
2013	34,714	95.1	129.7
2014	34,708	95.1	123.7

Source: Authority’s CAFR.

The Aqueduct draws water from the Potomac River, which is the predominant source of water in the District and the User Jurisdictions. As a result of the Potomac River’s importance for maintaining adequate water supply, the Interstate Commission on the Potomac River Basin (“ICPRB”) and the Metropolitan Washington Council of Governments (“COG”), have maintained a drought plan since 1978, through which the Potomac River’s water supply is supplemented by a 23.5 billion gallon reserve that is stored at three separate off-river reservoirs. Due to the maintenance of this strategic reserve, the ICPRB has been able to effectively manage drought conditions and effectively allocate water resources during drought events.

The federal Safe Drinking Water Act Amendments of 1996 authorized the Secretary of the Army with the consent of the Authority, the City of Falls Church and Arlington County to either establish a non-federal public or private utility to receive title to operate, maintain and manage the Aqueduct or to allow the USACE to remain as owner and operator with the Authority, the City of Falls Church and Arlington County having some input into strategic operations, direction, operations and capital improvement of the Aqueduct. In May 1998, the Authority, the City of Falls Church, Arlington County and the USACE executed a Memorandum of Understanding that the USACE would continue to own and operate the Aqueduct facilities. In December 2013, the Authority, FCWA, Arlington County and the USACE executed a revised Memorandum of Understanding to include the FCWA as the successor in interest to the City of Falls Church.

The Aqueduct has developed a capital improvement program, including improvements to the Dalecarlia and McMillan Water Treatment Plants (each a “WTP”), raw water conduits, pumping stations and reservoirs. The proposed lifetime budget for the Authority’s share of the costs of Aqueduct capital improvements totals approximately \$296 million. The Authority estimates in the CIP that the cost of the Washington Aqueduct Project will be \$109 million. See “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Washington Aqueduct Projects.”

Water Sales Agreement

Pursuant to a Water Sales Agreement, dated as of July 31, 1997, by and between the Authority and the USACE (the “Water Sales Agreement”), the USACE sells and furnishes to the Authority all of the finished water that the Authority requires for the operation of the Water System to the extent that the USACE has water and facilities available at the Aqueduct. In accordance with the Water Sales Agreement, the Authority is obligated to make monthly payments into an escrow account to be used by the USACE to cover the Authority’s pro rata share, based on its consumption of water, of the costs of the operation and capital improvement of the Aqueduct. The Authority currently contributes approximately 73% of capital and operating expenditures of the Aqueduct. The Water Sales Agreement will remain in effect until September 30, 2023, unless earlier terminated in accordance with its terms. Thereafter, the Water Sales Agreement may continue until terminated by either party giving the other party not less than six months’ prior written notice.

Water Supply

The Aqueduct obtains its water supply from two Potomac River intakes at Great Falls and Little Falls. Two other regional water suppliers, FCWA and WSSC, also obtain for processing at their drinking water treatment facilities water from the same area of the Potomac River. Water for the Authority is withdrawn at the Great Falls intake and flows by gravity through two nine-mile conduits and is then pumped to the Dalecarlia Reservoir. Water also may be withdrawn from the Little Falls intake and pumped to the Dalecarlia Reservoir. The Dalecarlia Reservoir acts as a presedimentation basin for water drawn into the Dalecarlia WTP and for water diverted to the Georgetown Reservoir for subsequent treatment at the McMillan WTP.

In 1978, the United States, the District, the State of Maryland, the Commonwealth of Virginia and the FCWA entered into a Low Flow Allocation Agreement to provide a basis for allocation of resources during severe drought conditions and outline procedures to be followed in such circumstances. Water supply reservoirs developed on Little Seneca Creek and the north branch of the Potomac River are designed to augment the natural flow of the Potomac River during low flow conditions and ensure that the Washington metropolitan area will have sufficient water for years to come.

Raw Water Supply Agreements

A series of agreements ensures the continuous adequate supply of water to the Aqueduct's and the Authority's customers. The following are the Authority's raw water supply agreements:

The Savage Reservoir Maintenance and Operation Cost Sharing Agreement was executed in June 1982. Pursuant to the laws of the State of Maryland, the Upper Potomac River District contracted with the District, WSSC, FCWA and Allegheny County, Maryland, to share the operation, maintenance, repair and replacement costs of the Savage Reservoir project located in western Maryland. This agreement provides for releases from Savage Reservoir that mix with, and thereby reduce, the acidic nature of the Jennings Randolph Lake waters. The Savage Reservoir cost-sharing agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Little Seneca Lake Cost Sharing Agreement was executed in July 1982 by and among the District, WSSC and FCWA to construct a dam and reservoir to provide an adequate supply of potable water continuing into the current century. This agreement calls for WSSC to finance, construct, operate and maintain Little Seneca Lake. The Authority's share of the project and operating and maintenance costs under the agreement is 40%. The Little Seneca Lake Cost Sharing Agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Water Supply Coordination Agreement was executed in July 1982 by and among WSSC, FCWA and the Aqueduct to provide for the coordinated operation of its water supply sources and cooperative regional management of the water supply system and the cost-sharing arrangement for any water supply projects for the Washington metropolitan area, if and when they are needed.

The Novation and Future Water Supply Storage Agreement was executed in July 1982, by and among the United States, the Maryland Potomac Water Authority, WSSC, FCWA and the District, to provide for initial water supply storage in the Jennings Randolph Lake reservoir of approximately two billion gallons. The Novation and Future Water Supply Storage Agreement increases the amount of water supply storage to 13.4 billion gallons, or 32% of the reservoir's total storage. Of the remaining reservoir storage 40% is designated for water quality and 28% for flood control.

Water Treatment and Storage

The Authority receives finished water from the Dalecarlia and McMillan WTPs. The original Dalecarlia WTP was completed in 1928, and underwent major expansion and improvements in 1964. The McMillan WTP was constructed in 1985 on the site of the original 1905 plant. The design capacity of the Dalecarlia and McMillan WTPs was based on population growth and water use projections that are greater than have been realized to date. The total treatment capacity of the plants of 370 mgd currently exceeds the day-to-day demands and peak requirements of their respective service areas.

Finished water from the Dalecarlia WTP is pumped by the Dalecarlia Pumping Station to the following reservoirs which serve various pressure zones within the District: Brentwood, Foxhall, Van Ness and Fort Reno Reservoir No. 1 and No. 2. Finished water from the McMillan WTP is pumped by the Authority's Bryant Street Pumping station to District customers. Brentwood and Reno No. 1 reservoirs, which can store up to 143.5 MG of finished water, are the Authority's facilities. The other three reservoirs are owned and operated by the Aqueduct and can

store up to 125 MG of finished water. Flexibility in the distribution system is provided so that each of the two water pumping stations can pump to other reservoirs in the distribution system as circumstances dictate.

Sold vs. Pumped Ratio

The Authority regularly monitors the ratio of water billed to customers (sold water) versus water it purchases from the Aqueduct (pumped water). Unlike many other water utilities, the Authority does not adjust this ratio for water used in normal system activities, such as firefighting and system maintenance, including flushing of water mains and hydrant testing.

The sold versus pumped ratio decreased from 76% in 2013 to 73% in 2014, partly due to one-time non-recurring billing adjustments made for certain Federal government accounts. Water sales figures are derived from the operating budget of the Authority and may not be consistent with the audited financial statements for each year. The cost of unbilled water is not substantial relative to total annual expenses of the Authority.

Water System Regulation and Permits

Drinking Water Quality

The water operations of the Aqueduct and the Authority are subject to the requirements of the federal Safe Drinking Water Act of 1974, 42 U.S.C. § 300f et. Seq., as amended in 1986 and 1996 by Congress. The 1986 amendments to the Safe Drinking Water Act extended the regulatory agenda of the EPA to include, among other things, the development of drinking water standards for 90 contaminants.

The Aqueduct and the Authority are in substantial compliance with all physical, chemical, radiological and bacteriological standards established by the regulations currently in effect under the Safe Drinking Water Act and are studying the potential impacts of proposed rules as well as those still under development by the EPA. As the EPA promulgates additional regulations, there is a potential that the Aqueduct or the Authority will be required to modify operations and/or construct facilities beyond those contemplated by the CIP. The Aqueduct and the Authority management believe, however, that planned capital projects should address all current regulatory requirements.

NPDES Permit and Water Treatment System Sediments

Until April 2003, during high flow periods, the Aqueduct discharged into the Potomac River the river sediments that are removed during the treatment process. The NPDES Permit issued in March 2003 included discharge limitations on sediments. The Aqueduct entered into a Federal Facilities Compliance Agreement (“FFCA”) with EPA Region III, which provides a legally mandated plan and an enforceable compliance schedule for achieving the effluent discharge limitations in the NPDES Permit. The Aqueduct evaluated various options for residuals collection, conveyance, processing and disposal and selected a process which dewateres the residuals on site and transports them off-site for disposal. Construction on this project commenced in Fiscal Year 2008, was completed and placed into service on November 22, 2012. The Authority’s share of the total cost of this project was \$98.6 million. See “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Washington Aqueduct Projects.”

Lead Levels

Pursuant to the Safe Drinking Water Act, the Lead and Copper Rule promulgated in 1991 by the EPA (the “Lead and Copper Rule”) establishes maximum contaminant level goals and action levels for lead and copper. Large water suppliers, such as the Authority, are required to perform periodic monitoring and optimize corrosion control of water so as to minimize leaching of lead and copper contaminants into drinking water. If more than 10% of the tap water samples contain lead above the “action level” of 15 micrograms per liter, the water supplier is required to perform public education and to optimize the corrosion control treatment. If, after optimal corrosion control treatment has been implemented, the lead level in water at the tap continues to exceed the action level, the supplier must annually replace 7% of existing lead service lines that it owns. Alternatively, the water supplier may demonstrate through testing that individual lead service lines that it owns do not have lead levels above the action level (called “sampling in lieu of replacement”). The supplier may perform a combination of these two actions to attain the 7% annual replacement level. In the District, property owners own the lead service lines.

In August 2002, the Authority reported to EPA Region III that results for the sampling period from July 2001 to June 2002 demonstrated lead levels in excess of the threshold for action established by the Lead and Copper Rule. Elevated lead levels were believed to be linked to changes in the Aqueduct’s water treatment methods. In November 2000, the Aqueduct had switched from free chlorine to chloramines disinfection to reduce the concentration

of disinfection byproducts under the federal Disinfectant Byproducts Rule. Elevated lead levels began appearing within a year of the chlorine/chloramines switchover.

In February 2004, EPA Region III commenced an audit of the Authority's compliance with the Lead and Copper Rule and found noncompliance with regard to sampling, monitoring, public notification and reporting requirements. In an Administrative Order dated June 17, 2004, as supplemented on January 14, 2005, and amended on June 8, 2005 (collectively, the "Administrative Order"), EPA Region III and the Authority agreed to remedies for the issues identified by the compliance audit. The Authority and the Aqueduct undertook appropriate measures to implement corrosion control treatment. Lead levels have consistently been below the action level since 2005 and the Authority is no longer subject to the Administrative Order from EPA Region III.

Pursuant to a Consent Agreement and Final Order ("CAFO") executed on May 2, 2007, the Authority agreed to pay a civil penalty in the amount of \$10,000 to EPA Region III for certain alleged reporting violations of the Lead and Copper Rule. The CAFO resolved all of the civil claims in connection with these allegations. EPA Region III and the DOJ also conducted an investigation to determine whether any criminal violations occurred in connection with the Annual Report on Lead Service Replacement Program the Authority filed with EPA Region III in October 2003 and the two different methods the Authority used to test lead levels. In October 2008, EPA Region III and the DOJ informed the Authority that it would take no adverse action against the Authority, thereby resolving all criminal claims against the Authority in connection with this matter.

In addition to the measures undertaken by the Authority pursuant to the Administrative Order, in 2004 the Authority commenced a voluntary lead service replacement program, even though not legally required to do so under the Lead and Copper Rule. In order to reduce adverse impacts and costs to ratepayers, lead service replacement construction work was performed in conjunction with sewer laterals, small valves and water main repair work, and the replacement of broken or defective hydrants. However, this resulted in a large number of partial lead service replacements because many property owners declined to replace the lead service line on their private property. In 2008, in response to research indicating that partial lead service replacements are not effective in reducing lead levels, the Authority discontinued its accelerated replacement program. In September 2009, the Board approved modifications of the Authority's lead service replacement policy to encourage full service line replacements and to manage costs. Under the modified policy, public lead service lines (between the main and the property line) will continue to be replaced with copper pipes in conjunction with: (i) the Authority's water main replacement projects when the Authority must replace the water service pipe to connect to a new water main, and (ii) when the customer replaces the private portion of lead service lines and requests that the Authority replace the public portion of the lead service line.

A study authored by Marc Edwards, PhD, an engineer at the Virginia Polytechnic Institute and State University, and Dana Best, MD, a physician at the Children's National Medical Center, published in the March 1, 2009, issue of *Environmental Science and Technology*, found that the number of toddlers and infants with high blood-lead concentrations more than doubled in certain District neighborhoods that experienced rising lead concentrations in 2001 (the "Edwards Study"). These findings contradicted a report published by the Centers for Disease Control and Prevention (the "CDC") on March 30, 2004 (the "2004 CDC Report"), which found that lead might have contributed a small increase in blood lead levels and claimed that no children with dangerously high blood lead levels were found in the District.

The Edwards Study prompted the U.S. House of Representative's Committee on Science and Technology to open an investigation into the 2004 CDC Report. The Majority Staff of the Subcommittee on Investigations and Oversight of the Committee on Science and Technology issued a report on May 20, 2010, releasing its findings. The Subcommittee's primary findings include, among others, that (i) the CDC knowingly used flawed data in drafting the 2004 CDC Report, leading to "scientifically indefensible" claims being included in the 2004 CDC Report, and (ii) the CDC failed to publicize later research showing that the harm was more serious than the 2004 CDC Report suggested. In May and June 2010, the CDC issued two notices to the readers of its digest, *Morbidity and Mortality Weekly Report*, admitting that the 2004 CDC Report was misleading and that it "should not be used to make conclusions about the contribution of water lead to blood levels in DC, to predict what might occur in other situations where lead levels in drinking water are high, or to determine safe levels of lead in drinking water." In December 2010, the CDC published a study of the District's water supply conducted from 1998 to 2006, which concluded that children living in the District were exposed to high levels of lead despite an attempt to prevent the water from being contaminated by partial lead service replacements. The 2010 CDC Study confirms information the Authority received in previous years which led the Authority in 2008 to discontinue the partial lead service line replacements. Partial line replacements can cause agitation that temporarily releases lead into the home, which can cause a temporary spike in lead levels. As described above, the Authority modified its lead service line replacement program in 2009 and continues its efforts to address lead in drinking water by: (i) monitoring household lead levels to ensure drinking water is in compliance with the EPA drinking water standards, (ii) conducting research on household plumbing characteristics, (iii) offering free lead testing, (iv) recommending full lead service replacements on public and private property, (v) providing free water filters and lead testing following a full or partial lead service line replacement, (vi) recommending that pregnant women and children

under the age six should use filtered tap water for drinking and cooking until all sources of lead impacting water are removed, and (vii) participating in coordinated District interagency meetings and responses to lead in water issues.

The Authority estimates the cost of the lead service line replacement program in the CIP at \$13.6 million. Since inception of the line replacement program through March 31, 2015, the Authority expended \$147.2 million on the lead service line replacement program. See “CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Water Projects.”

Protection of the Water System and Wastewater System

In 2000, the Authority developed and began implementing an extensive security program in conjunction with the District’s Metropolitan Police Department and various federal agencies, including the Federal Bureau of Investigation and the Bureau of Alcohol, Tobacco and Firearms (the “2000 Security Program”). After the events of September 11, 2001, and in response to certain provisions of the Bioterrorism Act of 2002 and amendments to the Safe Drinking Water Act pertaining to security for community water systems, the Authority developed and implemented additional security measures beyond the 2000 Security Program.

The Aqueduct and each of the Aqueduct Customers has independent obligations under law to protect the community water systems they operate. Both the Authority and the Aqueduct completed studies of Water System vulnerability using the Sandia National Laboratories RAM-W methodology. The vulnerability reports were submitted to EPA Region III in March 2003 to fulfill the Bioterrorism Act requirement for a vulnerability assessment.

Blue Plains and the primary water and sewer distribution facilities it operates are fenced, gated and manned 24 hours a day by security officers. Major security technology video surveillance, intrusion alarm monitoring, and access control management system upgrades are utilized, with significant security technology upgrades in progress at several facilities and properties. The secondary distribution facilities are monitored by vehicular security patrols as well as some security technologies. The Authority also employs cameras and other monitoring equipment at these facilities.

Access to facilities operated by the Aqueduct is also controlled and the Aqueduct has increased security at both staffed and remotely operated facilities. In conformance with the requirements of the Safe Drinking Water Act, the Aqueduct contracted with the Interstate Commission on the Potomac River Basin to develop a source water assessment and monitoring program. The program was implemented in 2002.

While the Aqueduct and the Authority have taken these actions to help ensure the security of the System, the Authority does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities are directed against the System.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority utilizes an annually adopted ten-year Capital Improvement Program to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its Water and Wastewater Systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority and senior management.

The Authority evaluates and prioritizes capital projects based on specific criteria. These criteria are fundamental in developing a CIP based on demonstrated needs and are set forth in the following table and described below.

Capital Improvement Program Criteria
(\$ in thousands)

	Mandates(a)	Health & Safety(b)	Board Policy(c)	Potential Failure(d)	High Profile / Good Neighbor(e)	Good Engineering Practices / High Payback(f)	Good Engineering Practices / Low Payback(g)	Total
FY 2015	\$239,582	\$11,385	\$94,118	\$34,423	\$2,666	\$217,535	\$25,562	\$625,274
FY 2016	264,579	13,570	35,430	36,756	3,615	155,491	39,599	549,040
FY 2017	192,510	16,382	4,192	60,389	8,971	113,124	46,575	442,145
FY 2018	150,521	15,450	1,581	53,947	6,916	112,163	32,549	373,126
FY 2019	154,297	6,580	1,842	44,199	228	107,483	34,706	349,335
FY 2020	175,428	9,992	2,057	51,705	-	96,482	33,257	368,921
FY 2021	133,243	8,361	2,314	16,442	-	104,128	40,048	304,536
FY 2022	108,729	771	1,749	16,884	-	115,081	38,301	281,515
FY 2023	130,748	43	-	23,849	-	125,530	21,885	302,055
FY 2024	96,839	45	-	20,960	-	117,249	13,025	248,117
Total	\$1,646,476	\$82,578	\$143,283	\$359,553	\$22,397	\$1,264,266	\$325,507	\$3,844,063
% of Total	42.8%	2.1%	3.7%	9.4%	0.6%	32.9%	8.5%	

- ^a Agreements, regulatory standards, court orders, issues and permits requirements, stipulated agreements, etc.
- ^b Projects required to address public safety.
- ^c Projects undertaken as a result of the Board's commitment to outside agencies.
- ^d Projects related to facilities in danger of failing or critical to meeting permit requirements.
- ^e Projects that address public concerns.
- ^f Projects that are necessary to fulfill mission and upgrade facilities.
- ^g Lower priority projects.

Source: Authority records.

Since its creation in 1996 through March 31, 2015, the Authority has expended approximately \$4.1 billion, on a cash disbursement basis, for capital improvement projects, including \$2.1 billion for projects at Blue Plains, \$651 million for Water System infrastructure projects, \$1.1 billion for the DC Clean Rivers Project and combined sewer projects, \$264 million for sanitary sewer projects and \$56 million for meter replacement/AMR projects.

The Authority estimates the cost of the Fiscal Year 2015 - 2024 CIP at \$3.8 billion on a cash disbursement basis, including approximately \$883 million for wastewater treatment projects at Blue Plains, \$1.624 billion for the DC Clean Rivers Project and combined sewer projects, \$610 million for Water System infrastructure projects, \$405 million for sanitary sewer projects, \$142 million for capital equipment, \$109 million for Washington Aqueduct Division projects and \$58 million for meter replacement/AMR projects. The Board approved the CIP on February 5, 2015.

Finance and Budget Committee - 4. Action Items

An overview of the CIP project categories and the sources of funding is set forth in the following table.

Fiscal Year 2015-2024 Capital Improvement Program												
Sources and Uses of Capital Funds												
Fiscal Years ended/ending September 30												
(\$ in thousands)												
Description	Actual 2014	2015	2016	2017	2018	Projected 2019	2020	2021	2022	2023	2024	Total
BEGINNING BALANCE	\$ 282,096	\$309,033	\$297,671	\$224,323	\$141,038	\$ 101,389	\$102,715	\$102,986	\$ 102,184	\$ 101,812	\$ 101,974	\$ 309,033
SOURCES OF FUNDS:												
Proceeds from Rev. Bonds	\$ 446,150	\$250,000	\$250,000	\$207,621	\$185,201	\$ 217,189	\$238,858	\$174,732	\$ 144,923	\$ 157,928	\$ 113,925	\$ 1,940,378
Proceeds from Treasury Notes/Digesters Financing Option	-	-	-	-	-	-	-	-	-	-	-	-
Capital Equipment Financing (for 4 yrs @ 3.25%)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Operations	25,025	61,769	49,558	54,513	59,986	70,786	76,047	79,943	83,867	88,414	90,592	715,474
EPA Grants /DC Reimbursement	19,098	51,771	67,169	14,016	10,535	10,535	10,000	10,000	10,000	10,000	10,000	204,027
CSO Grants	18,586	22,200	10,126	-	-	-	-	-	-	-	-	32,326
Wholesale Customer Capital Contributions	200,169	227,745	98,289	81,669	76,366	49,436	41,301	36,875	40,541	43,901	31,626	727,749
Interest Income	164	429	550	1,038	1,389	2,715	2,986	2,184	1,812	1,974	1,424	16,500
Total Sources	\$ 709,192	\$613,913	\$475,692	\$358,858	\$333,477	\$ 350,661	\$369,192	\$303,734	\$ 281,142	\$ 302,218	\$ 247,567	\$ 3,636,454
USES OF FUNDS:												
Water Projects	\$ 53,156	\$ 65,006	\$ 67,546	\$ 58,968	\$ 50,862	\$ 48,795	\$ 61,249	\$ 68,201	\$ 61,153	\$ 59,828	\$ 68,645	\$ 610,253
Blue Plains Projects	355,714	206,260	149,375	121,268	110,405	62,461	64,267	52,006	50,750	37,094	29,285	883,171
Sanitary Sewer Projects	25,961	40,258	42,175	51,076	42,956	39,711	44,960	25,896	33,524	45,712	39,116	405,384
Combined Sewer	13,850	15,192	32,679	34,285	30,856	22,694	12,754	12,630	14,263	15,838	6,687	197,878
Combined Sewer LTCP	204,708	255,909	206,024	125,245	98,235	142,900	163,816	124,328	100,940	123,599	84,755	1,425,751
Stormwater Projects	3,742	2,559	1,178	1,726	1,848	760	772	691	1,115	970	1,270	12,889
Washington Aqueduct Division Projects	11,258	10,000	10,864	10,850	10,936	11,060	11,045	11,226	11,212	11,081	10,842	109,116
Capital Equipment	12,211	22,191	24,810	24,018	15,683	14,282	9,058	9,058	8,058	7,433	7,017	141,608
Meter Replacement / AMR	1,655	7,900	14,389	14,707	11,345	6,672	1,000	500	500	500	500	58,013
Reimbursement for Prior Capital Expend.	-	-	-	-	-	-	-	-	-	-	-	-
Total Uses	\$ 682,255	\$625,275	\$549,040	\$442,143	\$373,126	\$ 349,335	\$368,921	\$304,536	\$ 281,515	\$ 302,055	\$ 248,117	\$ 3,844,063
SOURCES MINUS USES	26,937	(11,362)	(73,348)	(83,285)	(39,649)	1,326	271	(802)	(373)	163	(550)	(207,609)
ENDING BALANCE	\$ 309,033	\$297,671	\$224,323	\$141,038	\$101,389	\$ 102,715	\$102,986	\$102,184	\$ 101,812	\$ 101,974	\$ 101,424	\$ 101,424

Categories of CIP Projects

Wastewater Treatment Projects. Capital projects in the wastewater treatment service area are required to rehabilitate, upgrade or provide new facilities at Blue Plains to ensure that it can reliably meet its NPDES Permit requirements and produce a consistent, high-quality dewatered solids product for land application. The Authority has undertaken several major capital improvement projects to rehabilitate, replace or add new processes and capacity at Blue Plains in recent years, including: (i) a new facility has been placed in service in 2015 to comply with NPDES requirements to reduce nitrogen in the plant effluent; (ii) recently completed facilities to digest solids after thermal hydrolysis treatment, reducing the volume by 50% (reducing hauling and recycling costs) and resulting in production of Class A biosolids, which can be applied to land without any pathogen-related restrictions at the site and also can be bagged and marketed to the public for application to lawns and gardens, thereby increasing beneficial reuse options. The recent upgrades relating to the digestion process include a combined heat and power facility to utilize digester gas produced by the process to generate electricity (up to 30% of plant needs) along with steam for the thermal hydrolysis and digestion process, and a belt filter press facility to dewater the Class A product; (iii) a facility upgrade to improve secondary treatment performance for more efficient overall nitrogen removal capability; (iv) construction of a new facility to treat high nitrogen load dewatering recycles; (v) initiating the design phase for projects to upgrade a raw wastewater pump station, the filtration and disinfection facility and the gravity thickener complex; and (vi) a major design-build project continues to build, by 2018, a tunnel dewatering pump station and enhanced clarification facilities to pump out and treat flows captured through the Authority’s ongoing combined sewer overflow projects.

The projected ten-year disbursements for wastewater treatment projects are approximately \$883 million, which includes approximately \$522 million in disbursements for liquid, plantwide and solids processing projects such as major improvements to filtration, and pumping facilities and \$361 million for the ENRF program projects such as the Tunnel Dewatering Pump Station and Enhanced Clarification Facility.

Sanitary Sewer Projects. The CIP includes approximately \$405 million in projected disbursements for sanitary sewer projects including the rehabilitation of six sanitary sewer pumping stations – Potomac, Main & O, Swirl Facility, East Side, and 3rd & Constitution Avenue, as well as sewer condition assessments that cover 60 miles of the system per year through year 2026. Rehabilitation of the District’s major assets including the Potomac Interceptor, B Street/New Jersey Avenue Trunk Sewer, Northeast Boundary Trunk Sewer, Anacostia Force Main and portions of the other 35 major sewers are also included. Creekbed sewers and sewers under buildings will largely be rehabilitated as part of these projects. The program to rehabilitate other small and large diameter sewers including replacement and lining of laterals, and replacement of manholes, is an ongoing project of the Authority.

In 2009, the Authority completed a Sewer System Facilities Plan (the “Sewer System Facilities Plan”). The Sewer System Facilities Plan will be updated in December 2015. The Sewer System Facilities Plan represents the culmination of an initiative involving sewer inspection and condition assessment, development of a sewer GIS database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement.

Combined Sewer Overflow Projects. The CIP includes \$1.624 billion for the DC Clean Rivers Project and combined sewer projects. The DC Clean Rivers Project is designed to control combined sewer overflow discharges to prevent them from causing or contributing to violations of applicable water quality standards. See “THE SYSTEM – Wastewater Regulation and Permits – NPDES Permit.” Through the DC Clean Rivers Project, the Authority will construct combined sewage storage/conveyance tunnels that are designed to intercept and store water until Blue Plains can receive and treat the combined sewage. The DC Clean Rivers Project includes a variety of capital improvement projects throughout the System including three large tunnel systems which will accommodate the storage of combined sewer overflows (“CSOs”) from storm events until they can be conveyed to Blue Plains for treatment. Approximately one-third of the System is served by a combined sewer system, in which both sanitary sewage and storm water flow through the same pipes. When the collection system reaches capacity, typically during periods of heavy rainfall, the system is designed to overflow the excess diluted sewage or CSOs.

The DC Clean Rivers Project also includes the Authority’s Green Infrastructure (“GI”) initiative. See “THE SYSTEM – Wastewater Regulation and Permits.” The GI initiative is cost-neutral (as compared to the Authority’s tunnel options) and will reduce the size of the tunnels required to serve the Rock Creek and Potomac River by implementing new environmental technologies on a significant scale. GI technologies capture, infiltrate, treat and reuse polluted storm water runoff before it enters the sewer system. Examples of GI technologies include rain gardens, porous pavements, bio-swells, green roofs, infiltration planters, trees and tree boxes, and rainwater harvesting for non-potable uses such as landscape irrigation.

When completed, the DC Clean Rivers Project will reduce the combined sewer overflows by at least 96% (exceeding the EPA standard of 85%), reducing pollution to the Potomac, Anacostia and Rock Creek waterways, improving water quality, and reducing locally generated debris from the combined sewer system and local waterways. The Authority expects to implement the DC Clean Rivers Project, which commenced in March 2005, over a 25-year period^{*}, at a total estimated cost (including funds spent prior to Fiscal Year 2015) of \$2.6 billion.

Stormwater Projects. The projected disbursements for the stormwater service area in the CIP are approximately \$12.9 million and includes extensions to the system and relief of certain sewers as well as rehabilitation or replacement of deteriorated storm sewers. Also included in the budget is the rehabilitation of the stormwater pumping stations (16) operated and maintained by the District.

Washington Aqueduct Projects. The Washington Aqueduct provides wholesale water treatment services to the Authority and other Aqueduct Customers. See “THE SYSTEM – The Water System – The Washington Aqueduct.” Under federal legislation enacted and a memorandum of understanding executed in 1997, the Aqueduct Customers have a role in the oversight of the Aqueduct’s operations and its capital improvement program. The Aqueduct successfully designed, constructed and implemented a new orthophosphate corrosion control system at its water treatment plants in 2005 that meets the optimal corrosion control requirements of the Lead and Copper Rule. As a result, periodic sampling by the Authority shows that lead levels are below the action level, which supported the decision of the Authority to significantly modify its lead pipe replacement program. The CIP includes approximately \$109 million for Aqueduct projects. See “THE SYSTEM – The Water System – Water System Regulation and Permits – NPDES Permit and Water Treatment System Sediments.”

Water System Projects. Projects in the water service area are designed to maintain an adequate and reliable potable water supply to customers and to provide required fire protection for the District. Categories of projects include the rehabilitation and replacement of water mains, water service connections, storage facilities, and pumping stations. The Authority has completed several critical improvements to the Water System, including cross connection removal, and major pumping station and storage facility rehabilitation.

The CIP includes approximately \$610 million in projected disbursements for Water System projects, including new system storage facilities, large diameter water main rehabilitation, 1% renewal of small diameter water mains (including ancillary items, like fire hydrants, valves and service connections) DDOT-related water main projects, and continued funding for the water lead program. See “THE SYSTEM – The Water System – Water System Regulation and Permits – Lead Levels.”

Capital Equipment Projects. The CIP includes approximately \$142 million for major information technology projects, vehicle fleet upgrades and maintenance of large equipment projects at Blue Plains and the major water and sewer pumping stations.

Meter Replacement Projects. The CIP includes approximately \$58 million for ongoing meter replacements and continued AMR system improvements and upgrades to the AMR equipment. This planned upgrade is part of the Authority’s preventative maintenance program for the advanced meter infrastructure, which collect approximately 260,000 meter readings per day and are an essential asset to the Authority’s billing process. The upgrades allow the Authority to move to the current version of AMI software and replace aging meters and meter data communication equipment.

CIP Financing Sources

The Authority expects to finance the CIP from the sources summarized below.

Revenue Bonds/Commercial Paper Notes/EMCP Notes. The Authority expects to finance approximately \$1.94 billion, or 53.4% of the CIP financing sources, with new long-term debt. The Authority has used, and expects to use in the future, its Commercial Paper Notes to fund capital needs on an interim basis, followed by issuance of long-term revenue bonds to retire outstanding Commercial Paper Notes and provide permanent financing for CIP costs. As approved by the Board, the total amount of Commercial Paper Notes outstanding at any time cannot exceed \$150 million. As of the date of this Offering Memorandum, \$12 million of the Series B CP Notes and \$29.2 million of the Series C CP Notes were outstanding. The Series B CP Notes and the Series C CP Notes will be retired in installments from proceeds of future tax-exempt bonds. The Authority also intends to use proceeds from the sale of the Series A EMCP Notes and, potentially, additional series of EMCP Notes as an additional CIP financing source.

^{*} The 25-year completion period is the result of successful negotiations between the Authority and EPA regarding the date by which the Authority must comply with the 2005 LTCP Consent Decree. Notably, however, the CIP contemplates that the DC Clean Rivers Project will be implemented over a 20-year period. Despite this difference in the term of the DC Clean Rivers Project, the cost estimates for the DC Clean Rivers Project in the CIP remain accurate.

Wholesale Customer Contributions. Under the terms of the 2012 IMA, the Authority's wholesale customers share the cost of operating, maintaining and making capital improvements at Blue Plains. A separate agreement with the Loudoun County Sanitation Authority ("LCSA") allows the Authority to recoup capital and operating costs from the LCSA on the same basis as provided for in the 2012 IMA. Contribution levels are governed by the agreements that provide for the pro-rata reimbursement for capital improvements based on the capacity allocated to each wholesale customer. The Authority expects to finance approximately \$728 million, or 20.0% of the CIP financing sources, with capital funding from wholesale customers. As of the date of this Offering Memorandum, all wholesale customers were current on their capital contributions payments.

Federal and Other Grants. The Authority receives annual grants under the Clean Water Act and Safe Drinking Water Act for a variety of projects at Blue Plains and for the Water System. In addition, the Authority has received a special Congressional appropriation for improvements to the combined sewer system. The Authority expects to finance approximately \$236 million, or 6.5% of the CIP financing sources, with federal grants. Pursuant to the Safe Drinking Water Act and the Clean Water Act, the federal government makes annual appropriations for projects to improve drinking water supplies and wastewater treatment. Unlike most public water or wastewater utilities, the Authority receives appropriations in the form of grants and not as loans pursuant to a State Revolving Fund program. Under the terms of these grants, payments to the Authority are made on a reimbursable basis, with unclaimed appropriations remaining available to be obligated in subsequent years.

Under the Wet Weather Water Quality Act of 2000 that codified the EPA's 1994 National CSO Policy, the U.S. Congress authorized grant funding for the DC Clean Rivers Project. These appropriations require a 50% match from the Authority. As of March 31, 2015, the Authority had received \$210.8 million in grant funding for the DC Clean Rivers Project.

Pay-As-You-Go Financing. Revenues in excess of those required to meet operating and maintenance expenses, to make debt service payments and to fund reserves can be used, at the discretion of the Authority, to fund a portion of the CIP. The projected financial operations of the Authority assume that such amounts are used as a source of funds for the CIP. In addition, the Authority has established a separate line item in its operating budget beginning in Fiscal Year 2015 to provide funds for additional cash-financed capital construction, the defeasance of debt, or other uses at the discretion of the Authority. The projected financial operations of the Authority assume that the amounts in this line item are also used a source of funds for the CIP. The Authority expects to finance approximately \$715 million, or 19.7%, of the CIP financing sources with pay-as-you-go funds.

The Board has also adopted a policy that authorizes any funds in excess of the operations and maintenance reserve and any other significant one-time cash infusions to be used to finance the CIP or to pay off higher cost debt. The projected financial operations of the Authority assume that no funds are currently available from these potential sources at the time of this Offering Memorandum.

Interest Income on Bond Proceeds. Subject to Federal tax law requirements relating to use of the proceeds of tax-exempt bonds, the Authority uses interest earned on the proceeds of its bonds as a source of funds for the CIP. This interest income is treated as non-operating revenue of the Authority that is available to pay debt service, if needed. The use of this income for capital funding purposes represents another source of pay-as-you-go capital. The Authority estimates that \$16.5 million in interest income will be available to finance the CIP.

Cost Estimates

Although actual bid prices for recent construction projects, on average, have been slightly below the engineering cost estimates for such projects, the costs shown in the CIP reflect the Authority's practice of increasing construction cost estimates by 3% annually to the midpoint of construction. There are no assurances that the actual rate of inflation in construction costs will not increase significantly above the assumed rate of inflation or that such increases will not have an adverse impact on the financial operations of the Authority.

An additional consideration regarding the construction cost estimates is the value of change orders relative to the total cost of construction work performed. The cost of construction-related change orders executed by the Authority for contracts undertaken during the five-year period from Fiscal Year 2010 through Fiscal Year 2014 was \$26 million, or 5.3% of the total original value of the contracts of \$493 million for this period. The relatively low value of change orders compared to the total construction costs incurred is an indication that project designs are thorough and that projects are being effectively managed during construction.

CUSTOMER BASE, RATES AND CHARGES

Customer Categories and Accounts

As of September 30, 2014, the System had 127,079 active, metered water and wastewater accounts (37 of which are accounts of the Authority and two of which are accounts of the Aqueduct). Except for wholesale accounts, the majority of accounts receive both water and wastewater service. The Authority’s customer accounts are divided into four categories: residential, commercial, governmental and wholesale. The number of accounts in each of the categories is as follows:

<u>Customer Category</u>	<u>Number of Accounts</u>	<u>% of Total Operating Revenue</u>
Residential ¹	104,965	35%
Commercial	19,433	28
Governmental		
Federal	542	8
District of Columbia	641	4
D.C. Housing Authority ²	1,452	2
Wholesale	7	20
Other	[2]	[3]
Total	<u>127,079³</u>	<u>100%</u>

¹ Includes single-family and multi-family accounts

² The D.C. Housing Authority is the only District agency that is billed separately. The remainder of District agencies are billed as part of a composite bill for the government.

³ The Authority and the Aqueduct maintain a total of 39 (37 by the Authority and two by the Aqueduct) accounts from which the Authority derives no revenue.

Source: Authority records.

Customer Base

The Authority’s customer and revenue base is diverse, consisting of a wide variety of residential, commercial and governmental customers, as well as wholesale wastewater customers. For the three year period from Fiscal Year 2012 through Fiscal Year 2014, the commercial customer revenue represented about 21.5% of total operating revenue.

This group includes a variety of commercial uses, including nationally recognized universities and regional hospitals, commercial office space with tenants that are national associations, lobbying firms, major law firms and large hotels. The following table reflects the Authority’s ten largest commercial customer accounts in Fiscal Year 2014, which in aggregate represented 3.6% of total operating revenues.

[Balance of page intentionally left blank]

Ten Largest Commercial Customers (2014)

Customer	Revenue	% of Total Operating Revenues
Howard University	\$2,662,949	0.6%
George Washington University	2,609,611	0.6
Georgetown University	2,605,884	0.5
William C. Smith & Co.	2,277,833	0.5
Washington Hospital Center	1,671,855	0.4
Horning Brothers	1,347,287	0.3
American University	1,125,050	0.2
Amtrak	984,336	0.2
Georgetown University Hospital	955,353	0.2
Metropolitan Washington Airports	807,803	0.2
Total	\$17,047,961	3.6%

Source: Authority records.

The Authority serves many facilities of the federal government as well as the District of Columbia. In Fiscal Year 2014, government revenue represented approximately 8% of total operating revenues. The following table reflects the Authority's ten largest government customers in Fiscal Year 2014, which in aggregate represented 6.8% of total operating revenues.

Ten Largest Government Customers (2014)

Customer	Revenue	% of Total Operating Revenues
U.S. General Services Administration	\$7,598,077	1.6%
D.C. Housing Authority	6,308,902	1.3
U.S. Congress	4,019,627	0.8
Department of Defense (VA)	3,275,936	0.7
Smithsonian Institution	2,810,786	0.6
D.C. Board of Education	2,391,393	0.5
Bolling Air Force Base	1,928,617	0.4
Federal Naval Research Lab	1,542,370	0.3
National Park Service	1,363,657	0.3
D.C. Recreation and Parks	1,216,398	0.3
Total	\$32,455,763	6.8%

Source: Authority records.

Customer Demand

The following table shows the average percentage of annual water consumption by customer category for the period from Fiscal Year 2010 through Fiscal Year 2014. The results illustrate the diversification of the Authority's customer base.

**Average Annual Consumption By Customer Category
Fiscal Years 2010 – 2014
(millions of Ccf)**

	<u>Average Annual</u>	<u>Percent of Total</u>
Residential Single-Family	7.94	21.70%
Residential Multi-Family	7.66	20.90
Commercial	13.25	36.20
Federal Government	5.41	14.80
D. C. Municipal Government	1.02	2.80
D. C. Housing Authority	0.83	2.30
D.C. Water	0.26	0.70
Special Accounts ¹	0.25	0.70
Total Consumption	36.62	100.00%

¹ See “THE SYSTEM – Customer Base Rates and Charges – Special Accounts.”
Source: Authority Records

The following table shows historical consumption for the Authority’s customer categories for Fiscal Years 2010 through 2014, and projected consumption for Fiscal Years 2015 through 2019. The Authority’s implementation of the AMR program, which included the replacement and repair of meters, significantly reduced estimated meter readings and improved the reporting of actual consumption.

**Historical and Projected Annual Consumption by Major Customer Category
Fiscal Years ended/ending September 30
(Millions of Ccf)¹**

						Projected				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential Single-Family	8.32	8.27	7.88	7.64	7.57	7.46	7.38	7.31	7.24	7.16
Residential Multi-Family	7.99	7.83	7.57	7.46	7.44	7.27	7.20	7.13	7.06	6.99
Commercial	13.16	13.44	13.26	13.16	13.23	13.16	13.02	12.89	12.76	12.64
Federal Government	5.91	6.00	6.07	5.38	3.71	4.53	4.49	4.45	4.40	4.36
D. C. Municipal Government	1.26	1.32	1.20	0.46	0.85	0.73	0.72	0.72	0.71	0.70
D. C. Housing Authority	0.94	0.91	0.78	0.76	0.78	0.78	0.77	0.76	0.76	0.75
DC Water	0.33	0.34	0.34	0.11	0.18	0.24	0.24	0.24	0.24	0.23
Exempt	0.41	0.44	0.15	0.13	0.11	0.07	0.07	0.07	0.07	0.07
Total Consumption	38.32	38.54	37.24	35.11	33.86	34.24	33.90	33.56	33.22	32.89

¹ Total water consumption in FY2016 - 2019 reflects the assumption of a 1% annual decline.

² Totals may not add due to rounding.

Some fluctuation in consumption can occur in a given year due to variations in weather conditions and other factors such as billing adjustments. Consumption increased slightly in Fiscal Year 2011. In Fiscal Year 2012, consumption declined as compared to Fiscal Year 2011 at a rate of 3.4%. Consumption declined in Fiscal Year 2013 and Fiscal Year 2014 by 5.7% and 3.5%, respectively. About 70% of the total decline in Fiscal Years 2013 and 2014 was attributable to reductions in use by the federal government due to federal initiatives to reduce water use and other factors. See “– Rate-Setting Authority” for additional information.

The Authority anticipates that consumption will total 34.24 million Ccf in Fiscal Year 2015, representing an increase of 1.1% from the prior year. The Authority assumes that long-term total water consumption will decline at the rate of 1% per year beginning in Fiscal Year 2016, recognizing that weather conditions and other factors may affect water demand in a given year. The expectation that future sales will decline is consistent with recent trends in the Washington, D.C. region as well as the projected sales in other large cities in the northeast United States.

There is some risk that consumption could be lower than anticipated during the Projection Period. The risk is mitigated to some extent in that revenues from the federal government are determined in advance and then subject to a true-up after the year is completed. Retail revenue that is not consumption-related, such as the meter charge and the Clean Rivers Impervious Areas Charge (“CRIAC”), would also be unaffected. Consumption-based water and sewer revenues within the District are estimated to comprise about 53% of total revenues (excluding withdrawals from the Rate Stabilization Fund) in Fiscal Years 2015 through 2019. The Authority evaluates its water consumption projections annually in connection with its budget preparations and more frequently if the need arises.

Rate-Setting Authority

Retail Rates, Fees and Charges

The Board establishes the Authority's rates, fees and charges. Only the six Board members representing the District vote on setting retail water and wastewater rates and fees for the retail customers who are customers within the District. No approvals from federal or local officials are required in order to set rates.

The Authority has adopted several changes to its existing retail rate structure, which takes effect in Fiscal Year 2016. These changes are designed to better align the Authority's revenues and expenditures by establishing customer class-based volumetric water rates based upon peaking factors, to create a more progressive rate structure for its residential customers by establishing lifeline water rates that discount core consumption and to fund the Authority's water main replacement program by establishing the monthly, fixed Water System Replacement Fee (the "Water System Replacement Fee"). The Board approved the new retail rate structure and Fiscal Year 2016 rates, fees and charges on February 5, 2015. For a chart incorporating the changes to the Authority's rates, fees and charges, see "CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges."

The Authority receives annual grant funding under the Clean Water Act which requires the maintenance of wastewater charges sufficient to defray costs of operation, maintenance and replacement and surcharges for industrial discharges into the System's sewers levied in conformity with formulas set forth in the Clean Water Act and regulations thereunder. Retail revenues, including payments from the federal government, are expected to constitute approximately 78% of the Authority's total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

Federal Government Charges

The Authority's forecasted water and wastewater charges for the federal government are prepared and included in the federal budget 18 months in advance of the commencement of the Authority's Fiscal Year based on the prevailing consumption estimates, projected retail rate increases as included in the current ten-year financial plan and adjustments for prior year true-ups. The federal government budgets for and pays its bills quarterly directly from the U.S. Treasury based on the estimates provided by the Authority in advance. Under the current billing process, any differences between the projected and the actual charges are netted against a future year's billing. Federal government revenues are expected to constitute approximately 6.7% of the Authority's total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

Water consumption billed to Federal accounts has shown a significant reduction compared to prior years, and the Authority has adjusted its future forecasts for federal revenue primarily due to four factors:

- i. An executive order signed by the President created a requirement for federal agencies to reduce potable water and landscaping use water by 2% annually through conservation measures until 2020; Authority conversations and investigations with federal property managers show that significant progress is being made toward this goal through plumbing fixture replacement.
- ii. In the District, the Telework Enhancement Act (the "Telework Act") has resulted in a significant shift to employees working from home, reducing water used at the workplace, and, pursuant to the Telework Act, GSA has strategically reduce the number of buildings it owns and operates in the District in favor of placing employees in shared rental spaces. In the latter case, the water reduction observed in federal buildings is partially made up in the commercial customer billing of DC Water.
- iii. There have been significant adjustments made to federal bills as a result of property sales and transfers between the federal and District governments.
- iv. The Authority accelerated a testing and calibration program on large capacity meters installed at federal properties and observed that some of the meters had degraded and were measuring less water than was actually being consumed. Where possible, the Authority is retroactively billing for the difference in consumption.

Wholesale Customer Charges

The Authority provides wholesale wastewater treatment services to User Jurisdictions at Blue Plains. Each wholesale customer's share of operating costs at Blue Plains is recovered in accordance with the Blue Plains

Intermunicipal Agreement of 1985, the 2012 IMA, the Potomac Interceptor Agreements and the Loudoun County Sanitation Authority Agreement (as discussed in more detail in “THE SYSTEM – The Wastewater System”), and is 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. A User Jurisdiction’s share of capital costs is based on its share of capacity allocations in the plant. Both operating and capital payments are made on a quarterly basis. Wholesale customer revenues are expected to constitute approximately 12.7% of the Authority’s total annual revenues during Fiscal Year 2015 through Fiscal Year 2019 (excluding withdrawals from the Rate Stabilization Fund).

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 November, February, May and August. 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.

Components of Retail Rates and Charges

Water and Wastewater Charges

The Authority recovers the costs of operations, maintenance and debt service through retail rates and fees, wholesale customer charges and other miscellaneous non-operating income such as interest earnings. The primary retail rates and fees are as follows:

- i. Water and Wastewater Consumption Rates. These rates are based on metered water usage and are stated in terms of hundred cubic feet (“Ccf”). Through Fiscal Year 2015, each of the Authority’s three customer classes (i.e., Residential; Multi-Family; and Non-Residential) are charged the same consumption rates. The Authority retained Raftelis Financial Consultants, Inc. (“RFC”) to analyze the allocation of costs between the water and wastewater rates, as well as the peak demand factors of its various customer classes, and to prepare the Fiscal Year 2015 Cost of Service Study (“2015 COS Study”). Based on the results of the 2015 COS Study, the Authority’s management recommended a restructuring of its rates, charges and fees to the Board. On February 5, 2015, the Board approved a resolution adopting this new rate structure to be effective October 1, 2015, for Fiscal Year 2016.
- ii. Customer Metering Fee. The Authority assesses a metering fee to recover costs associated with installing, operating and maintaining meters and the AMR system. The metering fee is charged as a separate line item on retail customer bills and varies by meter size. The metering fee in Fiscal Year 2015 remains unchanged from the prior year.
- iii. Water System Replacement Fee. In Fiscal Year 2016 the Authority will modify its existing rate structure and implement the new meter-based Water System Replacement Fee in order to recover the cost of the 1% renewal and replacement program for water service lines. It is anticipated that the Water System Replacement Fee will generate \$40 million per year from Fiscal Years 2016 through 2019.

Clean Rivers Impervious Area Charge

The Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008 (the “2008 Amendment Act”), enacted by the Council in 2008, amended the Act to authorize the Authority’s General Manager to restrict combined sewer flow into the District from Maryland and Virginia and to require the Authority to, among other things, offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program. The 2008 Amendment Act also amended the District of Columbia Public Works Act of 1954 to broaden the bases for the determination of sanitary sewer service charges to include impervious surface area and to provide for an appeal process for the assessment of an impervious surface fee.

In Fiscal Year 2009, the Authority approved the development and implementation of the CRIAC to recover the costs of the DC Clean Rivers Project, mandated by the EPA Region III pursuant to the 2005 LTCP Consent Decree. The DC Clean Rivers Project will be implemented over a 25-year period at a total cost of \$2.6 billion. See “THE SYSTEM – Wastewater Regulation and Permits – NPDES Permit.” For an explanation of the different term contemplated for the DC Clean Rivers Project in the CIP and under the 2005 LTCP Consent Decree, see “CAPITAL IMPROVEMENT PLAN – Categories of CIP Projects – Combined Sewer Overflow Projects.” Prior to the

implementation of the CRIAC, the DC Clean Rivers Project cost was bundled in the wastewater rate based on the amount of water used.

The CRIAC is based on the amount of impervious area on a property, rather than on the amount of water consumption, which is a more equitable method of recovering the DC Clean Rivers Project costs. It allows the Authority to expand its customer base by charging all properties that generate stormwater, including those that do not use water (e.g., some parking lots). An impervious area is a man-made surface that cannot be easily penetrated by water, such as a rooftop, a paved driveway, a patio, a swimming pool or a parking lot that impedes the percolation of water into the subsoil and plant growth. The Authority maintains a database in which it classifies each parcel located within the District as pervious or impervious. This database and the classifications therein provide the basis for the District’s billing of the CRIAC.

All residential customers are charged Equivalent Residential Units (“ERUs”) based upon six tiers and the amount of impervious surface area on each residential lot as described in the following table.

Tiers	Size of Impervious Area (square feet)	Equivalent Residential Unit	No. of Properties (as of January 2015)
Tier 1	100 – 600	0.6	18,520
Tier 2	700 – 2,000	1.0	77,737
Tier 3	2,100– 3,000	2.4	5,827
Tier 4	3,100– 7,000	3.8	2,588
Tier 5	7,100– 11,000	8.6	132
Tier 6	11,100 and more	13.5	52

Source: Authority records.

The CRIAC is applied to all lots, parcels, properties and private streets throughout the District that are greater than 100 square feet, except for District or federally owned rights-of-way. The CRIAC is added to the customer’s metered service bill and billed monthly unless the property is impervious only and has no other metered water or wastewater service. The CRIAC will be reviewed regularly and adjusted as appropriate by the Board. Effective October, 1, 2014, the Authority’s CRIAC rate is \$16.75 per ERU. The CRIAC Rate will increase to \$20.30 per ERU for Fiscal Year 2016, effective October 1, 2015.

On January 23, 2009, the Mayor of the District signed the Water and Sewer Authority Equitable Ratemaking Act of 2008, which states that DC Water will establish, together with the District Department of Environment (“DDOE”), an incentive program to institute certain eligible best management practices that reduce the amount of stormwater runoff generated from a property. On April 4, 2013, the Board approved a resolution that authorized staff to advertise the CRIAC Incentive Program for public comment and the rulemaking process. The proposed program is a three year pilot credit program for CRIAC that will provide a 4% maximum incentive credit (the actual credit amount is to be calculated based upon the DDOE formula proposed on October 5, 2012), with a not-to-exceed annual budgeted allowance of \$500,000. The public hearing that was held on May 8, 2013, was the formal process for obtaining public input, and a final decision was reached on July 3, 2013. The not-to-exceed annual budgeted allowance of \$500,000 in credits is taken into consideration in the projection of revenues from the CRIAC.

PILOT/Right of Way Occupancy Fee

These fees recover the cost of the PILOT and Right of Way fees (collectively, “PILOT/ROW Fee”), which are charges levied by the District for payments in lieu of taxes and occupancy or use of public spaces or rights of way including that used by the Authority for its underground infrastructure. The Authority passes the PILOT/ROW Fee through to retail customers based on metered water consumption as a separate line item on the bills. Effective October 1, 2014 (i.e., for Fiscal Year 2015), the Authority’s PILOT/ROW Fee was \$0.63 per Ccf. The PILOT/ROW Fee will increase to \$0.64 per Ccf effective October 1, 2015.

Stormwater Fee

The Authority’s retail water and wastewater bills also include a stormwater fee levied on behalf of the District government. The stormwater fee is charged as a separate line item on retail customer bills. Although the Authority no longer administers the program, it will continue to be reimbursed by the District for any stormwater-related expenditure. The DDOE has rate-setting authority for stormwater services provided by the District and the Authority expects to work collaboratively with the DDOE to set future rates. See “THE AUTHORITY – Relationship with the

Finance and Budget Committee - 4. Action Items

District.” Effective October 1, 2014 (i.e., for Fiscal Year 2015), the stormwater fee charged to retail customers was \$2.67 per ERU. The stormwater fee will remain the same for Fiscal Year 2016.

Historical and Projected Water and Wastewater Retail Rates

The Board has raised retail water and wastewater rates regularly since 1996, in line with its policy of implementing rate increases in a gradual and predictable manner. In Fiscal Year 2014, the Authority’s retail rates were \$3.61 per Ccf for water and \$4.41 per Ccf for wastewater. Effective October 1, 2014 (i.e., for Fiscal Year 2015), water rates increased by \$0.27 per Ccf to \$3.88 per Ccf, and the wastewater rates increased by \$0.33 per Ccf to \$4.74 per Ccf. Federal government customers in Virginia pay the Arlington County retail rate, which, as of May 1, 2014, was \$3.07 per Ccf for water or \$4.10 per 1,000 gallons. Federal government customers in Maryland pay according to the WSSC rates, which include a fixed charge and a consumption-based charge that increases with higher levels of usage.

Since 2000, the Board has adopted a series of ten-year financial plans that include annual, gradual rate increases. The latest of these was a retail rate increase for water and wastewater charges of 7.5% for Fiscal Year 2015. For Fiscal Years 2016 through 2019, the Authority’s financial plan projects retail water and wastewater rate increases of an average of 6.5% annually in Fiscal Years 2016 through 2017 and 6.0% in Fiscal Years 2018 and 2019. Rate increases for Fiscal Year 2016 take effect at the beginning of the Fiscal Year (October 1), and were adopted by the Board at its July 2, 2015, meeting.

The Authority’s financial forecast includes an anticipated increase in the CRIAC from \$16.75 per ERU in Fiscal Year 2015 to \$20.30 per ERU in Fiscal Year 2016. Further increases in the CRIAC are expected in Fiscal Years 2017 through 2019.

The following tables set forth historical water and wastewater rates and the CRIAC of the Authority and the projected water consumption and sewer usage rates of the Authority for Fiscal Years 2016 through 2019. The revenue resulting from the CRIAC reduces the amount of revenue that must be raised through wastewater charges, resulting in a lower wastewater rate.

**Historic Water and Wastewater Retail Rates
(\$ per Ccf)**

Fiscal Year	Water Consumption Rate	Sewer Usage Rate	Combined Rate	Percent Increase	CRIAC Rate (Per ERU)	Meter Charge (Per 5/8” Meter)
<i>Historical</i>						
2006	1.93	2.91	4.84	5.5%		2.01
2007	2.03	3.06	5.09	5.0%		2.01
2008	2.14	3.23	5.37	5.5%		2.01
2009 ¹	2.30	3.47	5.77	7.5%		2.01
2009 ²	2.30	3.31	5.61	4.5%	1.24	2.01
2010	2.51	3.61	6.12	9.0%	2.20	2.01
2011	3.10	3.79	6.89	12.5%	3.45	3.86
2012	3.24	3.96	7.20	4.5%	6.64	3.86
2013	3.42	4.18	7.60	5.5%	9.57	3.86
2014	3.61	4.41	8.02	5.5%	11.85	3.86
2015	3.88	4.74	8.62	7.5%	16.75	3.86

¹ The Sewer Rate for FY 2009 reflects the rate in effect at the beginning of the year before the CRIAC was implemented on May 1, 2009.

² Reflects the rates in effect in the latter part of the year after the CRIAC was implemented

**Projected Water and Wastewater Retail Rates
(\$ per Ccf)^{1,2}**

Fiscal Year	Water Consumption Rate	Sewer Usage Rate	Combined Rate	Percent Increase ³
2016				
Residential - 0-4 Ccf	3.08	5.44	8.52	
Residential - >4 Ccf	3.87	5.44	9.31	
Multi-Family	3.45	5.44	8.89	6.5%
Non-Residential	3.99	5.44	9.43	
2017				
Residential - 0-4 Ccf	3.28	5.79	9.07	
Residential - >4 Ccf	4.12	5.79	9.91	
Multi-Family	3.67	5.79	9.46	6.5%
Non-Residential	4.25	5.79	10.04	
2018				
Residential - 0-4 Ccf	3.48	6.14	9.62	
Residential - >4 Ccf	4.37	6.14	10.51	
Multi-Family	3.89	6.14	10.03	6.0%
Non-Residential	4.51	6.14	10.65	
2019				
Residential - 0-4 Ccf	3.69	6.51	10.20	
Residential - >4 Ccf	4.63	6.51	11.14	
Multi-Family	4.12	6.51	10.63	6.0%
Non-Residential	4.78	6.51	11.29	

¹ Rates for Fiscal Years 2017 through 2019 are projected and subject to change.

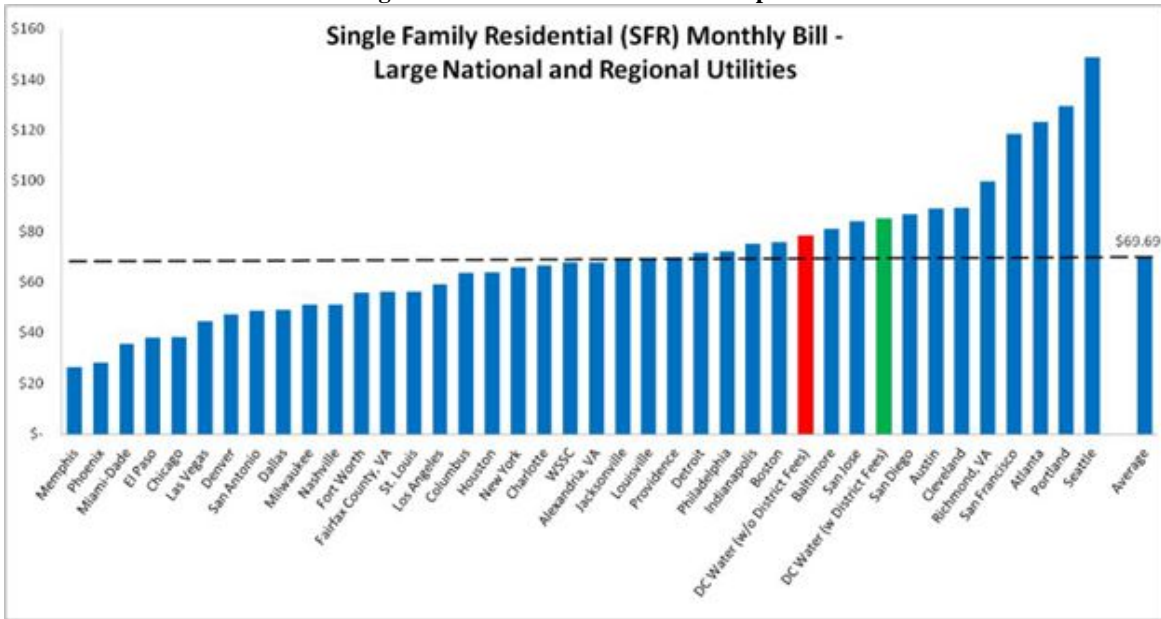
² The CRIAC, Water System Replacement Fee and Meter Charge are not shown above. The CRIAC for a customer with 1 ERU in FY 2016 will be \$20.30 per month; the CRIAC is expected to increase each year in FY 2017 through FY 2019, with a projected charge of \$25.95 per month for FY 2019. The meter-based Water System Replacement Fee will be effective October 1, 2015. The anticipated Water System Replacement Fee and Meter Charge for FY 2016-2019 for a customer with a 5/8 inch meter will be \$6.30 and \$3.86 per month, respectively. The Fee and the Charge will increase with the increasing size of a customer meter.

³ Percent increase reflects the overall average increase for all customers; the increases for individual customers will vary by customer class and consumption.

Retail Rate Comparison

The Authority's retail rates are comparable to those of other utilities in the metropolitan Washington, D.C., region and other similar utilities in the eastern United States. The following chart compares the Authority's combined water, wastewater and impervious area residential charges to these utilities. The table reflects the Authority's Fiscal Year 2015 rate and fee charges, while other utilities rates are as of July 2015. The Authority's Fiscal Year 2015 rate and fee charges are shown both with and without the pass-through of the District's PILOT/ROW Fee in the amount of \$0.63 per Ccf, and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Average Water and Wastewater Bill Comparison^{1,2}



¹ Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

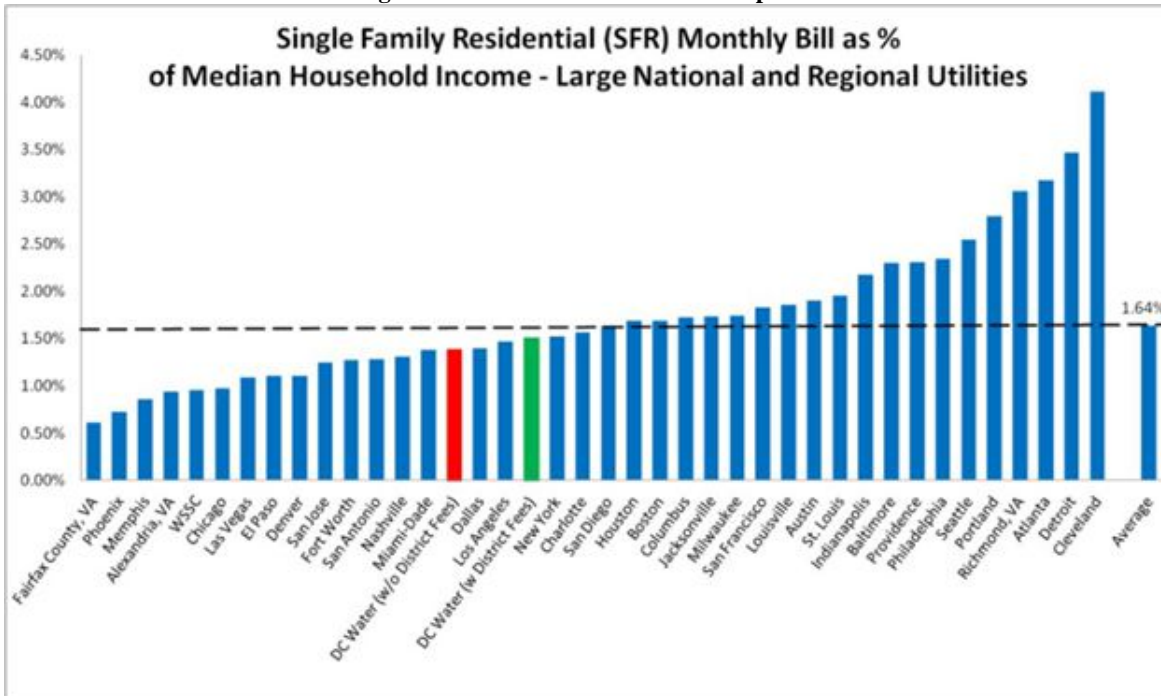
² Reflects rates and fees in place as of July 1, 2015. The Authority's rate includes the PILOT/ROW fee totaling \$0.63 per Ccf (effective October 1, 2014) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

The median income in the District is competitive with the median income in many other jurisdictions. The following chart illustrates the Authority's charges for a single family residential customer as a percentage of median income compared to similar data for other water and wastewater utilities.

[Balance of page intentionally left blank]

Average Water and Wastewater Bill Comparison^{1,2}



1 Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

2 Reflects rates and fees in place as of July 1, 2015. The Authority's rate includes the PILOT/ROW fee totaling \$0.63 per Ccf (effective October 1, 2014) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

Collections

The Authority has implemented policies and business practices intended to optimize the collection of customer billings. Measures are taken including cross checks with property records to ensure that all users of the Authority's system are being billed. With the implementation of automated meter reading (AMR), the Authority can access customer usage data at any time and can alert customers to apparent leaks promptly. In September 2013, the Authority achieved the lowest 90-day receivable balance in the Authority's history at \$4.9 million. From July 2009 until present, the Authority's 90-day receivable balance has ranged from \$4.9 to \$6.5 million, even with multiple rate increases that doubled the typical residential bill, resulting in a receivable balance as a percentage of operating revenues that now approaches just 1%. This is the result of a comprehensive strategy that integrates several consumer services functions along with an aggressive customer contact process that addresses collections issues early when outstanding balances are within the range of customers' ability to pay, improves lien processing for delinquent accounts, and enhances coordination efforts with other District agencies.

The Authority's collection program includes: (i) assessing customers a 10% late fee if their bill is not paid on day 31 after the date of billing and sending customers a friendly reminder notice; (ii) placing a call to the customer using an automatic notification call program on day 34; (iii) sending the customer notice of intent to disconnect service on day 39 (which, in accordance with District laws and regulations gives customer 15 days to pay the delinquent bill and maintain service); (iv) mailing to the owner of the property an intent to place a lien on the property on day 65 (which gives the owner 10 additional days to pay the bill before a lien is placed on their property) and imposing an additional 1% penalty per month on all delinquent balances after 60 days; (v) placing a call to the customer on day 67 to inform him/her of the Authority's intent to place a lien on the property if the delinquent bill is not paid; (vi) placing a lien on the property on day 80. The lien becomes a part of the public record and appears on the owner's credit report and adversely affects their FICO score. The Authority will remove a lien only if the account balance is paid in full, and/or if the lien was placed in error. Once paid, the lien is removed and reflected as "satisfied" on the credit report but the customer's

FICO score is not changed unless the customer contacts the credit bureau. The Authority’s liens are continuous, which entitles the Authority to collect the current outstanding balance owed by a customer regardless of the balance at the time the lien was placed.

The Authority utilizes collection analysts who make calls to owners of delinquent accounts with a focus on the top 250 delinquent accounts. The Authority also takes legal action to have delinquent multi-family apartment building owners placed in receivership. This may result in the Authority receiving a percentage of the tenants’ rent that is collected by a court-appointed receiver before the owner can collect any rent. The account stays in receivership until paid in full.

After all efforts to collect have been exhausted, and as a last resort, the Authority will disconnect service for non-payment and not restore it until the delinquent bill is paid. The Automated Meter Reading System (AMR) allows the Authority to know if water is being used after service has been disconnected due to non-payment. If this occurs, the meter will be removed and service will not be restored until the delinquent amount, plus any applicable fees, are paid in full.

The following table shows that the cumulative retail (including commercial) customer balances that were delinquent more than 90 days declined by approximately 50% between Fiscal Years 2005 and 2014. There is one government delinquency to report, which is related to DC Government/Municipal property. The delinquent balance as of March 31, 2015 was \$2.6 million.

Retail Customer Cumulative Delinquent Balances
(\$ in millions)

<u>As of September 30,</u>	<u>Amount¹</u>	<u>Percent of Operating Revenue</u>
2005	\$10.9	3.8%
2006	7.4	2.5
2007	7.1	2.3
2008	6.1	1.8
2009	4.9	1.4
2010	5.1	1.4
2011	5.5	1.4
2012	5.5	1.3
2013	4.9	1.1
2014	5.3	1.0

¹ Amounts shown are as of the end of each Fiscal Year for amounts delinquent more than 90 days and do not include previously disputed amounts for Howard University (now resolved) and the Soldiers’ Home discussed below.

Source: Authority records.

Special Accounts

The Authority has historically provided some U.S. Soldiers and Airmen’s Home (“Soldiers’ Home”) accounts with free water service in exchange for the use of certain parcels of Soldiers’ Home property to maintain a reservoir that provides water to the District. The Authority contends that the Soldiers’ Home is required to pay for sewer service and impervious area fees, as well as water services for certain accounts. The parties have been in negotiation in an effort to resolve the issues surrounding this historically exempt account. There are no other exempt accounts and the Authority does not anticipate the addition of any new exempted accounts.

Customer Assistance Programs

The Authority sponsors two programs to assist low income customers in paying their water bills: Customer Assistance Program (“CAP”) and Serving People by Lending A Supporting Hand (“S.P.L.A.S.H.”). The Authority implemented the CAP in 2001 providing a discount of up to 4 Ccf per month of water service for single family residential homeowners that meet income eligibility guidelines. In Fiscal Year 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. Effective October 1, 2010, the Board expanded the CAP discount to include the first 4 Ccf of PILOT/ROW fees. It is expected that effective October 1, 2015, the Board will expand the CAP discount to

include the new Water System Replacement Fee, which is expected to go into effect starting in Fiscal Year 2016. In Fiscal Year 2010, a total of 6,107 customers received a discount on their bills totaling \$919,156. In Fiscal Year 2011, 6,025 customers received a discount on their bills totaling \$1,380,207. In Fiscal Year 2012, 5,648 customers received a discount on their bills totaling \$1,330,511. In Fiscal Year 2013, 5,206 customers received a discount on their bills totaling \$1,200,835. In Fiscal Year 2014, the Authority provided assistance totaling \$1,129,776 to 4,583 customers. The projected revenues of the Authority take into consideration the discounts provided to low-income customers under the CAP.

Through the S.P.L.A.S.H. program, the Authority offers assistance to families in need so that they can receive critical water services. S.P.L.A.S.H. is funded solely by contributions from the community, customers and from DC Water employees. The Authority has redesigned its water and sewer bills to make it easier for its customers to make contributions to S.P.L.A.S.H. The Authority pays all administrative costs of this program, which is administered directly by the Greater Washington Urban League (GWUL). All contributions are deposited in a bank account from which the (GWUL) makes payments on behalf of eligible customers. Every dollar received by the Authority is distributed to eligible customers. In Fiscal Year 2010, the Authority provided assistance to 300 customers totaling \$102,956. In Fiscal Year 2011, the Authority provided assistance to 294 customers totaling \$95,039. In Fiscal Year 2012, the Authority provided assistance to over 354 customers totaling \$105,502. In Fiscal Year 2013, the Authority provided assistance to 359 customers totaling \$121,084, and in Fiscal Year 2014, the Authority provided assistance to approximately 309 customers totaling \$100,851. In the first six months of Fiscal Year 2015, assistance was provided to 169 customers in the amount of \$60,094.

Customer Service Operations

The Department of Customer Services reports to the Assistant General Manager of Consumer Service and is responsible for meter installations, meter reading, meter testing, billing and collections. The Authority continuously evaluates its customer service offerings to ensure that customers receive the best possible service.

FINANCIAL OPERATIONS

Historical Financial Operations

The Authority derives its revenues primarily from retail customer payments for water and wastewater treatment services, which account for 81.0% of total revenues, and wholesale customer payments for wastewater treatment services, which account for 13.1% of total revenues (excluding transfers from the rate stabilization fund and PILOT/ROW fees for Fiscal Years 2015 through 2019). The Authority's operating revenues have steadily increased since its creation, due largely to rate and fee increases approved by the Board which are discussed in more detail in the section entitled "RATES AND CHARGES – Historical and Projected Water and Wastewater Retail Rates."

The Authority is committed to optimizing the cost of service it offers and as a result places emphasis on managing its expenses. The Authority's Budget Department closely monitors spending to ensure compliance with approved operating and capital budgets. This includes preparation of daily and monthly management reports for each operating unit and financial system controls that prevent overspending. In addition, the Authority provides detailed monthly reports on cash and investments, revenues, operating budget and capital spending to the Board's Finance and Budget Committees and quarterly updates on the CIP status to the Board's Environmental Quality and Sewerage Services and Water Quality and Water Services Committees. The average annual rate of increase in budgeted expenses for Fiscal Years 2010 through 2014 was 2.6%. In each such year, actual expenses of the Authority were less than the budgeted amount.

The following table presents historical revenues, expenses and changes in net position using information contained in the audited financial statements for Fiscal Years 2010 through 2014. The Authority's complete financial statements for the Fiscal Years ended September 30, 2014, and 2013, are attached hereto as APPENDIX B.

Historical Revenues, Expenses and Change in Net Position

(\$ in thousands)

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Operating revenues					
Residential, commercial and multi-family customers	\$ 209,796	\$ 241,475	\$256,846	\$ 275,337	\$ 295,209
Federal government	37,845	43,033	48,381	45,187	39,001
District government and DC Housing Authority	21,947	25,123	24,713	21,677	28,852
Charges for wholesale wastewater treatment	87,505	90,414	94,549	87,178	96,845
Other	6,655	8,210	16,077	9,700	13,917
Total Operating Revenues	363,748	408,255	440,566	439,079	473,824
Operating expenses					
Personnel services	88,210	93,240	97,784	103,908	108,467
Contractual services	69,497	71,055	64,939	68,417	68,172
Chemicals, supplies and small equipment	29,003	28,188	28,815	28,987	31,748
Utilities and rent	29,929	29,429	26,786	26,098	29,939
Depreciation and amortization	64,425	70,209	74,342	77,330	77,833
Water purchases	27,587	27,170	28,389	27,223	28,407
Payment in lieu of taxes and right of way fee	20,474	21,982	21,982	21,982	11,458
Total operating expenses	329,125	341,273	343,037	353,945	356,024
Operating income	34,623	66,982	97,529	85,134	117,800
Nonoperating revenue (expenses)					
Interest income	1,343	2,036	749	1,144	977
Interest expense and fiscal charges	(57,479)	(73,335)	(74,001)	(63,905)	(69,288)
Total nonoperating revenue (expenses)	(56,136)	(71,299)	(73,252)	(62,761)	(68,311)
Change in net position before Federal grants and contributions	(21,513)	(4,317)	24,277	22,373	49,489
Contributions of capital from Federal government	30,403	47,374	58,957	58,310	94,690
Change in net position	8,890	43,057	83,234	80,683	144,179
Net position, beginning of year	\$ 990,772	\$ 999,662	\$1,042,719	\$1,125,953	\$ 1,206,636
Net position, end of year	\$ 999,662	\$ 1,042,719	\$1,125,953	\$1,206,636	\$ 1,350,815

Source: Authority Records

[Balance of page intentionally left blank]

Historical Debt Service Coverage

The Authority has exceeded the Rate Covenant requirement of 1.20x Senior Debt service coverage set forth in the Indenture and the Authority’s policy goal of 1.40x Senior Debt service coverage in each of the last five Fiscal Years, as shown in the following table. Debt service for Fiscal Year 2013 differs from the coverage as presented in the 2013 Comprehensive Annual Financial Report due to the exclusion of transfers to District of Columbia PILOT Fund (in the table below) in calculating Net Revenues Available for Debt Service.

Historical Debt Service Coverage¹
(\$ in thousands)

	Fiscal Year ended September 30				
	2010	2011	2012	2013	2014
Revenues:					
Retail	\$241,842	\$278,327	\$295,247	\$328,361	\$351,148
Wholesale	67,471	69,261	75,240	75,009	70,763
Other Non-Operating	36,225	46,887	47,136	51,088	56,082
(Contributions to/Transfers from Rate Stabilization Fund)	11,900	-	(11,250)	(1,000)	6,500
Total Revenues (A)	\$357,438	\$394,475	\$406,373	\$453,458	\$484,493
Operating Expenses (B)	243,976	249,186	248,622	252,329	281,918
Revenues Less Operating Expenses (C=A-B)	\$113,462	\$145,289	\$157,751	\$201,129	\$202,575
Debt Service:					
Senior Debt Service (D)	\$41,278	\$41,511	\$41,918	\$41,904	\$42,041
Subordinate Debt Service (E)	42,236	50,377	57,354	65,796	78,124
Total Outstanding and Projected Debt Service (F=D+E)	\$83,514	\$91,888	\$99,272	\$107,700	\$120,165
Calculation of Net Revenues Available for Senior Debt Service:					
Revenues Less Operating Expenses (C)	\$113,462	\$145,289	\$157,751	\$201,129	\$202,575
Prior Year Federal Billing Reconciliation	(839)	1,669	(1,000)	(5,105)	(6,000)
(Refund to)/Payment from wholesale customers	752	(3,861)	(5,661)	(5,800)	(10,069)
(Additions to)/Transfers from DC PILOT Fund	-	(\$10,000)	(\$4,468)	(\$7,900)	(7,676)
Customer Rebate	-	-	-	(\$3,298)	(5,100)
Net Revenues Available for Senior Debt Service (G)	\$113,375	\$133,097	\$146,622	\$179,026	\$173,730
Senior Debt Service Coverage (G/D)	2.75x	3.21x	3.50x	4.27x	4.13x
Calculation of Subordinate Debt Service Coverage:					
Net Revenue Available for Senior Debt Service	\$113,375	\$133,097	\$146,622	\$179,026	\$173,730
Less Senior Debt Service (D)	(41,278)	(41,511)	(41,918)	(41,904)	(42,041)
Net Revenues Available for Subordinate Debt Service (G-D)	\$72,097	\$91,586	\$104,704	\$137,122	\$131,689
Subordinate Debt Service Coverage ((G-D)/E)	1.71x	1.82x	1.83x	2.08x	1.69x
Combined Debt Service Coverage (G/F)	1.36x	1.45x	1.48x	1.66x	1.45x

¹ Prepared in accordance with the Indenture, which closely corresponds to cash basis accounting. Debt service on the Series 2010A Bonds (which is included in Subordinate Debt Service above) reflects the Direct Payments the Authority receives from the U.S. Treasury. The Authority has agreed to deposit the Direct Payments related to the Series 2010A Bonds directly into the Series 2010A Interest Account of the Subordinate Lien Bond Fund to pay interest when due on the Series 2010A Bonds. With respect to the effect of Sequestration on the receipt by the Authority of Direct Payments on its Series 2010A Bonds, see “SECURITY FOR THE SERIES A EMCP NOTES – Direct Payment Bonds and the Effect of Sequestration on Direct Payments.”

Source: Authority’s CAFR.

Annual Budget

Annual Budget Process

The Authority’s budgetary process is based on an integrated approach that links its operating and capital requirements to its ten-year financial plan. Preparation of the Authority’s budget begins with the preparation of the ten-year financial plan in the spring of each year. The Authority’s operating budgets and the CIP are developed based on the financial parameters laid out in the financial plan and in Board policy. Management presents its proposed operating budgets, the CIP and ten-year financial plan to the Board’s Environmental Quality and Sewerage Services, Water Quality and Water Services, and Finance and Budget Committees for their review, with final action by the full Board typically scheduled for January of each year. Upon final approval by the Board, the Authority’s budget is forwarded to the District for inclusion in its submission to the President as described below.

Under the Act and the Federal Act, the Authority is required to prepare and annually submit to the Mayor of the District for inclusion in the annual budget of the District estimates of the expenditures and appropriations necessary for the operation of the Authority for each Fiscal Year. All such estimates are required to be forwarded by the Mayor to the Council for its action without revision, but subject to the Mayor's recommendations. The Council may comment or make recommendations concerning such annual estimates but has no authority to revise such estimates. Such annual estimates constitute a part of the annual budget of the District required to be submitted by the Mayor to the President of the United States for transmission by the President to the U.S. Congress. In accordance with the District's Home Rule Act, except as noted below, no amount may be obligated or expended by any officer or employee of the District, including the Authority, unless such amount has been approved by act of Congress and then only according to such act. Pursuant to the Federal Act, the limitation described in the preceding sentence is not applicable to expenditures by the Authority for any of the following purposes: (i) any amount obligated or expended from the proceeds of any revenue bonds of the Authority; (ii) any amount obligated or expended for debt service on such revenue bonds; (iii) any amount obligated or expended to secure any revenue bonds of the Authority; or (iv) any amount obligated or expended for repair, maintenance, or capital improvement to the System facilities financed by any revenue bonds of the Authority. In addition, pursuant to Public Law 105-33 (D.C. Code Section 1-204.45a(b)), if the Authority has excess revenues, such excess revenues may be obligated or expended for capital projects.

The Approved Fiscal Year 2015 Budget

The Board adopted the Fiscal Year 2015 budget (the "Approved Fiscal Year 2015 Budget") on December 5, 2013. Consistent with the standard budget-approval and review process, management presented a revised Fiscal Year 2015 Budget (the "Revised Fiscal Year 2015 Budget") to the Finance and Budget Committee on July 24, 2014. The Revised Fiscal Year 2015 Budget was identical to the Approved Fiscal Year 2015 Budget.

The Approved Fiscal Year 2016 Budget

The Board adopted the Fiscal Year 2016 operating budget (the "Fiscal Year 2016 Budget") on February 5, 2015.

The Fiscal Year 2016 Budget for net operating expenditures totals \$522.6 million, which is \$23.9 million or 4.8% higher than the Approved Fiscal Year 2015 Budget, primarily due to increases in debt service, operations and maintenance costs, and cash-financing of certain capital improvements.

In Fiscal Year 2015 and subsequent years, the Authority anticipates that the difference between actual and budgeted operating expenses will be less than in previous years due to budget planning that focuses on having actual expenses more closely aligned with budgeted expenses. Simultaneously, the Authority has established a separate line item in its operating budget beginning in Fiscal Year 2015 to provide funds for additional cash-financed capital construction, the defeasance of debt, or other uses at the discretion of the Authority. The amounts in this line item could alternatively be used by the Authority to help address potential shortfalls in cash receipts or increases in expenses, should the need arise. In addition, the Authority has the ability to adjust its rates, as necessary, to provide the required revenues in each year.

Projected Financial Operations

The following table was prepared by Amawalk in its capacity as the financial feasibility consultant to the Authority, and it shows (i) the actual cash flows, cash reserves and debt service coverage for Fiscal Year 2014 and (ii) projected cash flows, cash reserves and debt service coverage for Fiscal Years 2015 through 2019. The projected revenues reflect the increases in rates and charges adopted by the Authority for Fiscal Year 2015 and for Fiscal Year 2016 and the anticipated increases in rates and charges for Fiscal Years 2017 through 2019.

The projected financial results for Fiscal Years 2015 through 2019 incorporate assumptions as of February 2015. The projected debt service requirements assumed that the Authority would issue additional long-term debt in Fiscal Year 2015 and be required to make debt service payments on such debt in Fiscal Year 2015. The first payment of debt service for the Series A EMCP Notes is expected to be made in Fiscal Year 2016, which is expected to result in lower actual debt service payments in Fiscal Year 2015 compared to what is shown in the projected cash flows.

Including the issuance of the Series A EMCP Notes, the Authority anticipates issuing approximately \$1.1 billion of new money bonds from Fiscal Year 2015 through and including Fiscal Year 2019. It is expected that bonds issued in Fiscal Years 2015, 2016, 2018 and 2019 will be issued as Subordinate Debt, while it is expected that bonds issued in Fiscal Year 2017 will be issued as Senior Debt. It is further assumed that the future bonds will have a fixed interest rate of 5.75% in Fiscal Year 2015 and 6.5% in Fiscal Year 2016 and subsequent years. Debt service on the anticipated future bonds is calculated on the basis of a 35-year term with level principal and interest payments. There are

Finance and Budget Committee - 4. Action Items

no deposits to the debt service reserve fund assumed for the Series A EMCP Notes, and any anticipated future bonds; the Authority may decide to make contributions to the debt service reserve fund in the future at its discretion.

The Authority has the option to issue future bonds as either Senior Debt or Subordinate Debt. The combined debt service coverage would remain the same if the Authority were to elect to issue Senior Debt in lieu of Subordinate Debt or vice versa in a given year. Decisions regarding the issuance of future debt as Senior Debt will be made by the Authority at the time of debt issuance.

For more information in respect of Amawalk's analysis, see "FINANCIAL FEASIBILITY OPINION LETTER."

[Balance of page intentionally left blank]

Finance and Budget Committee - 4. Action Items

Analysis of Actual and Projected Financial Results						
Fiscal Years ended/ending September 30						
(\$ in thousands) ¹						
	Actual 2014	2015	2016	Projected 2017	2018	2019
Revenues and Payment Obligations						
Revenues						
Retail Revenues ¹	351,148	384,024	452,137	467,552	489,299	512,617
Wholesale Revenues	70,763	81,365	69,342	71,422	73,565	75,772
Other Non-Operating Revenues	56,082	69,754	48,726	49,106	51,424	54,475
Transfer from RSF	6,500	7,500	0	10,000	0	2,700
(Contributions to RSF)	0	0	(4,500)	0	(8,000)	0
Total Revenues	484,492	542,643	565,705	598,080	606,288	645,564
Prior Year Federal Billing Reconciliation	(6,000)	(5,053)	(11,679)	(14,710)	0	0
Transfer to DC PILOT Fund	(7,676)	0	0	0	0	0
Transfer to DC ROW Fund	(5,100)	0	0	0	0	0
(Refund to)/Payment from IMA	(10,069)	(18,100)	(5,500)	(5,000)	0	0
Net Revenues (A)	455,647	519,490	548,526	578,370	606,288	645,564
Operating Expenses (B)	281,918	291,684	303,458	312,562	321,939	334,597
Net Revenues Available for Debt Service (C=A-B)	173,729	227,806	245,068	265,808	284,350	310,967
Total Senior Debt Service (D) ^{2,3}	42,041	55,747	52,122	60,030	67,990	68,357
Total Subordinate Debt Service (E) ^{2,3,4,5}	78,124	107,496	122,644	130,208	134,998	150,123
Total Outstanding & Projected Debt Service (F=D+E)	120,165	163,242	174,766	190,238	202,987	218,480
Debt Service Coverage						
Calculation of Net Revenues Available for Senior Debt Service						
Senior Debt Service Coverage (C/D)	4.13x	4.09x	4.70x	4.43x	4.18x	4.55x
Calculation of Subordinate Debt Service Coverage						
Net Revenue Available for Senior Debt Service (C)	173,729	227,806	245,068	265,808	284,350	310,967
Less Senior Debt Service (D)	(42,041)	(55,747)	(52,122)	(60,030)	(67,990)	(68,357)
Net Revenue Available for Subordinate Debt Service (C-D)	131,687	172,060	192,946	205,778	216,360	242,610
Subordinate Debt Service Coverage [(C-D)/E]	1.69x	1.60x	1.57x	1.58x	1.60x	1.62x
Combined Debt Service Coverage (C/F)	1.45x	1.40x	1.40x	1.40x	1.40x	1.42x
Subordinated Payment Obligations						
Payment In Lieu of Taxes/Right of Way Fee (G)	12,414	20,437	20,744	21,057	21,376	21,702
Defeasance/Cash Financed Capital Construction (H) ⁶	0	20,058	23,644	24,430	25,534	26,716
Revenues Less Disbursements (I=A-B-F-G-H)	41,149	24,068	25,914	30,083	34,452	44,070
Reserve Balances						
Beginning Cash Reserve Balance (J)	141,518	157,642	140,000	140,000	140,000	140,000
Cash Reserve Balance Breakdown						
Beginning Undesignated Reserve Balance	65,399	80,587	58,014	56,386	54,424	52,906
Additions to/(Transfers from) Undesignated Reserve						
Annual Balance from Operations	69,995	47,221	43,093	49,793	34,452	44,070
Prior Year Federal Billing Reconciliation	(6,000)	(5,053)	(11,679)	(14,710)	0	0
(Refund to)/Payment from IMA	(10,069)	(18,100)	(5,500)	(5,000)	0	0
Transfer to DC PILOT Fund	(7,676)	0	0	0	0	0
Transfer to DC ROW Fund	(5,100)	0	0	0	0	0
Pay-Go Capital Financing	(25,025)	(41,710)	(25,914)	(30,083)	(34,452)	(44,070)
(Transfers to)/Transfers from 60-Day Reserve	(936)	(4,932)	(1,628)	(1,962)	(1,517)	(1,563)
Ending Undesignated Reserve Balance	80,587	58,014	56,386	54,424	52,906	51,344
Beginning 60-Day Operating Reserve Balance	41,119	42,055	46,986	48,614	50,576	52,094
Additions to/(Transfers from) 60-Day Reserve	936	4,932	1,628	1,962	1,517	1,563
60-Day Operating Reserve Balance	42,055	46,986	48,614	50,576	52,094	53,656
Beginning Renewal & Replacement Balance	35,000	35,000	35,000	35,000	35,000	35,000
Additions to/(Transfers from) Renewal & Replacement Reserve	0	0	0	0	0	0
Renewal & Replacement Balance	35,000	35,000	35,000	35,000	35,000	35,000
Ending Balance Cash Reserve	157,642	140,000	140,000	140,000	140,000	140,000
Stormwater Receipts - DC Water Share (K)	930	1,000	1,000	1,000	1,000	1,000
Cash Reserve Requirement Per Board Policy						
[Maximum of (B-K)*(120/365) or \$125.5 Million] ⁷	125,500	125,500	125,500	125,500	125,500	125,500
Beginning Rate Stabilization Fund Balance	28,950	22,450	14,950	19,450	9,450	17,450
Transfers from Operations (Additions to Rate Stabilization Fund)	0	0	4,500	0	8,000	0
Additions to Operations/(Transfers from) Rate Stabilization Fund	(6,500)	(7,500)	0	(10,000)	0	(2,700)
Rate Stabilization Fund Balance	22,450	14,950	19,450	9,450	17,450	14,750

Finance and Budget Committee - 4. Action Items

- ¹ Includes retail revenue from water and wastewater charges as well as the Clean River Impervious Area Charge and the Water System Replacement Fee.
- ² Debt service is shown on a cash basis, and may differ from the CAFR.
- ³ Anticipated future bonds in 2015, 2016, 2018, and 2019 are currently assumed to be issued on a subordinate lien basis. Anticipated future bonds in 2017 are currently assumed to be issued on a senior lien basis. The Authority may decide in the future to issue bonds on a senior or subordinate basis. Debt service for anticipated future bonds in Fiscal Year 2015 is calculated based on an assumed annual interest rate of 5.75%, a term of 35 years and level debt service. Debt service for anticipated future bonds starting in Fiscal Year 2016 are calculated based on an assumed annual interest rate of 6.5%, a term of 35 years and level debt service.
- ⁴ The Total Subordinated Debt Service is net of the Build America Bonds (BABs) subsidies the Authority expects to receive from the United States Treasury equal to 32% of the interest payable on the Series 2010A Bonds. It reflects the reduction in BABs subsidy payments due to expected effects of sequestration.
- ⁵ Reflects the interest cost of \$2.5 million per year in FY 2015 through FY 2019 (assumed average of \$150 million of CP outstanding each year at 1.25%), as well as an additional \$12 million of payments over the period of 2015-17 on CP that was used for Capital Equipment Needs.
- ⁶ Beginning in FY 2015, DC Water is including funds in its annual budget that are intended to be used to defease outstanding debt or pay for construction on a cash basis. These funds are separate from the Pay-Go Capital Financing amounts referenced under Reserve Funds above and are presently assumed to be added to the Pay-Go amounts and deposited in total as a source of funds for the CIP. Alternatively, these funds could be used to cover unexpected declines in revenues or increases in expenses. The Authority reserves the right to modify the amount of the funds and the usage of funds during each year.
- ⁷ Board financial policy requires the maintenance of a cash equivalent to 120 days of operating costs less District stormwater revenues, but not less than a cash balance of \$125.5 million.

[Balance of page intentionally left blank]

System Revenues

The Authority collects revenues from retail and wholesale customers as well as other sources that include fees paid by developers and interest earnings on available funds. Authority revenues also include transfers from the Rate Stabilization Fund. The following table shows historical revenues of the Authority for Fiscal Year 2014, and the projected revenues for Fiscal Years 2015 through 2019.

Historical and Projected Revenue on a Cash Basis

Fiscal Years ended/ending September 30

(\$ in thousands)^{1,2}

	Actual 2014	Projected				
		2015	2016	2017	2018	2019
Retail Revenue						
Residential, Commercial, Multi-Family	221,172	235,691	248,481	261,964	274,883	288,437
D. C. Municipal Government	5,913	6,301	6,644	7,005	7,351	7,714
Federal Government	42,097	42,907	44,250	34,159	35,847	37,617
D. C. Housing Authority	7,368	6,491	6,844	7,216	7,572	7,946
Groundwater ³	0	5	5	5	5	5
Metering Fee	11,207	10,776	10,776	10,776	10,776	10,776
Water System Replacement Fee ⁴	0	0	40,000	40,000	40,000	40,000
CRIAC	63,391	81,853	95,137	106,427	112,866	120,122
Total Retail Revenue	351,148	384,024	452,137	467,552	489,299	512,617
Wholesale Revenue						
Loudoun County & Potomac Interceptor	6,941	7,713	6,846	7,052	7,263	7,481
WSSC	50,873	59,239	50,284	51,792	53,346	54,947
Fairfax County	12,949	14,413	12,211	12,578	12,955	13,344
Total Wholesale Revenue	70,763	81,365	69,342	71,422	73,565	75,772
Other Revenues						
District Stormwater Revenues	930	1,000	1,000	1,000	1,000	1,000
Transfer from Rate Stabilization Fund	6,500	7,500	0	10,000	0	2,700
Miscellaneous Revenues	30,773	47,382	25,109	23,609	23,609	22,609
Aqueduct Debt Service Revenue from Falls Church and Arlington	201	193	193	193	193	193
Interest Income	560	631	1,680	3,247	5,246	8,971
D.C. Right of Way Occupancy Fee/PILOT	23,618	20,547	20,744	21,057	21,376	21,702
Total Other Revenue	62,582	77,254	48,726	59,106	51,424	57,175
Total Operating Cash Receipts	484,492	542,643	570,205	598,080	614,288	645,564
Less: Contributions to Rate Stabilization Fund	0	0	(4,500)	0	(8,000)	0
Total Operating Cash Receipts with RSF Transfers	484,492	542,643	565,705	598,080	606,288	645,564

¹ All figures are presented on a cash receipt basis.

² Fiscal Year 2015 - 2019 projections are based on the Authority's financial plan.

³ Groundwater revenue refers to receipts from customers that pump groundwater into the sewer system.

⁴ An meter-based Water System Replacement Fee to recover the cost of the 1% renewal and replacement program for water service lines will be implemented in Fiscal Year 2016.

An overview of the revenue components on a cash basis is provided below.

Retail Water and Wastewater Revenues

Retail revenues comprise the vast majority of all System revenues. In Fiscal Year 2011 through Fiscal Year 2014, retail revenues (excluding PILOT/ROW fees) accounted for approximately 71.9% of total revenue (excluding the effects of withdrawals from the Rate Stabilization Fund), wholesale customer payments represented about 16.6% of total revenues, with the remaining 11.5% coming from a variety of sources, such as interest income, penalties and fines, and fees from service installations. Retail revenues will comprise an increasing percentage of total revenues during the period of Fiscal Year 2015 through Fiscal Year 2019 primarily due to the increasing cost of the DC Clean Rivers Project, which will result in additional revenues being collected from the CRIAC. Retail revenues are derived primarily from water and wastewater service charges of the Authority that are based on water consumption as described earlier in this Offering Memorandum. Other sources of retail revenue include the customer metering fee. See “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges.”

The Authority has projected that revenues from retail customers, excluding PILOT/ROW fees, will be \$384.0 million in Fiscal Year 2015, or 71.8% of the Authority’s total revenues (excluding the effects of withdrawals from the Rate Stabilization Fund). This amount includes approximately \$81.9 million from the CRIAC and excludes the PILOT/ROW fees. Without the effects of the CRIAC, the Fiscal Year 2015 projected revenue is expected to be \$14.4 million, or 5.0%, higher than the Fiscal Year 2014 revenues from retail customers. The projected increases in retail revenue anticipate that the customer metering fee will be unchanged from the current fee schedule and that consumption will be slightly higher in Fiscal Year 2015 compared to Fiscal Year 2014. Cash Receipts for the first six months of Fiscal Year 2015 (through March 31, 2015) excluding PILOT/ROW fees, were about the 2.4% higher than the Budgeted Receipts for this period. As of the date of this Offering Memorandum, it is not possible to predict whether full-year cash receipts will be higher, lower or the same as the Budgeted Receipts.

Revenues from retail consumption are projected to be \$452.1 million in Fiscal Year 2016. This amount includes approximately \$95.1 million from the CRIAC and \$40 million from the new Water System Replacement Fee. Without the effects of the CRIAC and the Water System Replacement Fee, the Fiscal Year 2016 projected revenue represents an increase of \$14.8 million or 4.9% compared to the projected Fiscal Year 2015 revenues.

Revenues from retail consumption are projected to be \$467.6 million in Fiscal Year 2017. This amount includes approximately \$106.4 million from the CRIAC and \$40 million from the Water System Replacement Fee. Without the effects of the CRIAC and the Water System Replacement Fee, the Fiscal Year 2017 projected revenue represents an increase of \$4.1 million or 1.3% compared to the projected Fiscal Year 2016 revenues. The relatively small retail revenue increase is primarily due to the assumed decrease of \$10.1 million in Federal Government revenues in the financial forecast for Fiscal Year 2017. See “CUSTOMER BASE, RATES AND CHARGES – Rate-Setting Authority – Federal Government Charges” for additional information.

Retail revenues in Fiscal Years 2018 and 2019 are anticipated to increase in each year reflecting both the effects of projected rate increases as well as the expectation that water demand will decrease by 1% annually.

Clean Rivers Impervious Area Charge Revenues

The revenues from the CRIAC were \$47.2 million in Fiscal Year 2013 and \$63.4 million in Fiscal Year 2014. Based on increases in the CRIAC in each year, revenues are expected to increase to \$81.9 million in Fiscal Year 2015 and to \$95.1 million in Fiscal Year 2016. The revenues from the CRIAC in Fiscal Years 2017 through 2019 are expected to increase further reflecting the effects of projected rate increases.

The Authority is evaluating a CRIAC credit program that will provide discounts for properties that install facilities and utilize practices that retain stormwater or divert stormwater away from the wastewater system, such as rain gardens and green roofs. The potential program policies and credits have not been approved at this time. The Authority has budgeted \$500,000 per year starting in Fiscal Year 2013 for the value of the credit program. The effects of this credit were considered by the Authority in developing its projection of annual revenues.

Stormwater Revenues

In Fiscal Years 2015 through 2019, the Authority anticipates that it will collect \$1 million in stormwater fees from its retail accounts to cover its share of District stormwater expenditures. The District Council has stormwater rate-setting authority for stormwater services provided by the District. The Authority will work collaboratively with the District Council to set future rates. The projected revenue from stormwater fees that are payable to the District are based

on the current stormwater rate. For more information regarding the stormwater fee, see “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges – Stormwater Fee.”

Wholesale Revenues

The Authority’s wholesale revenues for wastewater operations are stable and reflect modest increases in the cost of service and changes in the volumes of wastewater flow from suburban customers. In Fiscal Year 2014, the Authority received \$70.8 million in revenue from its wholesale customers pursuant to the IMA, which represented a nearly \$4.2 million decline compared to Fiscal Year 2013. Revenues from wholesale customers are expected to increase to \$81.4 million in Fiscal Year 2015 and to decrease to \$69.3 million in Fiscal Year 2016. The revenue decline of about \$12.0 million in 2016 is primarily due to changes in allocation methodology including the removal of excess contingency funding in Authority-wide budget, and incorporation of a 3-year average of actuals for wholesale estimated billing, and adjustment of existing estimated wholesale billing.

The revenues from the wholesale customers in Fiscal Years 2017 through 2019 are projected to increase reflecting the effects of projected rate increases as well as the expectation that water demand will decrease by 1% annually.

Loan Repayment from Arlington County and Falls Church

The Authority provided a loan to the Aqueduct to finance certain improvements at the Aqueduct. This loan is repaid to the Authority by Arlington County, Virginia, and Falls Church, Virginia, as Aqueduct Customers, in the form of a credit that is issued to the Authority on the monthly water bills generated by the Aqueduct. The amount of the credit is determined by the Aqueduct in accordance with the Water Sales Agreement, and the annual amount is expected to be \$193,246 from Fiscal Year 2015 through Fiscal Year 2019.

Interest Income on Reserve Funds

Interest income is earned on the available funds of the Authority and a portion of the interest earnings may be used to pay operating and maintenance expenses or capital costs of the Authority.

Interest earnings will fluctuate from year to year based on changes in cash flow, fund balances and market conditions affecting interest rates and other investment terms. The Authority has projected interest earnings of \$0.6 million in Fiscal Year 2015, \$1.7 million in Fiscal Year 2016, \$3.2 million in Fiscal Year 2017, \$5.2 million in Fiscal Year 2018 and \$9.0 million in Fiscal year 2019, including interest earned from the bond reserves. The assumed annual interest earnings rates for the funds are 0.425% in Fiscal Year 2015, 1.00% in Fiscal Year 2016, 2.00% in Fiscal Year 2017, 3.00% in Fiscal Year 2018 and 5.00% in Fiscal Year 2019. Projected fund balances and interest rate assumptions are reviewed annually as part of the Authority’s budget process. The available interest earnings for secure investments are very low in today’s financial markets. The Authority’s assumed interest earnings reflect these conditions. Recognizing the low earnings rates, the current interest rates on borrowed funds, including commercial paper interest, are also very low compared to historical experience. This helps reduce interest costs (and resulting revenue requirements) of the Authority. The Authority assumes for forecasting purposes that interest earnings rates will increase over time while simultaneously assuming that borrowing rates for future Authority debt will be higher than the assumed rates for Fiscal Year 2015.

Miscellaneous Revenue

The Authority realizes revenue from several sources classified as miscellaneous, such as charges for late payments by customers, service installation charges, service line repairs, engineering reviews, the sale of manuals, the District fire protection fee, and fees charged to commercial waste haulers. Miscellaneous revenues in Fiscal Year 2014 were \$30.8 million. Revenues from these sources are expected to increase to \$47.4 million in Fiscal Year 2015 and then decrease to \$25.1 million in Fiscal Year 2016. Miscellaneous revenues are expected to total \$23.6 million per year in Fiscal Years 2017 and 2018 and \$22.6 million in Fiscal Year 2019. Miscellaneous revenue in Fiscal Year 2015 is \$16.6 million higher than the prior year primarily due to a one-time contribution of \$15 million reflecting 50% of the reserves in the PILOT Fund as agreed to by the District and the Authority per the new PILOT MOU, dated September 4, 2014. Miscellaneous revenue also includes \$5.1 million from the ROW Fund which was not paid to the District in Fiscal Year 2014, but was paid in Fiscal Year 2015.

These amounts also include payments for various development-related services provided by the Authority and charges to the District for fire protection services. The Authority’s annual investments (operating and capital) in fire protection assets and services increased significantly following the execution of the Memorandum of Understanding between the Authority and the District of Columbia Fire and EMS Department (FEMS) on October 25, 2007. The fees

charged by the Authority are intended to recover the costs incurred by the Authority related to fire protection services provided by the water system including, but not limited to, the ability to deliver water for firefighting as well as maintaining and upgrading fire hydrants. The Authority's investments will continue in future years but at a pace that is much lower than the peak years of Fiscal Year 2008 and Fiscal Year 2009. The projected miscellaneous revenues assume that the District will make such payments in each year or that a combination of payments and credits against Authority payments to the District will result in the Authority receiving the full amounts expected from the District.

PILOT/ROW Fee

The total combined revenues from the PILOT/ROW Fee are assumed in the financial forecast to total \$20.5 million in Fiscal Year 2015, and increase to \$21.7 million in Fiscal Year 2019. The Authority and the District have negotiated new MOUs for both the PILOT and the ROW (See "THE AUTHORITY – Relationship to District").

System Expenditures

Operating Expenses

The following table presents the historical Operating and Maintenance ("O&M") expenses of the Authority for Fiscal Year 2014, and the projected O&M expenses for Fiscal Years 2015 through 2019 on a cash disbursement basis. The average annual rate of increase in expenses for Fiscal Years 2011 through 2014 was 4.2%, excluding PILOT/ROW payments to the District.

The projected expenses for Fiscal Year 2015 reflect the current adopted budget of the Authority which represents a 3.5% increase over the expenses for Fiscal Year 2014. The anticipated expenses for Fiscal Year 2016 reflect an annual increase of 4.0% over the projected expenses for Fiscal Year 2015, excluding the PILOT/ROW payments to the District. The Personnel Services amounts shown in operating and maintenance costs table are net of amounts charged to capital projects.

[Balance of page intentionally left blank]

Historical and Projected Operation and Maintenance Costs on a Cash Disbursement Basis
Fiscal Years ended/ending September 30
 (\$ in thousands) ^{1,2}

	Actual	Projected				
	2014	2015	2016	2017	2018	2019
Digester Project - Optg. Savings	0	0	0	0	0	0
Personnel Services	104,448	118,278	121,041	124,672	128,412	132,265
Contractual Services	77,851	76,944	79,243	81,620	84,069	89,591
Water Purchases	28,072	28,831	30,740	31,662	32,612	33,590
Chemical & Supplies	37,265	36,187	35,951	37,030	38,140	39,285
Utilities & Rent	33,591	30,416	35,018	36,069	37,151	38,265
Small Equipment	692	1,028	1,465	1,509	1,554	1,601
Total O&M Expenses	281,918	291,684	303,458	312,562	321,939	334,597
PILOT & D.C. Occupancy ROW Fee	12,414	20,437	20,744	21,057	21,376	21,702
Total Expenses	294,332	312,121	324,202	333,619	343,315	356,298

¹ All figures are presented on a cash disbursement basis.

² Fiscal Year 2015 - 2019 cost projections are based on the Authority's financial plan.

The following table provides a comparison of the budgeted versus actual costs from Fiscal Year 2012 to Fiscal Year 2014 on an accrual basis. The Authority has historically under-spent its annual budget (including O&M expenses), as illustrated in the following table.

Budget to Actual Expense Comparison
 Fiscal Years ended September 30
 (\$ in thousands) ¹

Category	2012			2013			2014		
	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance
Personnel Services	\$ 113,354	\$ 107,334	\$ 6,020	\$ 116,609	\$ 118,567	\$ (1,958)	\$ 119,765	\$ 125,756	\$ (5,991)
Contractual Services	78,826	64,939	13,887	82,350	68,430	13,920	76,044	68,172	7,872
Water Purchases	33,000	28,389	4,611	31,513	27,223	4,290	27,991	28,407	(416)
Chemical & Supplies	29,946	26,744	3,202	31,360	27,120	4,240	30,909	30,718	191
Utilities & Rent	37,447	26,786	10,661	34,185	26,098	8,087	30,715	29,939	776
Small Equipment	995	1,139	(144)	993	1,192	(199)	993	317	676
Debt Service	105,387	99,272	6,115	121,330	105,811	15,519	130,120	120,165	9,955
PILOT/ROW Fee	23,401	21,982	1,419	21,982	21,982	-	25,181	11,458	13,723
Total budgetary basis expenditures	422,356	376,585	45,771	440,322	396,423	43,899	441,718	421,835	19,883

¹ All figures are presented on an accrual basis.

Source: Authority Records

Several factors affecting future expenses are described herein. The Authority has undertaken long-term initiatives to optimize the cost of service. Management's forecast of operations and maintenance expenses reflects continued emphasis on managing such expenses. Examples of historical and ongoing initiatives are outlined in the description of the major categories of expense. Management continually monitors expenditures and reports the results monthly to the Board's Finance and Budget Committee. The Authority also has the option, in any given year, to defer certain expenses in order to stay within its budget and conform to Board policy requirements.

Labor-Related Expenses

Personnel costs are directly affected by staffing levels, salaries and wages, fringe benefits including retirement contributions, overtime expenditures and other factors.

Certain individuals at the Authority are responsible for planning and implementing the CIP. The salaries, wages and fringe benefits of such personnel are charged to capital projects and are paid for through the sources of funds for the CIP. In Fiscal Year 2015, the costs of such personnel are budgeted at \$17.27 million.

Salaries and Fringe Benefits. The Authority provides its employees with a comprehensive fringe benefit package, including coverage for health insurance, group term life insurance, dental care, vision care, disability coverage and retirement plans. The fringe benefit component of total labor costs has increased at a greater rate than salaries and wages in recent years, primarily due to the increasing cost of health care coverage. Fringe benefits are budgeted to be approximately 30.9% of salaries in Fiscal Year 2015.

While employed by the Authority, employees contribute to a retirement fund and the Authority contributes a proportional match. Once an employee retires, the Authority has no further financial obligations relating to those employees. Some retired employees may be eligible to receive a federal pension. In addition, the federal government also may assume the employer portion of the healthcare coverage for eligible employees. The Authority is and expects to continue to remain current with its benefit payments.

See “THE AUTHORITY – Employees and Labor Relations” herein for further information regarding the Authority’s labor force and the status of collective bargaining agreements.

Overtime Expenses. The Authority uses overtime work by its employees to address unplanned repairs and service needs (e.g., to repair water main breaks that occur outside of normal business hours) as well as to provide resources to offset unfilled positions and to reduce the need for contractual labor. Overtime expenses in Fiscal Year 2014, including an allowance for fringe benefits, totaled \$7.5 million, or about 5.5% of total personnel services costs.

Total Personnel Expenses. The Authority’s personnel costs increased at an annual average of 4.0% per year from Fiscal Year 2010 through Fiscal Year 2014. Budgeted personnel expenses for Fiscal Year 2015 are \$135.5 million, a 13.2% increase over Fiscal Year 2014. In Fiscal Year 2016, personnel expenses are expected to increase 3.3% from the prior year. Beginning in Fiscal Year 2017, personnel expenses are projected to increase at an average annual rate of 3.0%. The projected rate of increase is supported by the Authority’s demonstrated ability to reduce staffing levels and overtime costs through improvements in its facilities and business practices, as well as the expectation that new employees in the upcoming years will have lower salaries and benefits compared to the employees who will retire during that same period.

Non-Labor Operating Expenses

There are four major categories of operating expenses that are not labor-related: contractual services (which includes the processing and disposal of biosolids), water purchases, chemicals and supplies, and utilities and rent (which includes electricity needed to operate the Authority facilities).

A brief overview of the four major categories of non-labor expenses is provided below.

Contractual Services. Contractual services include the outside services necessary for the Authority to operate and maintain facilities, including the hauling of biosolids from the Blue Plains treatment facility to the disposal location, building maintenance and repair, the maintenance of certain machinery, equipment and vehicles, and other contractual or professional services.

The actual costs for contractual services in Fiscal Year 2014 were \$68.7 million. The budgeted amounts for contractual services in Fiscal Year 2015 and Fiscal Year 2016 are \$76.9 million and \$79.2 million, respectively. Contractual services expenses are assumed to increase at the average annual rate of 3.0% for Fiscal Years 2017 through 2019.

Also included within contractual services is the Authority’s purchase of annual insurance policies. The policies cover property, equipment, workers compensation, umbrella and excess liability, crime and fidelity, public officials’ liability, and fiduciary liability.

Water Purchases. The Authority purchases all of its treated drinking water from the Aqueduct on the basis of a 1997 agreement between the Authority and the Corps of Engineers, the operator of the Aqueduct. Under the terms of the agreement and based on its usage in relation to the other Aqueduct Customers, the Authority pays an average of approximately 73% of the Aqueduct’s operating costs. The Authority’s share of Aqueduct capital costs is reflected in the Authority’s CIP.

The actual costs for water purchases in Fiscal Year 2014 were \$28.4 million. The budgeted amount for water purchases in Fiscal Year 2015 and 2016 is \$28.8 million and \$30.7 million, respectively. An average annual increase in water supply costs is assumed at approximately 3.0% in Fiscal Years 2017 through 2019.

Chemicals and Supplies. The chemicals and supplies component of the Authority's operating and maintenance expenses includes, but is not limited to, office, laboratory, custodial and maintenance supplies, automotive supplies, uniforms, and chemicals. Chemicals are the largest portion of this component. The Authority has implemented an improved polymer management program for use at Blue Plains in cooperation with the University of Delaware. A method for "fingerprinting" polymer has been developed to make sure it is effective before it is used.

The actual expenses for chemicals and supplies in Fiscal Year 2014 were \$30.7 million. The budgeted amount for chemicals and supplies in Fiscal Year 2015 and 2016 is \$36.2 million and \$36 million, respectively. The average annual increase of costs for chemicals and supplies is assumed at 3.0% in Fiscal Year 2017 and 3.0% in Fiscal Years 2018 and 2019.

Utilities and Rent. The Authority is a major user of energy, primarily for the operation of the Blue Plains Wastewater Treatment Facilities. Approximately 83% of the expenses associated with utilities and rent are attributable to the cost of power. The combined heat and power project is projected to provide about a third of the plant's energy needs. See "CAPITAL IMPROVEMENT PROGRAM – Categories of CIP Projects – Wastewater Treatment Projects." The Authority has taken a proactive approach to the procurement of power and its pricing. In Fiscal Year 2005, the Authority entered into a full service electricity contract to purchase power from Amerada Hess in the deregulated environment, which expired on September 30, 2014. The Authority has entered into a replacement agreement with ConEdison Solutions, which went into effect on October 1, 2014. As part of its power purchasing strategy under deregulation, the Authority has entered into a successor five-year contract for generation that allows it to lock in blocks of power at a fixed price when futures pricing meets budget targets. To the extent that the Authority has power needs that exceed the locked in fixed price blocks, the price of the additional power would be established each day at market rates with direct pass-through of all costs. This contract includes an enhanced process for block power purchases that gives the Authority access to the wholesale market. The Authority's Department of Finance, Accounting and Budget monitors the energy market on a continuous basis.

The year-to-date operating expenses of the Authority through March 31, 2015 are 8.3% less than the budgeted expenses for the same period. Expenses for biosolids-related chemicals and the hauling of biosolids are less than anticipated based on the initial results of the new biosolids digestion process.

Reserve Funds

The Authority maintains various reserve funds as previously described herein. See "SECURITY FOR THE SERIES A EMCP NOTES – Certain Reserve Funds – Discretionary Reserves; – Operating Reserve Fund; – Rate Stabilization Fund; and – Renewal and Replacement Reserve Fund."

Financial Policies

The Authority has developed a ten-year financial plan to ensure compliance with certain Indenture requirements and the Board's financial policies. This plan is updated annually, taking into account revisions to the Capital Improvement Program, current and prior year financial performance and other changes. The Board adopted a series of financial policies in 1997 that the Authority utilizes to develop its ten-year financial plan, operating budgets and rate proposals. The policies summarized below reflect revisions adopted by the Board and effective May 2, 2013.

Capital Financing Policy

In order to secure the lowest practical cost of capital to finance the Authority's long-term capital program, the Authority will aim to achieve the following goals:

- i. Maintain Senior Debt service coverage of 1.40x.*
- ii. Maintain 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. The operating reserve requirement will be evaluated every five years by the Authority's independent rate consultant in

* This policy goal exceeds the Rate Covenant requirement of 1.20x as provided in the Indenture.

conjunction with the Indenture-required system assessment. At a minimum include in the operating reserve any reserve requirements contained in the Indenture, excluding any debt service reserve funds and the rate stabilization fund.

- iii. 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.
- iv. Whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of the Authority's capital and operating requirements and financial position for each year.
- v. Attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.
- vi. Finance its capital equipment needs (e.g., computer equipment and systems; minor utility equipment such as pumps, motors, etc.) and certain taxable costs of the Aqueduct with operating cash or short-term financing instruments with the same or shorter average lives as the related assets.

Rate-Setting Policies

The Authority's rate-setting policies are based on the following principles:

- i. Rates and fees will be based on the actual cost to deliver each service.
- ii. Current rates must be sufficient to cover current costs and to meet all bond covenants.
- iii. The Authority will achieve a positive net income and cash flow each year.
- iv. Rates will be based on an annually updated ten-year financial plan (both operating and capital).
- v. Rate increases will be implemented in a gradual and predictable manner, avoiding large one-time rate increases.
- vi. Contributions to and usage of the Rate Stabilization Fund as needed to avoid "rate shock." Each year, after reviewing financing improvements from cash and any other non-recurring financing uses of excess operating cash, the annual Rate Stabilization Fund deposit, if any, is determined.

Debt Policy

In October, 2015, the Board adopted a revised Debt Policy. This policy provides detailed guidelines that the Authority's management applies to the Authority's current and future debt portfolio. The goals of this policy are to ensure compliance with all laws, legal agreements, contracts and adopted policies related to debt issuance and management; to promote cooperation and coordination with all stakeholders in the financing and delivery of services; to promote sound financial management to maximize and best utilize future debt capacity; and to ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood.

Cash Management and Investment Policies

In May, 2014, the Board amended its comprehensive Statement of Investment Policy. The statement outlines broad investment policies to include delegation of certain authority to the General Manager, investment objectives, collateralization of deposits, selection of financial institutions, protection of funds, permitted investments, limits on maturities, investment of bond proceeds and investment reporting.

The Office of Treasury and Debt produces daily and monthly internal reports on all cash management and investment activities, with significant peer oversight within the Chief Financial Officer's office, monthly reports to the General Manager and quarterly reports to the Board's Finance and Budget Committee that enables them to monitor compliance with Board policies.

Extendable Municipal Commercial Paper Policy

In October, 2015, the Board adopted an Extendable Municipal Commercial Paper Policy (the “EMCP Policy”). The EMCP Policy provides detailed guidance for the Authority’s actions with respect to its EMCP Notes, the goal of which is to ensure that the Authority is able to pay (either from its own funds, the proceeds of a new series of EMCP Notes, or a new issue of bonds) the principal of and interest on any outstanding EMCP Notes on the Original Maturity Date or the Extended Maturity Date thereof, as the case may be.

ENGINEERING FEASIBILITY REPORT

The Authority retained Johnson, Mirmiran & Thompson, Inc. (“JMT”) to prepare an Independent Consulting Engineering Assessment Report dated July 9, 2013, a copy of which is available on the Authority’s website at www.dewater.com. Pursuant to the Indenture requirement for an inspection of the System at least once every five years, an Independent Consulting Engineering Assessment Report reviews the Authority’s progress in implementing capital projects and its plans to initiate additional capital improvements. The Report evaluates the adequacy of the Authority’s CIP to maintain its water and wastewater infrastructure and to continue providing reliable service of a high quality to its customers. The Independent Consulting Engineering Assessment Report has not been updated since the date of its issuance.

The Independent Consulting Engineering Assessment Report presents findings and conclusions based upon information provided by the Authority or others which is summarized or referred to therein. Set forth below are JMT’s principal findings and conclusions. The Independent Consulting Engineering Assessment Report should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

- The Authority has continued implementing its vision and strategic plan, focusing on increasing the operational efficiency of the Water and Wastewater Systems and providing satisfactory service to its customers.
- The Authority staff, including both management and key operations and maintenance personnel, is well qualified, effectively organized and sufficient to meet overall staffing needs.
- The existing Water and Wastewater Systems are effectively maintained and operated.
- The Authority has developed and continues to implement thorough capital programs for ensuring the integrity of the Water and Wastewater Systems.
- Through appropriate management, operational practices, technology, staffing, tools and equipment and selective outsourcing, the Authority has developed capital, operations and maintenance programs that should ensure the continued effective operation of the systems for the foreseeable future. The systems should continue to provide high levels of service with minimal disruption.
- The Authority’s wastewater and drinking water facilities are in material compliance with all applicable permits and regulations and continue to provide uninterrupted service to its wholesale and retail customers. Such compliance is anticipated to continue through the foreseeable future.
- Substantial progress has been made by the Authority in improving the operating condition of existing facilities. The CIP is structured to provide a systematic program to replace and rehabilitate aging infrastructure on a priority basis.
- Implementation of the Authority’s CIP is intended to address identified system needs and priorities and is within budget.

FINANCIAL FEASIBILITY OPINION LETTER

The Authority retained Amawalk Consulting Group LLC as its financial feasibility consultant, in which capacity Amawalk prepared the Financial Feasibility Opinion Letter dated August 20, 2015, which is attached hereto as APPENDIX A. Amawalk provides financial and management consulting services to water and wastewater utilities, local governments and other organizations. Examples of the consulting services offered by the firm include: cost of service and rate studies; financial modeling; feasibility studies to support the issuance of debt; competitive assessments,

including benchmarking and implementation of best practices; analyses supporting the consolidation of services; and the formation/start-up of public authorities including transition planning.

The conclusions set forth in the Financial Feasibility Opinion Letter reflect Amawalk's analysis of the Authority's anticipated financial results for Fiscal Years 2015 to 2019. Amawalk has assisted the Authority in preparing certain portions of this Offering Memorandum relating to historical and projected financial performance of the Authority. The Financial Feasibility Opinion Letter has not been updated to reflect any changes occurring after the date of the Financial Feasibility Opinion Letter.

The Financial Feasibility Opinion Letter presents findings and conclusions based upon the analysis of financial statements and reports prepared by or for the Authority and other information provided by the Authority or others which is summarized or referred to therein, including conclusions, assumptions, considerations and recommendations regarding the operation of the System, the necessary improvements and betterments thereto and the steps that should be taken to assure adequate reliable bulk power supply at reasonable cost. Set forth below are Amawalk's principal conclusions. The Financial Feasibility Opinion Letter and this Offering Memorandum should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

Amawalk concluded that the Authority has the ability to effectively execute its mission, operate its System to provide uninterrupted service, maintain regulatory compliance, and finance and implement its CIP within the parameters set forth in the Indenture and the applicable Board policies. In addition, Amawalk makes the following observations:

- The Authority's financial forecast is viable, consistent with industry standards, and its projections are expected to meet the Board's debt service coverage and reserve requirements and targets.
- Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in the Reporting Period will be sufficient to pay: (i) the actual Operating Expenses; (ii) Annual Debt Service on Senior Debt; (iii) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (iv) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (v) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (vi) any amount necessary to make any payments in lieu of taxes in such Fiscal Years. Sufficient funds are projected to be on deposit in each of the required reserve funds during the Reporting Period.
- Pursuant to Board policy, the Authority maintains a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in such Fiscal Years will be sufficient to achieve the more stringent financial policy established by the Authority. There can be no assurance that the Board will not change this additional financial policy.
- Pursuant to Board policy, the Authority maintains operating reserves that are greater than \$125.5 million or 120 days of budgeted operation and maintenance expenses. The Authority's actual cash on hand has exceeded the levels required by Board policy in recent years. Amawalk reviewed the operating reserve policies of the Authority and concluded that the current Board policy provides for an appropriate level of reserves. There can be no assurance that the Board will not change this additional financial policy.
- The water and wastewater rates, fees and charges of the Authority, including projected increases for Fiscal Years 2016 through 2019, are reasonable and compare favorably to the rates and charges of other major cities.

In the analysis of the forecast of future operations summarized in this Offering Memorandum, Amawalk has reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. These assumptions are reasonable and attainable as of the date of the Financial Feasibility Opinion Letter, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur.

TAX MATTERS

General

In the opinion of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, under existing law: (i) interest on the Series A EMCP Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series A EMCP Notes and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series A EMCP Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series A EMCP Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the Authority's certifications and representations or the continuing compliance with the Authority's covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel's legal judgment as to exclusion of interest on the Series A EMCP Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Co-Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority may cause loss of such status and result in the interest on the Series A EMCP Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series A EMCP Notes. The Authority covenanted to take the actions required of it for the interest on the Series A EMCP Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series A EMCP Notes, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series A EMCP Notes or the market value of the Series A EMCP Notes.

A portion of the interest on the Series A EMCP Notes earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series A EMCP Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series A EMCP Notes. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series A EMCP Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series A EMCP Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Series A EMCP Notes ends with the issuance of the Series A EMCP Notes, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Authority or the owners of the Series A EMCP Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series A EMCP Notes, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series A EMCP Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series A EMCP Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series A EMCP Notes.

Prospective purchasers of the Series A EMCP Notes, should consult their tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series A EMCP Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series A EMCP Notes will not have an adverse effect on the tax status of interest on the Series A EMCP Notes or the market value or marketability of the Series A EMCP Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series A EMCP Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government Series A EMCP Notes, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Series A EMCP Notes should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series A EMCP Notes for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series A EMCP Notes may be adversely affected and the ability of holders to sell their Series A EMCP Notes in the secondary market may be reduced.

Investors should consult their financial and tax advisers to analyze the importance of these risks.

COVENANT BY THE DISTRICT OF COLUMBIA

Under the Act, the District pledges to the Authority and any holders of the Series A EMCP Notes that, except as provided under the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of the Series A EMCP Notes, or in any way impair the rights and remedies of the holders of the Series A EMCP Notes until the Series A EMCP Notes, together with interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the bonds, are fully met and discharged.

LITIGATION

There is not now pending or, to the best of the Authority's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Series A EMCP Notes or questioning or affecting the validity of the Series A EMCP Notes, the proceedings and authority under which they are to be issued, nor is the creation, organization, or existence of the Authority being contested. Nor is there any litigation pending or, to the best of the Authority's knowledge, threatened which (i) in any manner questions the right of the Authority to operate the System or its right to conduct its activities in accordance with the provisions of the Act and of the Indenture or (ii) if determined adversely to the Authority, would have a material adverse impact on the financial condition of the Authority.

The Authority is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely to the Authority. Any such litigation is of a routine nature which does not affect the right of the Authority to conduct its business or the validity of its obligations.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Series A EMCP Notes are subject to the approving opinions of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, which will be furnished upon delivery of the Series A EMCP Notes, substantially in the form set forth as APPENDIX E. Squire Patton Boggs (US) LLP and Leftwich LLC also serve as Co-Disclosure Counsel to the Authority in connection with the preparation of this Offering Memorandum. Certain legal matters will be passed upon for the Authority by its General Counsel, and for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates.

INDEPENDENT AUDITORS

The fiscal year 2014 financial statements of the Authority included in this Offering Memorandum have been audited by KPMG LLP (“KPMG”). KPMG has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Offering Memorandum.

THE TRUSTEE

The Authority has appointed Wells Fargo Bank, N.A., a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Master Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Offering Memorandum and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Offering Memorandum or for the recitals contained in the Indenture or the Series A EMCP Notes, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds of such Series A EMCP Notes by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series A EMCP Notes and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Series A EMCP Notes, the technical or financial feasibility of the Project, or the investment quality of the Series A EMCP Notes, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

RATINGS

Standard & Poor’s (“S&P”), a division of The McGraw-Hill Companies, Inc., Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Ratings (“Fitch”), have assigned long-term municipal bond ratings of “[____],” “[____]” and “[____],” respectively, to the Series A EMCP Notes. A securities rating is not a recommendation to buy, sell or hold the Series A EMCP Notes and may be subject to revision or withdrawal at any time. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of the ratings may be obtained from: S&P at 55 Water Street, New York, New York 10041; from Moody’s at 7 World Trade Center, New York, New York 10007; and from Fitch at 1 State Street Plaza, New York, New York 10099. There is no assurance that a rating will apply for any given period of time, or that a rating will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on the market price of or the market for the Series A EMCP Notes.

CONTINUING DISCLOSURE

The Authority has previously undertaken in connection with its outstanding bonds to provide certain financial information and operating data relating to the Authority to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) not later than 240 days after the end of the preceding Fiscal Year (each an “Annual Report” and, together, the “Annual Reports”), and to provide notice of certain enumerated events within ten business days of the occurrence thereof (each a “Material Event Notice” and, together, the “Material Event Notices”). Copies of the Annual Reports and the Material Event Notices are available on EMMA.

FINANCIAL ADVISORS

Public Financial Management, Inc. and G-Entry Principle, PC, together, have served as co-financial advisors (the “Co-Financial Advisors”) to the Authority with respect to the issuance of the Series A EMCP Notes.

LEGALITY FOR INVESTMENT

The Act provides that the bonds of the Authority are legal instruments in which public officers and public bodies of the District, insurance companies, insurance company associations and other persons carrying on an insurance business, banks, bankers, banking institutions, including savings and loan associations, building and loan associations, trust companies, savings banks, savings associations, investment companies and other persons carrying on a banking business, administrators, guardians, executors, trustees and other fiduciaries and other persons authorized to invest in bonds or in other obligations of the District, may legally invest funds, including capital, in their control.

The bonds are also, by the Act, securities which legally may be deposited with, and received by, public officers and public bodies of the District or any agency of the District for any purpose for which the deposit of bonds or other obligations of the District is authorized by law.

RELATIONSHIP OF PARTIES

In addition to representing the Authority as Co-Bond Counsel and Co-Disclosure Counsel, Squire Patton Boggs (US) LLP from time to time represents the Authority in other matters, including environmental, regulatory and personnel matters. From time to time, Squire Patton Boggs (US) LLP also represents one or more members of the underwriting group as its or their counsel in municipal bond transactions and other matters, but not in any matters related to the Authority.

In addition to representing the Authority as Co-Bond Counsel and Co-Disclosure Counsel, Leftwich LLC from time to time represents the Authority in other matters, including personal injury and personnel matters.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statements herein include matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Authority with the holders of the Series A EMCP Notes is fully set forth in the Indenture. Neither any advertisement of the Series A EMCP Notes nor this Offering Memorandum is to be construed as constituting an agreement with the purchasers of the Series A EMCP Notes.

The information contained herein should not be construed as representing all conditions affecting the Authority or the Series A EMCP Notes. The foregoing statements relating to the Act, the Federal Act, the Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through E are integral parts of this Offering Memorandum and should be read in their entirety, together with all of the foregoing statements.

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

By: _____
Mark T. Kim
Chief Financial Officer

APPENDIX A

FINANCIAL FEASIBILITY OPINION LETTER OF
AMAWALK CONSULTING GROUP LLC
DATED [_____], 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE YEARS ENDED SEPTEMBER 30, 2014, AND 2013**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
GLOSSARY AND SUMMARY OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

DTC BOOK-ENTRY ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

DTC BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series A EMCP Notes, payments of principal, premium, if any, and interest on the Series A EMCP Notes to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series A EMCP Notes and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based on information furnished by DTC. The Authority and the Underwriters take no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series A EMCP Notes. The Series A EMCP Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series A EMCP Note will be issued for the Series A EMCP Notes of each series and maturity in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers, and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series A EMCP Notes under the DTC system must be made by or through Direct Participants, who will receive a credit for such Series A EMCP Notes on DTC’s records. The ownership interest of each actual purchaser of each Series A EMCP Notes Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series A EMCP Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series A EMCP Notes, except in the event that use of the book-entry system for the Series A EMCP Notes is discontinued.

To facilitate subsequent transfers, all Series A EMCP Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series A EMCP Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series A EMCP Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series A EMCP Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series A EMCP Notes are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES A EMCP NOTES, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY

FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES A EMCP NOTES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series A EMCP Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series A EMCP Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series A EMCP Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series A EMCP Notes at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series A EMCP Notes Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series A EMCP Notes Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series A EMCP Notes, as partnership nominee for DTC, references herein to Bondholders or registered owners of the Series A EMCP Notes (other than under the caption "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series A EMCP Notes.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES A EMCP NOTES; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES A EMCP NOTES; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES A EMCP NOTES; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES A EMCP NOTES; OR (VI) ANY OTHER MATTER.

APPENDIX E

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

NINETEENTH SUPPLEMENTAL INDENTURE OF TRUST

between

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

and

**WELLS FARGO BANK, N.A.
AS TRUSTEE**

Dated as of November 1, 2015

THIS NINETEENTH SUPPLEMENTAL INDENTURE OF TRUST dated as of the 1st day of November, 2015, (the “**Nineteenth Supplemental Indenture**”), by and between the District of Columbia Water and Sewer Authority (the “**Authority**”), an independent authority of the District of Columbia (the “**District**”), and Wells Fargo Bank, N.A., a national banking association, having a corporate trust office in Philadelphia, Pennsylvania, as trustee (in such capacity, together with any successor in such capacity, herein called the “**Trustee**”), provides:

WHEREAS, the Authority and the Trustee (its predecessor in that capacity having been Norwest Bank, N.A.) entered into the Master Indenture of Trust, dated as of April 1, 1998 (the “**Master Indenture**” and, as previously supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture, the Sixteenth Supplemental Indenture, the Seventeenth Supplemental Indenture and the Eighteenth Supplemental Indenture, all as hereinafter defined, and as it may further be supplemented and amended in accordance with its terms, the “**Indenture**”), to provide for financing or refinancing the acquisition, construction, operation, maintenance and extension of the System (as defined in the Master Indenture) by the issuance of bonds, notes and other obligations payable solely from Net Revenues (as defined in the Master Indenture); and

WHEREAS, pursuant to the First Supplemental Indenture of Trust, dated as of April 1, 1998 (the “**First Supplemental Indenture**”), between the Authority and the Trustee, the Authority issued its Public Utility Revenue Bonds, Series 1998 (the “**Series 1998 Senior Lien Bonds**”) in the aggregate principal amount of \$266,120,000, to finance Costs of the System (as defined in the Master Indenture) and to refund then outstanding debt of the Authority; and

WHEREAS, the Master Indenture permits the Authority, for certain purposes and subject to certain conditions, to issue Other System Indebtedness (as defined therein) secured on a parity with the Series 1998 Senior Lien Bonds and referred to collectively with the Series 1998 Senior Lien Bonds as “Senior Debt,” and also permits the Authority to issue Subordinate Debt (as defined therein), to which it has pledged to its payment Net Revenues, as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt; and

WHEREAS, pursuant to the Second Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Second Supplemental Indenture**”), between the Authority and the Trustee, the Authority amended and supplemented the Master Indenture in accordance with its terms to clarify provisions thereof related to certain forms of Indebtedness (as defined in the Master Indenture, i.e., Senior Debt and Subordinate Debt) and thereby facilitate the issuance of such forms of Indebtedness; and

WHEREAS, pursuant to the Third Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Third Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Commercial Paper Notes, Series A (the “**2001 Series A Notes**”) to finance certain Costs of the System, and its Commercial Paper Notes, Series B (the

“**2001 Series B Notes**” and, together with the 2001 Series A Notes, the “**Series 2001 Notes**”) in the aggregate principal amount of \$50,000,000 to finance certain Costs of the System, (ii) designated the Series 2001 Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series 2001 Notes and of the Reimbursement Obligations to the Bank that provided the Letters of Credit (all as defined therein) that secure the Series 2001 Notes; and

WHEREAS, pursuant to the Fourth Supplemental Indenture of Trust, dated August 12, 2003 (the “**Fourth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2003, dated August 12, 2003 (the “**Series 2003 Subordinated Bonds**”), in the aggregate principal amount of \$176,220,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2003 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2003 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fifth Supplemental Indenture of Trust, dated August 3, 2004 (the “**Fifth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2004, as Subseries 2004A-1, Subseries 2004A-2, Subseries 2004B-1 and Subseries B-2 (collectively, the “**Series 2004 Subordinated Bonds**”) in the aggregate principal amount of \$295,000,000 to finance certain Costs of the System, (ii) designated the Series 2004 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2004 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Sixth Supplemental Indenture of Trust, dated June 6, 2007 (the “**Sixth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2007A (the “**Series 2007A Subordinated Bonds**”), in the aggregate principal amount of \$218,715,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2007A Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007A Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007B Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Seventh Supplemental Indenture of Trust, dated June 6, 2007 (the “**Seventh Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Taxable Revenue Bonds, Series 2007B (the “**Series 2007B Subordinated Bonds**”), in the aggregate principal amount of \$59,000,000 to finance certain Costs of the System, (ii) designated the Series 2007B Subordinated Bonds as

Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007B Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eighth Supplemental Indenture of Trust, dated April 24, 2008 (the “**Eighth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2008 (the “**Series 2008 Subordinated Bonds**”), in the aggregate principal amount of \$290,375,000 to (a) currently refund all of the outstanding Series 2004 Subordinated Bonds and a portion of the Series 2007B Subordinated Bonds, and (b) pay issuance costs of the Series 2008 Subordinated Bonds, (ii) designated the Series 2008 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2008 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2007B Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Ninth Supplemental Indenture of Trust, dated December 19, 2008 (the “**Ninth Supplemental Indenture**”), between the Authority and the Trustee, the Authority agreed to confer on the Holders of the Series 2003 Subordinated Bonds additional rights related to the Reserve Credit Facility (as defined therein) and to cure any ambiguity or omission in the Indenture regarding the obligations of the Authority as a consequence of a downgrade of the Reserve Policy related to the Series 2003 Subordinated Bonds, or in the event that the Reserve Policy were to cease to be in effect; and

WHEREAS, pursuant to the Tenth Supplemental Indenture of Trust, dated February 12, 2009 (the “**Tenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Senior Lien Revenue Bonds, Series 2009A (the “**Series 2009A Senior Lien Bonds**”), in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System and retire Series 2001 Notes, (ii) designated the Series 2009A Senior Lien Bonds as Senior Debt for purposes of the Indenture, and (iii) secured the Series 2009A Senior Lien Bonds by a pledge of Net Revenues on a parity with the pledge of Net Revenues that secures the 1998 Senior Lien Bonds and other Senior Debt, including, without limitation, other Senior Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eleventh Supplemental Indenture of Trust, dated June 2, 2010, as supplemented and amended by the First Amendment to Eleventh Supplemental Indenture of Trust, dated April 5, 2013, and by the Second Amendment to Eleventh Supplemental Indenture of Trust, dated May 18, 2015 (together, the “**Eleventh Supplemental Indenture**”), each between the Authority and the Trustee, the Authority: (i) authorized the issuance of its (a) Commercial Paper Notes, Series A (the “**2010 Series A Notes**”) in the aggregate principal amount of \$0 to finance certain Costs of the System, (b) Commercial Paper

Notes, Series B (the “**2010 Series B Notes**”) in the aggregate principal amount of \$100,000,000 to finance certain Costs of the System, and (c) Commercial Paper Notes, Series C (the “**2010 Series C Notes**”) and, together with the 2010 Series A Notes and the 2010 Series B Note, the “**Series 2010 Notes**”) in the aggregate principal amount of \$50,000,000 to finance certain Costs of the System, (ii) designated the Series 2010 Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series 2010 Notes and of the Authority’s reimbursement obligations to the Bank (as defined in the Eleventh Supplemental Indenture) that provided the Substitute Letters of Credit (as defined in the Eleventh Supplemental Indenture) that secure the Series 2010 Notes; and

WHEREAS, pursuant to the Twelfth Supplemental Indenture of Trust, dated October 27, 2010 (the “**Twelfth Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2010A (Federally Taxable – Issuer Subsidy – Build America Bonds) (the “**Series 2010A Subordinated Bonds**”) in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System and fund capitalized interest on a portion of the Series 2010A Subordinate Bonds, subject to specified limitations, (ii) designated the Series 2010A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secured the Series 2010A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2013 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2007B Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, and (iv) included provisions in the Indenture related to potential Direct Payments (as defined therein) received or expected to be received by the Authority, including certain provisions requiring the consent of the holders of a majority of Outstanding Bonds; and

WHEREAS, pursuant to the Thirteenth Supplemental Indenture of Trust, dated March 22, 2012 (the “**Thirteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i)(a) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “**Series 2012A Subordinate Bonds**”) in the aggregate principal of \$177,430,000 to finance certain Costs of the System and pay certain costs of issuance, (b) designated the Series 2012A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, (ii)(a) issued its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (the “**Series 2012B Subordinate Bonds**”) in the aggregate principal amount of \$100,000,000 to finance certain Costs of the System, fund capitalized interest on a portion of the Series 2012B Subordinate Bonds subject to specified limitations, and pay certain costs of issuance, (b) designated the Series 2012B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds,

the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, and (iii)(a) issued its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “**Series 2012C Subordinate Bonds**”) in the aggregate principal amount of \$163,215,000, and applied the proceeds thereof, together with any other funds of the Authority, to advance refund the Series 2003 Subordinated Bonds and caused them to be deemed paid and no longer Outstanding for purposes of the Indenture, and paid certain costs of issuance, (b) designated the Series 2012C Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (c) secured the Series 2012C Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fourteenth Supplemental Indenture of Trust, dated as of August 1, 2013 (the “**Fourteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2013A in the aggregate principal amount of \$300,000,000 (the “**Series 2013A Subordinate Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated the Series 2013A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2013A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fifteenth Supplemental Indenture of Trust, dated July 23, 2014 (the “**Fifteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Senior Lien Revenue Bonds, Series 2014A (Federally Taxable) (Green Bonds) in the aggregate principal amount of \$350,000,000 (the “**Series 2014A Senior Lien Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated the Series 2014A Senior Lien Bonds as Senior Debt for purposes of the Indenture, and (iii) secured the Series 2014A Senior Lien Bonds by a pledge of Net Revenues on a parity with the pledge of Net Revenues that secures the Series 1998 Senior Lien Bonds, the Series 2009A Senior Lien Bonds, and other Senior Debt, including, without limitation, other Senior Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Sixteenth Supplemental Indenture of Trust, dated July 23, 2014 (the “**Sixteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2014B, in the aggregate principal amount of \$100,000,000 (the “**Series 2014B Subordinate Bonds**”) to finance certain Costs of the System and pay certain costs of issuance, (ii) designated

the Series 2014B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2014B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Seventeenth Supplemental Indenture of Trust, dated November 20, 2014 (the “**Seventeenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2014C, in the aggregate principal amount of \$377,700,000 (the “**Series 2014C Subordinate Bonds**”) to (a) advance refund all a portion of the Authority’s outstanding Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, and the Series 2009A Senior Lien Bonds, and current refund all of the Authority’s outstanding Subseries 2012B-1 of the Series 2012 Subordinate Bonds, and (b) pay issuance costs of the Series 2014C Subordinate Bonds, (ii) designated the Series 2014C Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2014C Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, Series 2014B Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eighteenth Supplemental Indenture of Trust, dated [October __, 2015] (the “**Eighteenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2015A in the aggregate principal amount of \$_____ (the “**Series 2015A Subordinate Bonds**”) to (a) finance certain Costs of the System, and (b) pay issuance costs of the Series 2015A Subordinate Bonds, (ii) designated the Series 2015A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secure the Series 2015A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, Series 2014B Subordinate Bonds, Series 2015B Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, (iv) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2015B in an aggregate principal amount of \$_____ (the “**Series 2015B Subordinate Bonds**” and, together with the Series 2015A Subordinate Bonds, the “**Series 2015A/B Subordinate Bonds**”) to (a) finance certain Costs of the System, and (b) pay issuance costs of the Series 2015B

Subordinate Bonds, (v) designated the Series 2015B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, and (vi) secure the Series 2015B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2004 Subordinated Bonds, the Series 2007A Subordinated Bonds, the Series 2008A Subordinated Bonds, the Series 2010 Notes, the Series 2010A Subordinated Bonds, the Series 2012A Subordinate Bonds, the Series 2012B Subordinate Bonds, the Series 2012C Subordinate Bonds, the Series 2013A Subordinate Bonds, Series 2014B Subordinate Bonds, Series 2015A Subordinate Bonds, and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, within the limitations of and in compliance with the Master Indenture of Trust, the Authority is authorized to issue bonds, notes and other obligations, including commercial paper and bond anticipation notes, under the Master Indenture of Trust to finance Costs of the System; and

WHEREAS, the Authority has determined to issue \$_____ aggregate principal amount of its Extendable Municipal Commercial Paper Notes, Series A (the “**Series A EMCP Notes**”) pursuant to the terms of a certain Issuing and Paying Agency Agreement dated as of November 1, 2015, between the Authority and _____, as issuing and paying agent thereunder, to finance Costs of the System; and

WHEREAS, the Authority intends to provide the holders of the Series A EMCP Notes with a subordinate lien on Net Revenues to secure the Series A EMCP Notes.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

**ARTICLE I
NINETEENTH SUPPLEMENTAL INDENTURE**

Section 101. Authorization of Nineteenth Supplemental Indenture.

This Nineteenth Supplemental Indenture is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Articles III and X of the Master Indenture of Trust. All terms, covenants, conditions and agreements of the Indenture shall apply with full force and effect to the Series A EMCP Notes and to the holders thereof, except as otherwise provided in this Nineteenth Supplemental Indenture.

Section 102. Definitions.

Except as otherwise defined in this Nineteenth Supplemental Indenture, terms defined in the Indenture are used in this Nineteenth Supplemental Indenture with the meanings assigned to them in the Indenture. In addition, the following words as used in this Nineteenth Supplemental Indenture and in the Indenture have the following meanings unless a different meaning clearly appears from the context:

"Business Day" shall have the meaning set forth in the Issuing and Paying Agent Agreement.

"Extendable Municipal Commercial Paper Payment Account" shall mean the account by such name created under the Issuing and Paying Agency Agreement.

"Indenture" shall mean the Master Indenture as supplemented and amended from time to time.

"Issuing and Paying Agency Agreement" shall mean the Issuing and Paying Agency Agreement between the Authority and _____ dated as of November 1, 2015, as supplemented and amended from time to time.

"Issuing and Paying Agent" shall mean the Issuing and Paying Agent named as such pursuant to the Issuing and Paying Agency Agreement, and its successors and assigns, and shall constitute a Subordinate Debt trustee for purposes of the Master Indenture.

"Nineteenth Supplemental Indenture" shall mean this Nineteenth Supplemental Indenture of Trust, dated as of November 1, 2015, between the Authority and the Trustee, which supplements and amends the Master Indenture of Trust, as this Nineteenth Supplemental Indenture may be supplemented and amended.

"Redemption Price" shall have the meaning set forth in the Issuing and Paying Agent Agreement.

"Reset Interest Payment Date" shall have the meaning set forth in the Issuing and Paying Agent Agreement.

"Series A EMCP Notes" shall mean the Authority's \$_____ Extendable Municipal Commercial Paper Notes, Series A dated their date of issuance.

"Series A EMCP Subordinate Interest Account" shall mean the Subordinate Interest Account in the Subordinate Bond Fund established in Section 201(a) of this Nineteenth Supplemental Indenture.

"Series A EMCP Subordinate Principal Account" shall mean the Series A Subordinate Principal Account in the Subordinate Bond Fund established in Section 201(a) of this Nineteenth Supplemental Indenture.

"Stated Maturity" shall have the meaning set forth in the Issuing and Paying Agent Agreement.

"Stated Maturity Date" when used with respect to any Series A EMCP Notes means (i) the date specified in such Series A EMCP Note as the Stated Maturity, or (ii) any date on which any Series A EMCP Note is subject to redemption pursuant to the Issuing and Paying Agent Agreement.

Section 103. Reference to Articles and Sections.

Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this Nineteenth Supplemental Indenture.

**ARTICLE II
FUNDS AND ACCOUNTS**

Section 201. Subordinate Interest Accounts and Subordinate Principal Accounts.

(a) There shall be established a “Series A EMCP Subordinate Interest Account” and a “Series A EMCP Subordinate Principal Account” within the Subordinate Bond Fund.

(b) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series A EMCP Subordinate Interest Account on the last Business Day of the month prior to the Stated Maturity Date or Reset Interest Payment Date of any Series A EMCP Notes, in an amount equal to (1) the interest due and payable on such Series A EMCP Notes maturing on any Stated Maturity Date that is expected to occur in the next succeeding calendar month, and (2) any interest that may be due and payable during the next succeeding calendar month with respect to a Reset Interest Payment Date that is expected to occur in the next succeeding calendar month.

(c) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series A Subordinate EMCP Principal Account on the last Business Day of the month prior to the Stated Maturity Date of any Series A EMCP Notes, in an amount equal to pay the principal due and payable on, or if applicable, Redemption Price of, the Series A EMCP Notes on any Stated Maturity Date that is expected to occur in the next succeeding calendar month.

(d) Such payments made pursuant to this Section 201 shall be made to the Issuing and Paying Agent pursuant to the terms of a certificate signed by a duly Authorized Representative of the Authority which shall set forth the amounts that are due with respect to the Series A EMCP Notes, and the dates for payment thereof. On the last Business Day of the month prior to the Stated Maturity Date of any Series A EMCP Notes, to the extent that the interest due on the such Series A EMCP Notes is not fully determinable for the entire month, then for that portion of the month for which interest is not fully determinable, Net Revenues shall be deposited in the Series A EMCP Subordinate Interest Account in an amount equal to interest accruing at a rate per annum on such Series A EMCP Notes, as determined by the Authority, which rate shall not initially exceed 12% per annum all as set forth in the certificate of the duly Authorized Representative of the Authority.

**ARTICLE III
SECURITY FOR SERIES A EMCP NOTES**

Section 301. Security for Series A EMCP Notes.

The Series A EMCP Notes constitute Subordinate Debt under the terms and provisions of the Master Indenture, and as such, are entitled to the security and repayment provisions thereof,

as limited therein, as set forth in the granting clauses and Section 305 thereof. The Series A EMCP Notes shall be equally and ratably secured under the Indenture with any other Subordinate Debt issued pursuant to Article III of the Master Indenture of Trust, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt, as provided in the Indenture.

Section 302. Form of Series A EMCP Notes.

The Series A EMCP Notes shall be issued as Bond Anticipation Notes under the terms and provisions of the Master Indenture, specifically subsection (f) of the definition of “Annual Debt Service” in Section 101 of the Master Indenture, as amended and supplemented by the Second Supplemental Indenture.

**ARTICLE IV
MISCELLANEOUS**

Section 401. Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Nineteenth Supplemental Indenture or the Series A EMCP Notes is intended or shall be construed to give to any person other than the parties hereto, the holders of Series A EMCP Notes any legal or equitable right, remedy or claim under or in respect to this Nineteenth Supplemental Indenture or any covenants, conditions and agreements herein contained since this Nineteenth Supplemental Indenture and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the holders of the Series A EMCP Notes as herein provided.

Section 402. Severability.

If any provision of this Nineteenth Supplemental Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this Nineteenth Supplemental Indenture shall be construed and enforced as if such illegal provision had not been contained herein.

Section 403. Successors and Assigns.

This Nineteenth Supplemental Indenture shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 404. Applicable Law.

This Nineteenth Supplemental Indenture shall be governed by the applicable laws of the District of Columbia.

Section 405. Counterparts.

This Nineteenth Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Nineteenth Supplemental Indenture to be executed in their respective corporate names as of the date first above written.

**DISTRICT OF COLUMBIA WATER
AND SEWER AUTHORITY**

By _____
Chairman

**WELLS FARGO BANK, N.A.,
AS TRUSTEE**

By _____
Its _____

SPB Draft August 31, 2015

ISSUING AND PAYING AGENCY AGREEMENT

By and Between

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

and

U.S. BANK, NATIONAL ASSOCIATION

**Relating to the Issuance of
\$100,000,000 District of Columbia Water and Sewer Authority
Extendable Municipal Commercial Paper Notes, Series A**

Dated as of November 1, 2015

ARTICLE I		DEFINITIONS	
Section 1.01	Interpretation.....		2
Section 1.02	Definitions.....		2
ARTICLE II		THE ISSUING AND PAYING AGENT	
Section 2.01	Appointment		9
Section 2.02	Duties of Issuing and Paying Agent.....		9
Section 2.03	Books and Records		9
Section 2.04	Resolution; Authorized Representative of the Authority.....		10
Section 2.05	Certificate Agreement.....		10
Section 2.06	Letter of Representations		11
Section 2.07	Notice of Liens.....		11
ARTICLE III		THE EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES	
Section 3.01	Title		11
Section 3.02	Master Note Certificate.....		12
Section 3.03	Issuance Requests		12
Section 3.04	Execution; Authentication		13
Section 3.05	Conditions to Delivery		13
Section 3.06	Terms of the Extendable Municipal Commercial Paper Notes		14
Section 3.07	Transfer and Exchange		17
Section 3.08	Mutilated, Destroyed, Lost and Stolen Extendable Municipal Commercial Paper Notes		17
Section 3.09	Interest Rights Preserved; Dating of Extendable Municipal Commercial Paper Notes		18
Section 3.10	Persons Deemed Owners		18
Section 3.11	Cancellation		18
Section 3.12	Book-Entry-Only System.....		18
ARTICLE IV		PAYMENT	
Section 4.01	Payment Duties of Issuing and Paying Agent.....		21
Section 4.02	Time and Source of Payments		21
ARTICLE V		FLOW OF FUNDS	
Section 5.01	Creation of Accounts		22
Section 5.02	Letter of Credit Account		23
Section 5.03	Bank Reimbursement Account		23
Section 5.04	Extendable Municipal Commercial Paper Payment Account.....		24
Section 5.05	Construction Account		24
ARTICLE VI		dB NOTELINE WEB	

Section 6.01	The Issuance System.....	25
ARTICLE VII REPRESENTATIONS AND WARRANTIES		
Section 7.01	Due Authorization.....	26
Section 7.02	Representation Concerning the Resolution.....	27
Section 7.03	Liability.....	27
ARTICLE VIII PROVISIONS CONCERNING THE ISSUING AND PAYING AGENT		
Section 8.01	Resignation or Removal of Issuing and Paying Agent	27
Section 8.02	Compensation	27
Section 8.03	Issuing and Paying Agent as Owner	28
Section 8.04	Right to Consult With Counsel	28
Section 8.05	Merger; Consolidation	28
Section 8.06	Additional Information	28
Section 8.07	Successor Issuing and Paying Agent	28
Section 8.08	Miscellaneous	29
ARTICLE IX EVENTS OF DEFAULT; REMEDIES		
Section 9.01	Events of Default	30
Section 9.02	Notice of Default.....	30
Section 9.03	Remedies of Holders.....	30
Section 9.04	Remedies not Exclusive.....	31
Section 9.05	Delay or Omission	31
Section 9.06	Application of Moneys on Default	31
ARTICLE X DEFEASANCE OF EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES		
Section 10.01	Conditions for Defeasance.....	32
ARTICLE XI AMENDMENTS		
Section 11.01	Amendment Without Consent of Holders.....	33
Section 11.02	Amendments With Consent of Holders	34
Section 11.03	Consent by Purchaser.....	34
Section 11.04	Consent by Issuing and Paying Agent	34
Section 11.05	Holdings Bound	34
Section 11.06	Effect of Amendment.....	34
ARTICLE XII AUTHORITY'S COVENANTS		
Section 12.01	Compliance with Indenture.....	35
Section 12.02	Payment of Extendable Municipal Commercial Paper Notes.....	35
Section 12.03	General Tax Covenants.....	35
Section 12.04	Rebate	36

ARTICLE XIII GENERAL PROVISIONS

Section 13.01	Resignation or Replacement of Issuing and Paying Agent; Termination of this Agreement.....	36
Section 13.02	Addresses	37

ARTICLE XIV MISCELLANEOUS

Section 14.01	Governing Law	39
Section 14.02	Limited Obligation of the Authority	40
Section 14.03	Complete Agreement	40
Section 14.04	Counterparts	40
Section 14.05	Section Headings	40
Section 14.06	Waiver of Set-Off, Offset Lien or Counterclaim	40
Section 14.07	Benefit of Agreement.....	40
Section 14.08	Force Majeure	40
Section 14.09	Indemnification; Liabilities.....	41

EXHIBIT A	— DTC Letters of Representations.....	A-1
------------------	---------------------------------------	-----

EXHIBIT B	— Certificate of Authorized Representative of the Authority	B-1
------------------	---	-----

EXHIBIT C	— Form of Authority Issuance Request	C-1
------------------	--	-----

EXHIBIT D	— Master Tax-Exempt Note Certificate.....	D-1
------------------	---	-----

EXHIBIT E	— Form of Authority Order Concerning the Maximum Principal Amount, Maximum Rate or Maximum Term.....	E-1
------------------	--	-----

EXHIBIT F	— Master Indenture of Trust	F-1
------------------	-----------------------------------	-----

ISSUING AND PAYING AGENCY AGREEMENT

This Issuing and Paying Agency Agreement (this “**Agreement**”) is entered into as of November 1, 2015, by and between **DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY** (the “**Authority**”) and **U.S. BANK, NATIONAL ASSOCIATION** (the “**Issuing and Paying Agent**”). All capitalized terms used herein shall have the meanings specified in Article I hereof.

BACKGROUND

WHEREAS, pursuant to the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, (D.C. Law 11-111, codified as amended as D.C. Code Ann. Sections 34-2201.01 *et seq.* (2001), (the “**WASA Act**”), the Authority is authorized to issue its revenue bonds, notes or other obligations for the purpose of financing or refinancing the Costs of the System, within the meaning of the WASA Act; and

WHEREAS, the Authority has determined that it is necessary and desirable and in the best financial interests of the Authority that the Authority obtain funds through the issuance and sale, from time to time, of its Extendable Municipal Commercial Paper Notes to provide moneys for the provision or payment of (i) Costs of the System, and (ii) the costs of issuance of the Extendable Municipal Commercial Paper Notes; and

WHEREAS, all action has been taken to make the Extendable Municipal Commercial Paper Notes, when executed and issued by the Authority and authenticated and delivered hereunder, the valid obligations of the Authority under the WASA Act and Extendable Municipal Commercial Paper Notes for purposes of the Master Indenture, and to constitute this Agreement as a trust indenture under the WASA Act and a valid contract for the security of the Extendable Municipal Commercial Paper Notes herein authorized;

NOW THEREFORE THE PARTIES AGREE THAT:

GRANTING CLAUSE

To secure payment of the principal of and interest on the Extendable Municipal Commercial Paper Notes according to their tenor and effect and the performance of all covenants and conditions therein and herein contained, and in consideration of the premises, and of the purchase of the Extendable Municipal Commercial Paper Notes by the Holders thereof, and to secure the obligations of the Authority to the Holders of the Extendable Municipal Commercial Paper Notes, the Authority does grant, bargain, sell, release, convey, assign, transfer, pledge, and confirm unto the Issuing and Paying Agent for the benefit of the Holders of the Extendable Municipal Commercial Paper Notes all right, title and interest of the Authority in the Pledged Funds, subject to the provisions of this Agreement permitting the application thereof for the purposes and on the terms set forth in this Agreement.

TO HAVE AND TO HOLD the same until the Extendable Municipal Commercial Paper Notes are paid or such payment is provided for in accordance with Article X hereof and Article XII of the Master Indenture, for the equal and proportionate benefit and

security of the Holders from time to time of the Extendable Municipal Commercial Paper Notes without priority of one such Note over any other as set forth herein.

ARTICLE I DEFINITIONS

Section 1.01 Interpretation

(a) **“This Agreement”** means this instrument as originally executed or as it may from time to time be amended or supplemented by one or more supplemental Agreements entered into pursuant to the applicable provisions hereof.

(b) All references in this instrument to designated **“Articles,” “Sections”** and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed or as hereinafter amended or supplemented.

(c) The words **“herein,” “hereof”** and **“hereunder”** and other words of similar import without reference to any particular Article, Section or subdivision refer to this Agreement as a whole and not to any particular Article, Section or other subdivision unless the context clearly indicates otherwise.

(d) The terms defined in this Article shall include the plural as well as the singular.

Section 1.02 Definitions

The terms defined in this Article I shall for all purposes of this Agreement have the meanings herein specified, unless the context clearly otherwise requires.

“Account” or **“Accounts”** has the meaning set forth in Section 5.01 hereof.

“Authority” means the District of Columbia Water and Sewer Authority, as issuer of the Extendable Municipal Commercial Paper Notes, and any successor to its functions hereunder.

“Authority Issuance Request” means a request and authorization by the Authority to the Issuing and Paying Agent in the form of **Exhibit C**.

“Authority Request,” “Authority Order” or **“Authority Consent”** means, respectively, a written request, order or consent of the Authority, signed by an Authorized Representative of the Authority.

“Authority Resolution” means a resolution or other appropriate enactment by the Board certified by the Secretary or Assistant Secretary of the Board to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

“Authorized Representative of the Authority” shall mean such person or persons as may be designated to act on behalf of the Authority by a certificate executed by the Board Chairman and on file with the Issuing and Paying Agent.

“Board” means the Board of the Authority or if said Board shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof.

“Bond Counsel” means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing acceptable to the Authority.

“Bonds” means the Bonds issued and outstanding from time to time under and secured by the Indenture, which constitute “Senior Debt” under the Indenture.

“Book-Entry Form” or **“Book-Entry System”** means, with respect to the Extendable Municipal Commercial Paper Notes, a form or system, as applicable, under which (i) the ownership of beneficial interests in Extendable Municipal Commercial Paper Notes and payments due with respect thereto may be transferred only through a book entry and (ii) physical Extendable Municipal Commercial Paper Notes in fully registered form are in the form of a Master Note Certificate registered only in the name of a Note Depository or its nominee as Holder. The Book-Entry System maintained by and the responsibility of the Note Depository (and not maintained by or the responsibility of the Authority or the Issuing and Paying Agent) is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book-entry) interests in the Extendable Municipal Commercial Paper Notes.

“Business Day” means any day other than (i) a Saturday or Sunday or a day on which institutions are authorized or required by law or executive order to be closed in the State of New York or the District of Columbia for commercial banking purposes; (ii) a day on which the New York Stock Exchange is authorized or required by law or executive order to be closed; or (iii) an Unscheduled Holiday.

“Code” means the Internal Revenue Code of 1986, as may be amended from time to time.

“Extendable Municipal Commercial Paper Payment Account” means the account by that name created in Section 5.01 hereof.

“Extendable Municipal Commercial Paper Notes” District of Columbia Water and Sewer Authority Extendable Municipal Commercial Paper Notes, Series A, outstanding hereunder from time to time in a principal amount not to exceed the Maximum Principal Amount, to be repaid from proceeds from Pledged Funds.

“Construction Account” means the Construction Account established pursuant to Section 5.01 hereof.

“Construction Subaccount of the Construction Account” means the subaccount by that name created in Section 5.01 hereof.

“Cost” shall have the meaning set forth in the Indenture.

“Costs of Issuance Subaccount of the Construction Account” means the subaccount by that name created in Section 5.01 hereof.

“Dealer” means the dealer or dealers acting as such with respect to the Extendable Municipal Commercial Paper Notes, and shall initially mean Goldman, Sachs & Co., and its successors and assigns under the related Dealer Agreement.

“Dealer Agreement” means any agreement executed by the Authority and a dealer and initially shall mean the Dealer Agreement, dated as of November 1, 2015, between the Authority and Goldman, Sachs & Co., as amended and supplemented from time to time.

“Dealer Request” means a request by a Dealer to the Issuing and Paying Agent to deliver Extendable Municipal Commercial Paper Notes.

“Defeasance Obligations” means Government Obligations and any other investment securities as shall qualify Notes defeased thereby for a rating in the highest category of one or more nationally recognized rating agencies.

“Designation Certificate” means the form of certificate in the form of **Exhibit B** delivered by the Authority to the Issuing and Paying Agent.

“District” means the District of Columbia.

“Eligible Account” is an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor’s short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Event of Default” means any event defined as such in Section 9.01 hereof.

“Extended Maturity Date” when used in connection with any Extendable Municipal Commercial Paper Note means the date after the Original Maturity Date that, together with the number of days from the Issue Date to the Original Maturity Date, is two hundred seventy (270) days after the Issue Date of such Extendable Municipal Commercial Paper Note.

“Fiscal Year” means any fiscal year as established from time to time for accounting purposes by the Board.

“Government Obligations” means any certificates or obligations, (a) which, as to principal and interest, constitute direct obligations of the United States of America, or (b) which, as to principal and interest, are unconditionally guaranteed by the United States of America, or (c) which are otherwise so defined in the Indenture.

“Holder” means a holder of any Extendable Municipal Commercial Paper Note.

“Indenture” means the Master Indenture, as amended and supplemented from time to time.

“Interest Subaccount of the Extendable Municipal Commercial Paper Payment Account” means the subaccount by that name created in Section 5.01 hereof.

“Issuance Request” means either an Authority Issuance Request or Dealer Request.

“Issue Date” means the dated date of each Commercial Paper Note.

“Issuing and Paying Agent” means U.S. Bank, National Association, or its successors and assigns hereunder.

“Letter of Representations” means the Letter of Representations from the Authority and the Issuing and Paying Agent to the Note Depository in connection with the issuance of the Extendable Municipal Commercial Paper Notes in a book-entry system attached hereto as **Exhibit A**, as supplemented and amended from time to time.

“Master Indenture” means the Authority’s Master Indenture of Trust dated as of April 1, 1998, which is attached hereto as **Exhibit F**.

“Master Note Certificate” means the form of note attached hereto as **Exhibit D** issued by the Authority and registered in the name of the Note Depository or its nominee.

“Maximum Principal Amount” means \$100,000,000.

“Maximum Rate” means the lesser of (i) the maximum interest rate authorized by law, or (ii) 12% per annum.

“Maximum Term” means the maximum number of days an Extendable Municipal Commercial Paper Note, when extended, can be outstanding, which shall be 270 days from the original Issue Date.

“Net Revenues” has the same meaning as in the Indenture.

“Note Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in Extendable Municipal Commercial Paper Notes, and to effect transfers of book-entry interests in Extendable Municipal Commercial Paper Notes in book-entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Offering Memorandum” means the Offering Memorandum used, from time to time, by a Dealer in offering the Extendable Municipal Commercial Paper Notes for purchase.

“Official’s Certificate” means a certificate signed by an Authorized Representative of the Authority.

“Opinion of Counsel” has the meaning set forth in the Indenture.

“Original Maturity Date” when used with respect any Extendable Municipal Commercial Paper Note means, the maturity established by the Authority for each Extendable Municipal Commercial Paper Note at the time of issuance; provided, however, that such date shall not be more than ninety (90) days after the date of issuance for such Extendable Municipal Commercial Paper Note.

“Outstanding” when used with reference to Extendable Municipal Commercial Paper Notes means, as of the date of determination, all Extendable Municipal Commercial Paper Notes theretofore issued and delivered under this Agreement, except:

(a) Extendable Municipal Commercial Paper Notes theretofore canceled by the Issuing and Paying Agent or delivered to the Issuing and Paying Agent for cancellation; and

(b) Extendable Municipal Commercial Paper Notes and portions of Extendable Municipal Commercial Paper Notes for whose payment moneys or Defeasance Obligations (as provided in Article X hereof) shall have been theretofore deposited with the Issuing and Paying Agent for the Holders of such Extendable Municipal Commercial Paper Notes;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Extendable Municipal Commercial Paper Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Extendable Municipal Commercial Paper Notes owned by the Authority shall be disregarded and deemed not to be Outstanding.

“Permitted Investments” has the same meaning set forth in the Indenture.

“Pledged Funds” means (a) proceeds of the sale of the Extendable Municipal Commercial Paper Notes deposited in the Extendable Municipal Commercial Paper Payment Account, (b) moneys held in the Construction Account, and (c) other legally available funds as shall be determined by the Authority and paid into the Extendable Municipal Commercial Paper Payment Account, all of which are pledged by the Authority to the Issuing and Paying Agent hereunder as security for the Extendable Municipal Commercial Paper Notes as described in Section 5.04 hereof.

“Prevailing Ratings” means the ratings assigned to the Extendable Municipal Commercial Paper Notes by Fitch, Moody’s, and S&P or any comparable future designation by any successor rating agency.

“Principal Subaccount of the Extendable Municipal Commercial Paper Payment Account” means the subaccount by that name created in Section 5.01 hereof.

“Redemption Price” when used with respect to an Extendable Municipal Commercial Paper Note means the principal amount of such Extendable Municipal Commercial Paper Note payable upon redemption prior to its Extended Maturity Date as provided herein.

“**Reset Interest Payment Date**” means the first Business Day of the month after the Original Maturity Date, the first Business Day of each month thereafter and the Extended Maturity Date or the date of earlier redemption.

“**Reset Rate**” means a rate of interest per annum determined by the following formula; provided such Reset Rate shall not exceed the Maximum Rate:

The greater of $(SIFMA + E)$ or F

As used in the above formula, the *SIFMA* variable will be the SIFMA Index and the *E* and *F* variables will be fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings, as follows:

Prevailing Rating				
<u>Fitch</u>	<u>Moody's</u>	<u>S&P</u>	<u>E Variable</u>	<u>F Variable</u>
F-1+	P-1	A-1+	300 basis points	7.00%
F-1	-	A-1	400	8.00%
F-2	P-2	A-2	600	9.00%
F-3	P-3	A-3	800	10.00%
Lower than F-3 (or rating withdrawn for credit reasons)	Lower than P-3 (or rating withdrawn for credit reasons)	Lower than A-3 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the Prevailing Ratings would indicate different *E* or *F* variables, as the case may be, as a result of split ratings assigned to the Authority, the applicable *E* or *F* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to an Extendable Municipal Commercial Paper Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m. New York time on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

“**Resolution**” means Resolution No. 15-__ adopted by the Board of the Authority on October 1, 2015, authorizing the Extendable Municipal Commercial Paper Notes and designating certain Authority officers as Authorized Representatives of the Authority for purposes of this Agreement, as the same shall be supplemented or amended from time to time.

“**Senior Debt**” has the meaning set forth in the Indenture.

“**SIFMA Index**” means The Securities Industry and Financial Markets Association Municipal Swap Index, a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there shall be used in its place such index as the Issuing and Paying Agent (upon consultation with the Dealer) from time to time determines most closely approximates the SIFMA Index.

“**Stated Maturity**” when used with respect to any Extendable Municipal Commercial Paper Note means the date specified in such Extendable Municipal Commercial Paper Note as the Original Maturity Date, or if extended, the Extended Maturity Date.

“**Subordinate Debt**” has the meaning set forth in the Indenture.

“**Supplemental Agreement**” means any Supplemental Agreement supplementing or modifying the provisions of this Agreement entered into by the Authority and the Issuing and Paying Agent pursuant to Article XI.

“**System**” means all plants, systems, facilities, equipment, real and personal property and tangible and intangible property, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, used, or to be used, in connection with the collection, transmission, treatment and disposal of wastewater and stormwater flow, and the supply, treatment, storage and distribution of water.

“**Tax Certificate**” means a Tax Certificate delivered by the Authority in connection with the issuance of the Extendable Municipal Commercial Paper Notes concerning certain representations and covenants to preserve the tax exemption with respect to the interest on Extendable Municipal Commercial Paper Notes.

“**Trust Estate**” means the money, investments, property and certain rights of the Authority thereto, including, without limitation, the Net Revenues, all as more fully described in clauses (A), (B), (C) and (D) of the “Granting Clauses” to the Indenture, granted as security for the holders of Senior Debt and Subordinate Debt.

“**Trustee**” means the bank acting as Trustee under the Indenture.

“**Unscheduled Holiday**” means a day is not a Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later that day or the following day.

“**WASA Act**” means the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, (D.C. Law 11-111, codified as amended D.C. Code Ann. Sections 34-2201.01 et seq. (2001).

**ARTICLE II
THE ISSUING AND PAYING AGENT**

Section 2.01 Appointment

The Authority has appointed U.S. Bank, National Association, and U.S. Bank, National Association hereby accepts such appointment, as the Issuing and Paying Agent in connection with the issuance and payment of the Extendable Municipal Commercial Paper Notes pursuant to this Agreement. The Issuing and Paying Agent agrees to observe and perform its duties and obligations hereunder.

Section 2.02 Duties of Issuing and Paying Agent

(a) The Issuing and Paying Agent's duties and responsibilities in connection with the issuance of the Extendable Municipal Commercial Paper Notes shall include:

- (i) to hold each Master Note Certificate in safekeeping;
- (ii) to obtain and assign to each Issuance Request a CUSIP number;

(iii) to cause to be delivered an Extendable Municipal Commercial Paper Note on behalf of the Authority in the manner provided in Article III hereof upon receipt of instructions from an Authorized Representative of the Authority or an authorized representative of a Dealer, as to the principal amount, registered owner, date of issue, maturity date and interest rate, by way of data entry transfer to the Note Depository Same Day Funds Settlement System (“SDFS”), and to receive from SDFS a confirmation receipt that such delivery was effected; and

(iv) to credit the proceeds of sales of the Extendable Municipal Commercial Paper Notes in the manner provided in Article V hereof.

(b) Subject to Section 3.06(f) hereof, the Issuing and Paying Agent shall have no duty or responsibility to make any transfer of the proceeds of the sale of the Extendable Municipal Commercial Paper Notes, or to advance any moneys or effect any credit with respect to such proceeds or transfers unless and until the Issuing and Paying Agent has actually received the proceeds of the sale of the Extendable Municipal Commercial Paper Notes.

(c) The Issuing and Paying Agent shall pay principal and interest on the Extendable Municipal Commercial Paper Notes at the times and from the sources specified in Article IV hereof.

(d) The Issuing and Paying Agent shall establish the Accounts and hold and disburse the Pledged Funds in accordance with Article V hereof.

Section 2.03 Books and Records

(a) The Issuing and Paying Agent agrees to keep such books and records, including, without limitation, a complete record of all Issuance Requests, as shall be consistent

with prudent industry practice and to make such books and records available for inspection by the Authority, such books and records to be available on each Business Day during reasonable business hours and, if so requested, to send copies of such books and records to the Authority.

(b) The Issuing and Paying Agent shall provide the Authority with a statement of account setting forth all deposits to and withdrawals from the Accounts established and maintained pursuant to this Agreement during each calendar month in accordance with customary practice following the last day of such month and, in any event, promptly following the request of the Authority. In addition, the Issuing and Paying Agent shall furnish immediate telephonic advice (confirmed in writing) of the amounts on deposit in such Accounts, and/or the amounts of deposits to and withdrawals from such Accounts, upon the telephonic request (confirmed in writing) of the Authority.

Section 2.04 **Resolution; Authorized Representative of the Authority**

The Authority has delivered to the Issuing and Paying Agent (a) a certified copy of the Resolution, and (b) a certified original of a Designation Certificate of an Authorized Representative of the Authority setting forth the Authorized Representatives of the Authority, containing the names, titles and true signatures of those officers and employees of the Authority authorized pursuant to the Resolution to take action with respect to the Extendable Municipal Commercial Paper Notes, which Designation Certificate is attached hereto as **Exhibit B**. The Authority agrees to provide the Issuing and Paying Agent with revised Designation Certificates when there are changes in the Authorized Representatives of the Authority. Until the Issuing and Paying Agent receives any subsequent Designation Certificate, the Issuing and Paying Agent shall be entitled to rely on the last Designation Certificate delivered to it for the purpose of determining the Authorized Representatives of the Authority.

Section 2.05 **Certificate Agreement**

The Issuing and Paying Agent has previously entered into a commercial paper certificate agreement (the "**Certificate Agreement**") with the Note Depository. The Authority acknowledges the interest of the Note Depository in the Extendable Municipal Commercial Paper Notes as provided in the Certificate Agreement.

Section 2.06 **Letter of Representations**

Prior to the issuance of any Extendable Municipal Commercial Paper Notes, the Authority shall deliver to the Issuing and Paying Agent an executed Letter of Representations, as appropriate, a form of which is attached hereto as **Exhibit A**. The Letter of Representations when executed by the Authority, the Issuing and Paying Agent, and the Note Depository shall supplement the provisions of this Agreement and the Authority, the Issuing and Paying Agent and the Note Depository shall be bound by the provisions of the Letter of Representations, to the extent not inconsistent with the provisions of this Agreement.

Section 2.07 **Notice of Liens**

If the Issuing and Paying Agent receives written notice of any security interest, lien, writ, judgment, warrant of attachment, execution, or similar process in or on any account

established and maintained by the Issuing and Paying Agent under this Agreement (other than any thereof in favor or for the benefit of the Note Depository, as the owner of the Extendable Municipal Commercial Paper Notes), the Issuing and Paying Agent will give prompt notice thereof to the Authority.

ARTICLE III THE EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES

Section 3.01 Title

The title of the Extendable Municipal Commercial Paper Notes shall be the “District of Columbia Water and Sewer Authority Extendable Municipal Commercial Paper Notes, Series A.”

The Extendable Municipal Commercial Paper Notes are issued pursuant to and in full compliance with the WASA Act and the Resolution. The Extendable Municipal Commercial Paper Notes are limited obligations of the Authority and are payable solely from and secured by a subordinate lien on the Trust Estate including but not limited to the Net Revenues, a lien on the Pledged Funds, the income derived from the investment of any Pledged Funds, and other moneys that have been pledged as described in the Indenture and the Issuing and Paying Agency Agreement to secure payment thereof. The Extendable Municipal Commercial Paper Notes are special obligations of the District. The Extendable Municipal Commercial Paper Notes shall be without recourse to the District. The Extendable Municipal Commercial Paper Notes shall not be general obligations of the District, shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, and shall not constitute lending of the public credit for private undertakings.

Section 3.02 Master Note Certificate

The Extendable Municipal Commercial Paper Notes are to be initially issued in Book-Entry Form only and is to be initially evidenced by a Master Note Certificate in the form attached to this Agreement as **Exhibit D**.

Prior to the issuance of any Extendable Municipal Commercial Paper Notes, the Authority shall deliver to the Issuing and Paying Agent a Master Note Certificate evidencing the Extendable Municipal Commercial Paper Notes. Such Master Note Certificate shall be duly executed, specify the date of issuance, the series or subseries, if any, and be registered in the name of Cede & Co., as nominee of the Note Depository, all as provided in this Agreement.

Section 3.03 Issuance Requests

(a) Authority Issuance Requests shall be submitted to the Issuing and Paying Agent in the form attached hereto as **Exhibit C**, and the Issuing and Paying Agent shall provide the Trustee with a copy thereof. Dealer Requests may be submitted to the Issuing and Paying Agent in a form that is in accordance with the Issuing and Paying Agent’s customary business practices, so long as such Dealer Requests specify the Issue Date, the principal amount, the Stated Maturity and interest rate(s) of the Extendable Municipal Commercial Paper Notes to be issued. Issuance Requests must be received by the Issuing and Paying Agent at the address

specified in Section 13.02 hereof prior to 1:00 p.m. (New York time) on the date on which the issuance of Extendable Municipal Commercial Paper Notes is desired. The Extendable Municipal Commercial Paper Notes shall be issued through the Note Depository not later than 2:30 p.m. (New York time) on the issue date. The proceeds of the sale of the Extendable Municipal Commercial Paper Notes shall be disbursed in accordance with Article V hereof.

(b) If the Issuing and Paying Agent, at its option, acts upon an Issuance Request received after 1:00 p.m. (New York time) on the day on which the Issuance Request is to be operative, the Authority understands and agrees that (i) such instructions shall be acted upon on a best efforts basis, and (ii) the Issuing and Paying Agent makes no representation or warranty that the issuance and delivery of any Extendable Municipal Commercial Paper Note pursuant to such Issuance Request shall be completed prior to 2:30 p.m. (New York time) or prior to the close of business on such date.

(c) Not less frequently than quarterly, the Authority shall, by delivery of an Authority Issuance Request, confirm, validate and reaffirm that Extendable Municipal Commercial Paper Notes issued hereunder have been validly issued pursuant to this Agreement.

(d) Notwithstanding the provisions of subsection (c), the Authority shall be obligated to notify the Issuing and Paying Agent, the Dealers and Bond Counsel of any changes in the Authority's representations or warranties or of any default or Event of Default under this Agreement or the Tax Certificate, if any.

Section 3.04 **Execution; Authentication**

(a) If the Extendable Municipal Commercial Paper Notes shall no longer be held in Book-Entry Form, the Extendable Municipal Commercial Paper Notes shall be executed by the Authority as provided in this Agreement from time to time, with the Issue Dates, Stated Maturities, CUSIP numbers, interest rates and amounts, and principal amounts left blank, and such Extendable Municipal Commercial Paper Notes may thereupon be delivered to the Issuing and Paying Agent for completion, authentication and delivery in sufficient quantities as are necessary or convenient to permit the timely delivery of such Extendable Municipal Commercial Paper Notes in New York, New York upon the completion and authentication of such Extendable Municipal Commercial Paper Notes by the Issuing and Paying Agent. Subject to the terms and conditions of this Agreement, the Issuing and Paying Agent shall complete, authenticate and deliver such Extendable Municipal Commercial Paper Notes in accordance with the procedures set forth in Section 3.06.

(b) Each Commercial Paper Note shall be executed on behalf of the Authority by the Chairman or Vice Chairman of the Board, or the General Manager or Chief Financial Officer, and shall be attested by the Secretary or Assistant Secretary of the Board. The signature of any of these officials may be manual or facsimile.

Extendable Municipal Commercial Paper Notes bearing the manual or facsimile signatures of individuals who were at the time of execution thereof the proper officials of the Board shall bind the Authority, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Extendable Municipal

Commercial Paper Notes or did not hold such offices at the date of such Extendable Municipal Commercial Paper Notes.

At any time and from time to time after the execution and delivery of this Agreement, the Authority may deliver Extendable Municipal Commercial Paper Notes executed by the proper officials of the Authority to the Issuing and Paying Agent for authentication, and the Issuing and Paying Agent shall authenticate and deliver such Extendable Municipal Commercial Paper Notes as in this Agreement provided and not otherwise.

No Extendable Municipal Commercial Paper Note shall be secured by, or entitled to any lien, right or benefit under this Agreement or be valid or obligatory for any purpose, unless there appears on such Extendable Municipal Commercial Paper Note a certificate of authentication substantially in the form provided for herein executed by an authorized officer of the Issuing and Paying Agent by manual signature, and such certificate upon any Extendable Municipal Commercial Paper Note shall be conclusive evidence, and the only evidence, that such Extendable Municipal Commercial Paper Note has been duly authenticated and delivered hereunder.

Section 3.05 **Conditions to Delivery**

(a) The Extendable Municipal Commercial Paper Notes may upon the execution and delivery of this Agreement, or from time to time thereafter, be executed by the proper officials of the Authority and delivered to the Issuing and Paying Agent for authentication. The Authority shall deliver to the Issuing and Paying Agent the following at the time of the execution and delivery of this Agreement:

- (i) an original executed counterpart of this Agreement;
- (ii) the executed Dealer Agreements;
- (iii) the Offering Memorandum;
- (iv) a Tax Certificate relating to the Extendable Municipal Commercial Paper Notes;
- (v) the opinion of counsel to the Authority in a form acceptable to the Dealers; and
- (vi) the opinion of Bond Counsel in a form acceptable to the Dealers as it relates to the initial issuance of Extendable Municipal Commercial Paper Notes.

(b) Extendable Municipal Commercial Paper Notes shall be authenticated by the Issuing and Paying Agent at the time and in the manner provided in Section 3.06 hereof upon receipt of the following:

- (i) an Issuance Request;

- (ii) a Tax Certificate relating to the Extendable Municipal Commercial Paper Notes;
- (iii) a tax-exempt opinion of Bond Counsel in a form acceptable to the Dealers; and
- (iv) the purchase price or a receipt for the purchase price of such Extendable Municipal Commercial Paper Notes, subject to Section 3.06(f) hereof.

Section 3.06 Terms of the Extendable Municipal Commercial Paper Notes

(a) The aggregate principal amount of the Extendable Municipal Commercial Paper Notes that may be authenticated and delivered and Outstanding under this Agreement at any given time is limited to and shall not exceed the Maximum Principal Amount, except as provided in Section 3.08 hereof. In determining whether any proposed issuance of Extendable Municipal Commercial Paper Notes would cause the aggregate principal amount of Extendable Municipal Commercial Paper Notes Outstanding to exceed the applicable Maximum Principal Amount, Extendable Municipal Commercial Paper Notes to be paid at maturity concurrently with such proposed issuance with the proceeds thereof shall be given effect.

(b) The Extendable Municipal Commercial Paper Notes shall be issued only in minimum denominations of \$100,000 or additional increments of \$1,000. The Extendable Municipal Commercial Paper Notes shall be issued in registered form.

(c) The Extendable Municipal Commercial Paper Notes may be issued at such times and shall have such terms not inconsistent with this Agreement as shall be determined by an Issuance Request pursuant to this Section 3.06; provided, however, that unless otherwise provided in a Supplemental Agreement amending the following parameters, each Extendable Municipal Commercial Paper Note (i) shall have an Original Maturity Date which is not less than one day nor greater than 90 days after its issue date; (ii) shall be dated and bear interest from its date of delivery at a rate per annum not in excess of the Maximum Rate, calculated on the basis of a 365- or 366-day year, as appropriate, payable on the Original Maturity Date of each Extendable Municipal Commercial Paper Note unless, if extended to the Extended Maturity Date, on each Reset Interest Payment Date; (iii) shall not mature on any day which is not a Business Day; and (iv) shall be issued at 100% of the principal amount thereof.

(d) The Authority may extend the Original Maturity Date to an Extended Maturity Date, which shall be a date that is two hundred seventy (270) days after the Issue Date of such Extendable Municipal Commercial Paper Note. The Authority shall notify the Dealer and the Issuing and Paying Agent by no later than 11:00 a.m. (New York City Time) on the Original Maturity Date of its intent to extend the Original Maturity Date of an Extendable Municipal Commercial Paper Note to the Extended Maturity Date, and the Issuing and Paying Agent shall correspondingly notify DTC by 11:30 a.m., New York City time, that the maturity of such Extendable Municipal Commercial Paper Note is being extended. In no event shall the extension of the Original Maturity Date to the Extended Maturity Date constitute a default under the Extendable Municipal Commercial Paper Notes or Indenture, or a breach of any covenant hereunder or thereunder. In the event that the Authority fails to notify the Dealer and the Issuing

and Paying Agent of its determination to extend the maturity date of any Extendable Municipal Commercial Paper Notes to the Extended Maturity Date and repayment does not occur on the Original Maturity Date, the Extendable Municipal Commercial Paper Notes shall be automatically extended to the Extended Maturity Date, and there shall be no event of default under this Agreement, the Notes or the Indenture. If the maturity date of an Extendable Municipal Commercial Paper Note has been extended to its Extended Maturity Date, such Extendable Municipal Commercial Paper Note shall bear interest at the Reset Rate from the Original Maturity Date to, but excluding the Extended Maturity Date.

(e) No Extendable Municipal Commercial Paper Note shall be delivered if the Issuing and Paying Agent shall have received notice from Bond Counsel of the withdrawal or inapplicability of its opinion referred to in Section 3.05(a)(vi) hereof, unless the Authority shall have delivered to the Issuing and Paying Agent and the Dealer a substitute opinion of Bond Counsel under such section in a form acceptable to the Dealer. The Issuing and Paying Agent shall immediately notify the Authority and the Dealers of its receipt of any such notice from Bond Counsel.

(f) The Issuing and Paying Agent shall, in accordance with and subject to the provisions of Article III hereof, complete, authenticate and deliver Extendable Municipal Commercial Paper Notes upon receipt of an Issuance Request issued in compliance with the procedures set forth herein against receipt of the purchase price therefor.

(g) In the event that the Issuing and Paying Agent is instructed to deliver Extendable Municipal Commercial Paper Notes against payment, the delivery and receipt of payment may not necessarily be completed simultaneously, and the Issuing and Paying Agent is hereby authorized, subject to the limitations set forth in Sections 3.06(e) and (h) hereof, to deliver an Extendable Municipal Commercial Paper Note to or for the account of the purchaser, to receive the purchaser's receipt for the delivery, and at a later time, but on the same day, after the purchaser has verified the delivery against the purchase agreement, to receive payment from the purchaser in immediately available funds of the Federal Reserve Bank of New York. Should the Issuing and Paying Agent be instructed to deliver any Extendable Municipal Commercial Paper Notes against payment, and the delivery of such Extendable Municipal Commercial Paper Notes and the receipt of payment therefor are not completed simultaneously, the Issuing and Paying Agent shall have no responsibility or liability to any party whatsoever, including the Authority, for the credit risks involved in delivery of such Extendable Municipal Commercial Paper Notes to those purchasers designated by the Authorized Representative of the Authority.

(h) [Reserved].

(i) With respect to the Extendable Municipal Commercial Paper Notes completed, authenticated and delivered by it on any day in accordance with this Agreement, the Issuing and Paying Agent shall promptly transmit copies of each Extendable Municipal Commercial Paper Note to the Authority. At the close of each Business Day on which Extendable Municipal Commercial Paper Notes are issued or mature, the Issuing and Paying Agent shall prepare a written statement showing the Issue Date, series and subseries, Stated Maturity, CUSIP numbers, interest rate and principal amount of the Extendable Municipal Commercial Paper Notes that were issued or matured. A copy of such statement shall be sent by

facsimile transmission, with a confirmation copy sent by first-class mail, to the Authority no later than the following Business Day. Not later than the fifth Business Day of each calendar month, the Issuing and Paying Agent shall deliver to the Authority a statement setting forth the aggregate principal amount of Extendable Municipal Commercial Paper Notes Outstanding on each Business Day of the immediately preceding calendar month. The Issuing and Paying Agent will furnish the Authority and the Dealers with such additional information relating to its activities hereunder as any such party may from time to time reasonably request.

(j) The Extendable Municipal Commercial Paper Notes are not subject to redemption by the Authority prior to their respective Original Maturity Dates thereof. Extendable Municipal Commercial Paper Notes may be redeemed after their respective Original Maturity Dates and prior to their respective Extended Maturity Dates at the election of the Authority, in whole with all other Outstanding Notes on which the Maturity Date is the Extended Maturity Date, but not in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Extendable Municipal Commercial Paper Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

(k) Whenever Extendable Municipal Commercial Paper Notes are to be redeemed, the Authority shall give notice of the redemption of the Extendable Municipal Commercial Paper Notes, which notice shall specify: (i) the Extendable Municipal Commercial Paper Notes to be redeemed; (ii) the numbers and other distinguishing marks of the Extendable Municipal Commercial Paper Notes to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) that, except in the case of Book Entry Extendable Municipal Commercial Paper Notes, such Extendable Municipal Commercial Paper Notes will be redeemed at the principal corporate trust office of the Issuing and Paying Agent, giving the address thereof and the name and telephone number of a representative to whom inquiries may be directed; and (vi) that no representation is made as to the correctness of the CUSIP number either as printed on the Extendable Municipal Commercial Paper Notes or as contained in such notice and that an error in a CUSIP number as printed on an Extendable Municipal Commercial Paper Note or as contained in such notice shall not affect the validity of the proceedings for redemption. Such notice shall be given by mailing of a copy of such notice not less than five days prior to the redemption date, or, in the case of a Master Note Certificate, such shorter period as shall be acceptable to the Note Depository therefor. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Master Note Certificate or Extendable Municipal Commercial Paper Notes to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority not more than five days prior to the date such notice is given, but such mailing shall not be a condition precedent to such redemption, and failure to so mail any such notice to any registered owner of an Extendable Municipal Commercial Paper Note to be redeemed shall not affect the validity of the proceedings for redemption of such Extendable Municipal Commercial Paper Notes.

(l) With the delivery of each Issuance Request, whether by the Authority or a Dealer, the Authority shall represent, or be deemed to have represented, as of the date of such Issuance Request: (i) that no event of default exists under this Agreement, the Indenture or the Dealer Agreement (as specified in such documents); (ii) that each representation and warranty made by the Authority in this Agreement, the Tax Certificate, and the Dealer Agreement or in the most recent certificates and documents executed by the Authority, including the Authority's

General Certificate or the Tax Certificate, is true and correct in all material respects on and as of such date; (iii) that the Authority has performed all of its covenants and agreements that it is required to have performed under this Agreement, the Tax Certificate, and the Dealer Agreement; (iv) that the issuance and delivery of such Extendable Municipal Commercial Paper Notes have been duly authorized by the Authority; and (v) that, immediately after the issuance and delivery of such Extendable Municipal Commercial Paper Notes and giving effect to any immediate application of the proceeds thereof to the payment of Extendable Municipal Commercial Paper Notes or repayment of Drawings, the aggregate of unpaid principal on all Extendable Municipal Commercial Paper Notes Outstanding will not, in the aggregate, exceed the Maximum Principal Amount.

Section 3.07 **Transfer and Exchange**

Holders of Extendable Municipal Commercial Paper Notes may tender their Extendable Municipal Commercial Paper Notes for exchange for Extendable Municipal Commercial Paper Notes of the same Stated Maturity, interest rate and Issue Date but of different authorized denominations. Upon surrender for exchange of any Extendable Municipal Commercial Paper Note at the principal corporate trust office of the Issuing and Paying Agent, the Authority shall execute, and the Issuing and Paying Agent shall authenticate and deliver, one or more new Extendable Municipal Commercial Paper Notes of the same series of any authorized denomination or denominations of like aggregate principal amount having the same Stated Maturity, Issue Date and interest rate.

All Extendable Municipal Commercial Paper Notes surrendered upon any exchange provided for in this Agreement shall be promptly canceled by the Issuing and Paying Agent and thereafter disposed of as required by law.

All Extendable Municipal Commercial Paper Notes issued upon any exchange of Extendable Municipal Commercial Paper Notes shall be the valid obligations of the Authority evidencing the same debt, and entitled to the same security and benefits under this Agreement and Indenture as the Extendable Municipal Commercial Paper Notes surrendered upon such exchange.

No service charge shall be made for any exchange herein provided for, but the Authority may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of the Extendable Municipal Commercial Paper Notes.

Section 3.08 **Mutilated, Destroyed, Lost and Stolen Extendable Municipal Commercial Paper Notes**

(a) If (i) any mutilated Extendable Municipal Commercial Paper Note is surrendered to the Issuing and Paying Agent or the Issuing and Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Extendable Municipal Commercial Paper Note, and (ii) there is delivered to the Issuing and Paying Agent such security or indemnity as may be required by it to save it and the Authority harmless, then, in the absence of notice to the Issuing and Paying Agent that such Extendable Municipal Commercial Paper Note has been

acquired by a bona fide purchaser, the Issuing and Paying Agent shall authenticate and deliver, in exchange for or in lieu of such mutilated, destroyed, lost or stolen Extendable Municipal Commercial Paper Note (upon surrender of such Extendable Municipal Commercial Paper Note not destroyed, lost or stolen), a new Extendable Municipal Commercial Paper Note of like tenor, Issue Date, principal amount, Stated Maturity and interest rate.

(b) In case any such mutilated, destroyed, lost or stolen Extendable Municipal Commercial Paper Note has become or is about to become due and payable, the Issuing and Paying Agent in its discretion may, instead of issuing a new Extendable Municipal Commercial Paper Note, pay such Extendable Municipal Commercial Paper Note.

(c) Upon the issuance of any new Extendable Municipal Commercial Paper Note under this Section 3.08, the Issuing and Paying Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Issuing and Paying Agent) connected therewith.

(d) The provisions of this Section 3.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Extendable Municipal Commercial Paper Notes.

Section 3.09 Interest Rights Preserved; Dating of Extendable Municipal Commercial Paper Notes

Each Extendable Municipal Commercial Paper Note delivered under this Agreement upon exchange for or in lieu of any other Extendable Municipal Commercial Paper Note shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Extendable Municipal Commercial Paper Note, and each such Extendable Municipal Commercial Paper Note shall be so dated, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 3.10 Persons Deemed Owners

The Authority and the Issuing and Paying Agent shall be entitled to treat the registered owner of each registered Extendable Municipal Commercial Paper Note as the owner and Holder of such Extendable Municipal Commercial Paper Note for all purposes, notwithstanding any notice to the contrary.

Section 3.11 Cancellation

All Extendable Municipal Commercial Paper Notes surrendered for payment or exchange, if surrendered to the Issuing and Paying Agent, shall be promptly canceled by it or them, and, if surrendered to any person other than the Issuing and Paying Agent, shall be delivered to the Issuing and Paying Agent and, if not already canceled, shall be promptly canceled by it. The Authority may at any time deliver to the Issuing and Paying Agent for cancellation any Extendable Municipal Commercial Paper Notes previously authenticated and delivered hereunder, which the Authority may have acquired in any manner whatsoever, and all Extendable Municipal Commercial Paper Notes so delivered shall be promptly canceled by the

Issuing and Paying Agent. All canceled Extendable Municipal Commercial Paper Notes held by the Issuing and Paying Agent shall be disposed of as required by law, and the Issuing and Paying Agent shall retain a record of such disposal.

Section 3.12 **Book-Entry-Only System**

The Extendable Municipal Commercial Paper Notes shall be originally issued only in the form of a Master Note Certificate to a Note Depository to be held in a Book-Entry System and: (i) such Master Note Certificate shall be registered in the name of the Note Depository or its nominee, as Holder, and (ii) the Extendable Municipal Commercial Paper Notes shall not be transferable or exchangeable, except for transfer to another Note Depository or another nominee of a Note Depository, without further action by the Authority. As long as the Extendable Municipal Commercial Paper Notes are in Book-Entry Form, the owners of beneficial interest in the Extendable Municipal Commercial Paper Notes shall not have any right to receive Extendable Municipal Commercial Paper Notes in the form of physical certificates.

So long as a Book-Entry System is in effect for the Extendable Municipal Commercial Paper Notes, the Authority and the Issuing and Paying Agent shall recognize and treat the Note Depository, or its nominee, as the Holder of the Extendable Municipal Commercial Paper Notes for all purposes, including payment of principal and interest thereon, giving of notices, and enforcement of remedies. The crediting of payments of principal and interest on the Extendable Municipal Commercial Paper Notes and the transmittal of notices and other communications by the Note Depository to owners of beneficial interests in the Extendable Municipal Commercial Paper Notes are the responsibility of the Note Depository and are not the responsibility of the Authority or the Issuing and Paying Agent; provided, however, that the Authority and the Issuing and Paying Agent understand that neither the Note Depository nor its nominee shall provide any consent requested of Holders of Extendable Municipal Commercial Paper Notes pursuant to this Agreement and that the Note Depository will mail an omnibus proxy (including a list identifying the owners of the book-entry interests in the Extendable Municipal Commercial Paper Notes) to the Issuing and Paying Agent which assigns the Note Depository's, or its nominee's, voting rights to the owners of the book-entry interests in the Extendable Municipal Commercial Paper Notes (as credited to their accounts at the Note Depository as of the record date for mailing of requests for such consents). Upon receipt of such omnibus proxy, the Issuing and Paying Agent shall promptly provide such omnibus proxy (including the list identifying the owners of the book-entry interests in the Extendable Municipal Commercial Paper Notes attached thereto) to the Authority, who shall then treat such owners as Holders of the Extendable Municipal Commercial Paper Notes for purposes of obtaining any consents pursuant to the terms of this Agreement.

As long as the Extendable Municipal Commercial Paper Notes are registered in the name of a Note Depository, or its nominee, the Authority agrees to comply with the terms and provisions of the Letters of Representations. The provisions of the Letters of Representations with respect to any delivery of the Extendable Municipal Commercial Paper Notes to the Issuing and Paying Agent shall supersede the provisions of this Agreement with respect thereto.

If the Authority determines to terminate the Note Depository, or if any Note Depository determines not to continue to act as a Note Depository for the Extendable Municipal Commercial Paper Notes held in a book-entry system, the Authority may attempt to have established a securities depository/book-entry system relationship with another Note Depository under this Agreement. If the Authority does not or is unable to do so, the Authority and the Issuing and Paying Agent, after the Issuing and Paying Agent has made provision for notification of the owners of book- entry interests by appropriate notice to the then Note Depository, shall permit withdrawal of the Extendable Municipal Commercial Paper Notes from the Note Depository and shall authenticate and deliver Extendable Municipal Commercial Paper Notes in fully registered form to the assignees of the Note Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement Extendable Municipal Commercial Paper Notes) of the Authority. Such replacement Extendable Municipal Commercial Paper Notes shall be in the denominations specified in Section 3.05(b) hereof.

ARTICLE IV PAYMENT

Section 4.01 Payment Duties of Issuing and Paying Agent

The Issuing and Paying Agent's duties and responsibilities in connection with the payment of the Extendable Municipal Commercial Paper Notes shall include:

(a) upon presentment at Stated Maturity of an Extendable Municipal Commercial Paper Note, to pay the principal of and interest on the Extendable Municipal Commercial Paper Note to the Owner thereof from the Pledged Funds in accordance with Article V hereof; and

(b) to credit amounts received from the Authority for the payment of the principal of or interest on the Extendable Municipal Commercial Paper Notes in the manner provided in Article V hereof;

Section 4.02 Time and Source of Payments

Each Extendable Municipal Commercial Paper Note presented to the Issuing and Paying Agent for payment on or before 12 noon (New York time) on any Business Day on or after the Stated Maturity of such Extendable Municipal Commercial Paper Note, and on or before the six-month anniversary of the Stated Maturity (or, if the anniversary is not a Business Day, the next Business Day thereafter) of such Extendable Municipal Commercial Paper Note (the "**Presentment Deadline**") is to be paid by the Issuing and Paying Agent prior to 3:00 p.m. (New York time) on the Business Day presented. Moneys held by the Issuing and Paying Agent after the Stated Maturity shall be invested in overnight Government Obligations at the written direction of the Authority. After the Presentment Deadline, the Holder or registered owner of such Extendable Municipal Commercial Paper Note shall not be entitled to receive payment from any funds held hereunder and the Authority shall be solely liable for the payment of such Extendable Municipal Commercial Paper Note.

If any payment date of any Extendable Municipal Commercial Paper Note shall not be a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the payment date and without additional interest accruing thereon for the period after such payment date (whether or not such next succeeding Business Day occurs in a succeeding month); provided that, notwithstanding the foregoing, principal of and interest on an Extendable Municipal Commercial Paper Note shall not be paid later than the 270th day after the original Issue Date of such Extendable Municipal Commercial Paper Note.

The Issuing and Paying Agent shall pay the maturing Extendable Municipal Commercial Paper Notes from the Extendable Municipal Commercial Paper Payment Account in the manner provided in Article V hereof.

ARTICLE V FLOW OF FUNDS

Section 5.01 Creation of Accounts

There shall be established with the Issuing and Paying Agent two special purpose trust accounts: an Extendable Municipal Commercial Paper Payment Account and a Construction Account (collectively sometimes called the “**Accounts**”). Moneys in the Accounts may only be invested in Permitted Investments or otherwise as specified herein. Within the Extendable Municipal Commercial Paper Payment Account, there shall be established two subaccounts entitled the “Interest Subaccount,” and the “Principal Subaccount.” Within the Construction Account, there shall be established two subaccounts entitled the “Costs of Issuance Subaccount” and the “Construction Subaccount.”

Section 5.02 Extendable Municipal Commercial Paper Payment Account

All proceeds from the sale of the Extendable Municipal Commercial Paper Notes shall first be deposited into the Principal Subaccount, to the extent needed to pay, on the day such proceeds are received, the principal on all the Extendable Municipal Commercial Paper Notes that mature on such day. In addition, the Issuing and Paying Agent shall deposit into the Principal Subaccount and Interest Subaccount any other moneys deposited by or on behalf of the Authority for payment of any Extendable Municipal Commercial Paper Notes.

The Issuing and Paying Agent shall have the sole right of withdrawal from the Extendable Municipal Commercial Paper Payment Account and shall hold the funds in such account in trust for the payment of the Extendable Municipal Commercial Paper Notes. Such funds may only be invested at the written direction of the Authority in Governmental Obligations selected by the Authorized Representative of the Authority which mature in 30 days or less, or such shorter time as appropriate to ensure that such investment shall mature at or prior to the time as such funds shall be required to pay maturing Extendable Municipal Commercial Paper Notes. No withdrawal therefrom shall be made by the Issuing and Paying Agent except for the purpose (i) of paying Extendable Municipal Commercial Paper Notes which have become due and payable and have been presented to the Issuing and Paying Agent for payment, and (ii) as otherwise provided in Sections 5.03 hereof.

Section 5.03 Construction Account

Subject to Section 4.02 hereof, after applying the proceeds of the sale of Extendable Municipal Commercial Paper Notes to the Extendable Municipal Commercial Paper Payment Account in the manner provided in Section 5.02 hereof, the Issuing and Paying Agent shall deposit the balance of the proceeds of the sale of the Extendable Municipal Commercial Paper Notes to the Construction Account. At the request of the Authority, separate additional subaccounts in the Construction Account shall be established by the Issuing and Paying Agent. Subject to Section 4.02 hereof, the Authority shall have the sole right of withdrawal from the Construction Account. The Authority may, by written or telecopied instructions (or telephone instructions immediately confirmed in writing), authorize payments from the Costs of Issuance Subaccount, and the Construction Subaccount in such amounts and to such persons as the Authority shall specify in such instructions, upon filing with the Issuing and Paying Agent a disbursement request. The Issuing and Paying Agent may rely on such request without independent investigation of the facts represented therein. Such funds only may be invested at the written direction of the Authority in Governmental Obligations selected by the Authority which mature in 90 days or less, or such shorter time as appropriate to ensure that such investment shall mature at or prior to the time as such funds shall be required for disbursement.

**ARTICLE VI
[RESERVED]**

**ARTICLE VII
REPRESENTATIONS AND WARRANTIES**

Section 7.01 Due Authorization

The Authority represents that this Agreement and the Extendable Municipal Commercial Paper Notes have been duly authorized and this Agreement when executed and the Extendable Municipal Commercial Paper Notes when issued in accordance with the Issuance Requests will be valid and binding obligations of the Authority, enforceable in accordance with their respective terms.

The Authority hereby warrants and represents to the Issuing and Paying Agent, which shall be a continuing warranty and representation, that this Agreement is, and all Extendable Municipal Commercial Paper Notes delivered to the Issuing and Paying Agent pursuant to this Agreement will be, duly authorized, executed and delivered by the Authority, that the issuance and delivery of all such Extendable Municipal Commercial Paper Notes will not violate any state or federal law, rule, regulation, order or contractual agreement binding on the Authority, including the Indenture, and that such Extendable Municipal Commercial Paper Notes, when completed, countersigned and delivered pursuant hereto, will constitute the Authority's legal, valid and binding obligations.

Section 7.02 Representation Concerning the Resolution

Each Issuance Request to issue Extendable Municipal Commercial Paper Notes under this Agreement and the Resolution shall be deemed a representation by the Authority as of

the date thereof that such issuance conforms in all respects to the requirements of this Agreement and the representations herein are true and correct as if made on and as of such date.

Section 7.03 Liability

The Authority agrees that the Issuing and Paying Agent shall not be liable for any losses, damages, liabilities or costs suffered or incurred by the Authority as a result of (a) the Issuing and Paying Agent having duly issued Extendable Municipal Commercial Paper Notes pursuant to Issuance Requests in good faith in accordance therewith and with this Agreement; (b) the Issuing and Paying Agent improperly executing or failing to issue Extendable Municipal Commercial Paper Notes pursuant to any Issuance Requests because of erroneous Issuance Requests, failure of communications media, or any other circumstances beyond the Issuing and Paying Agent's control; (c) the actions or inactions of the Note Depository or any broker, dealer, consignee or agent not selected by the Issuing and Paying Agent; or (d) any other acts or omissions of the Issuing and Paying Agent (or of any of its agents, directors, officers, employees or correspondents) relating to this Agreement or the transactions or activities contemplated hereby except to the extent, if any, that such other acts or omissions constitute negligence or willful misconduct by the Issuing and Paying Agent. This Section 7.03 shall survive any termination of this Agreement and the issuance and payment of any Commercial Paper Note(s).

**ARTICLE VIII
PROVISIONS CONCERNING THE ISSUING AND PAYING AGENT**

Section 8.01 Resignation or Removal of Issuing and Paying Agent

The Issuing and Paying Agent may resign by giving 60 days' written notice to the Authority and the Dealers in the manner provided in Section 13.02. In addition, the Authority may remove the Issuing and Paying Agent with or without cause by giving 30 days' notice to the Issuing and Paying Agent and the Dealer in the manner provided in Section 13.02. In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor. The resignation or removal shall not take effect until a successor Issuing and Paying Agent acceptable to the Authority and Dealer has been appointed in accordance with the provisions of Section 8.07 hereof.

Section 8.02 Compensation

The Authority agrees to compensate the Issuing and Paying Agent for its services hereunder in accordance with a letter delivered from the Issuing and Paying Agent to the Authority and to reimburse the Issuing and Paying Agent upon request for out-of-pocket expenses incurred by it. Such expenses may include the reasonable compensation and expenses of agents and counsel. The Authority shall also reimburse the Issuing and Paying Agent for any fees and charges imposed by the Note Depository with respect to Extendable Municipal Commercial Paper Notes issued in book-entry form.

Section 8.03 Issuing and Paying Agent as Owner

The Issuing and Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Extendable Municipal Commercial Paper Notes with the same rights the Issuing and Paying Agent would have if it were not acting hereunder.

Section 8.04 Right to Consult With Counsel

The Issuing and Paying Agent may consult with counsel, and any advice or written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by the Issuing and Paying Agent in the absence of bad faith on its part in reliance on such advice or opinion.

Section 8.05 Merger; Consolidation

Any commercial bank or trust company or national banking association into which the Issuing and Paying Agent may be merged or with which it may be consolidated, or any commercial bank or trust company or national banking association resulting from any merger or consolidation to which the Issuing and Paying Agent shall be a party, or any commercial bank or trust company or national banking association succeeding to its business, shall succeed to all rights, obligations and immunities of the Issuing and Paying Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.06 Additional Information

Upon the reasonable request of the Authority or the Trustee, given at any time and from time to time, the Issuing and Paying Agent agrees promptly to provide the Authority or the Trustee with information with respect to the Extendable Municipal Commercial Paper Note(s) issued and paid hereunder. Such information shall be in written form and shall include the principal amount, date of issue, maturity date, interest rate and amount of interest, as applicable, of each Extendable Municipal Commercial Paper Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made.

Section 8.07 Successor Issuing and Paying Agent

The Authority shall within 30 days of any resignation or removal of the Issuing and Paying Agent in the manner provided in Section 8.01 hereof appoint a successor Issuing and Paying Agent acceptable to the Dealer by notice in the manner provided in Section 13.02 hereof. In the event the Authority shall fail to make such an appointment within the time required, the Issuing and Paying Agent shall be authorized to petition a court of competent jurisdiction for appointment of a successor Issuing and Paying Agent.

The Issuing and Paying Agent shall, at all times, be a bank or trust company having an office or able to deliver Extendable Municipal Commercial Paper Notes in New York, New York that is sufficient to discharge its duties as the Issuing and Paying Agent hereunder and shall at all times be a corporation or a national banking association organized and doing business under the laws of the United States of America or of any state with a combined capital and

surplus of at least \$50,000,000 and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its recent report of condition so published.

Section 8.08 **Miscellaneous**

(a) Except as otherwise provided herein, the Issuing and Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and shall not be responsible for the acts of such agents or attorneys appointed with due care hereunder.

(b) The Issuing and Paying Agent shall be under no liability for interest on any moneys received by the Issuing and Paying Agent hereunder except such as the Issuing and Paying Agent may agree with the Authority to pay thereon, and need not segregate such moneys except as may be required by law or this Agreement.

(c) Nothing in this Agreement constitutes a commitment or obligation of the Issuing and Paying Agent to extend any credit to the Authority, nor shall any course of dealing between the Authority and the Issuing and Paying Agent be deemed to be, or constitute, any such commitment or obligation.

(d) Except as otherwise expressly provided herein, whenever, in the administration of this Agreement, the Issuing and Paying Agent shall deem it necessary that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate or written instructions of an Authorized Representative of the Authority and such certificate or written instructions shall be full warranty to the Issuing and Paying Agent for any action taken, suffered, or omitted under the provisions of this Agreement in reliance upon such certificate or written instructions.

(e) The Issuing and Paying Agent's countersignature of an Extendable Municipal Commercial Paper Note shall be for authentication purposes only. Neither the Issuing and Paying Agent nor its agent shall have any liability on any such Extendable Municipal Commercial Paper Notes. Except with respect to the Issuing and Paying Agent's own actions in issuing and delivering Extendable Municipal Commercial Paper Notes pursuant to Issuance Requests, the Issuing and Paying Agent shall not be liable for the authorization, validity or legality of any such Notes delivered by the Issuing and Paying Agent in accordance with Issuance Requests.

(f) The Issuing and Paying Agent shall not have any duty to determine, investigate or monitor (i) the Authority's use of proceeds of any Extendable Municipal Commercial Paper Notes by the Authority, or (ii) the qualifications, or lack thereof, of any purchaser or subsequent holder of such Notes.

**ARTICLE IX
EVENTS OF DEFAULT; REMEDIES**

Section 9.01 Events of Default

The term “**Event of Default,**” wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Default in the payment of any interest upon any Extendable Municipal Commercial Paper Note when it becomes due and payable; and

(b) Default in the payment of the principal of (or premium, if any, on) any Extendable Municipal Commercial Paper Note when the same becomes due and payable.

Section 9.02 Notice of Default

Upon the occurrence and continuance of an Event of Default, the Issuing and Paying Agent shall give notice in writing to the Authority and give notice to the rating agencies and to Holders in the manner provided in Section 13.02 hereof.

The provisions of the preceding paragraph, however, are subject to the conditions that if the Event of Default specified is cured, the Issuing and Paying Agent shall promptly give written notice to the Authority, and give notice to the rating agencies and the Holders in the manner provided in Section 13.02 hereof; but no such waiver or rescission shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 9.03 Remedies of Holders

Upon the happening and continuance of any Event of Default, the Holders may take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders, and require the Authority and the Issuing and Paying Agent to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the WASA Act, and this Agreement, including using Pledged Funds to repay the Extendable Municipal Commercial Paper Notes at their respective Stated Maturities;

(b) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

Section 9.04 Remedies not Exclusive

No remedy herein conferred upon or reserved to the Holders of the Extendable Municipal Commercial Paper Notes is intended to be exclusive of any other remedy or remedies, and each and every remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 9.05 Delay or Omission

No delay or omission of any Holder of the Extendable Municipal Commercial Paper Notes to exercise any right or power shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Holders of the Extendable Municipal Commercial Paper Notes may be exercised from time to time and as often as may be deemed expedient.

Section 9.06 Application of Moneys on Default

Upon an Event of Default hereunder, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and liabilities incurred or made by the Issuing and Paying Agent, all moneys received shall (after payment of the fees and expenses of the Issuing and Paying Agent) be applied to the payment of the principal and interest, if any, then due and unpaid upon the Extendable Municipal Commercial Paper Notes, with interest on overdue principal and interest, without discrimination or privilege of principal over interest or of interest over principal and of any installment of any Extendable Municipal Commercial Paper Note over any other Extendable Municipal Commercial Paper Note, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Upon payment of all unpaid amounts due on the Extendable Municipal Commercial Paper Notes, any remaining money shall be transferred to the Authority.

**ARTICLE X
DEFEASANCE OF EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES**

Section 10.01 Conditions for Defeasance

Whenever the conditions specified in either clause (i) or clause (ii) of the following subsection (a), and the conditions specified in the following subsection (b) shall exist, namely:

(a) either

(i) all Extendable Municipal Commercial Paper Notes theretofore authenticated and delivered have been canceled by the Issuing and Paying Agent or delivered to the Issuing and Paying Agent for cancellation,

or

(ii) the Issuing and Paying Agent has received Defeasance Obligations which, together with the investment income thereon and other available cash in the Extendable Municipal Commercial Paper Payment Account, shall be sufficient in time and amount to pay and discharge the entire indebtedness on Extendable Municipal Commercial Paper Notes not theretofore canceled by the Issuing and Paying Agent or delivered to the Issuing and Paying Agent for cancellation, together with an accountant's verification report (the "**Verification Report**") as to the sufficiency of moneys and investments to provide for payment of such Extendable Municipal Commercial Paper Notes; and

(b) the Authority has delivered to the Issuing and Paying Agent a Certificate of an Authorized Representative of the Authority and an opinion or opinions of Bond Counsel, each stating that all conditions herein provided for relating to the satisfaction and discharge of this Agreement have been complied with;

then, upon delivery to the Issuing and Paying Agent of a Certificate of an Authorized Representative of the Authority that no Extendable Municipal Commercial Paper Notes are to remain Outstanding or be subsequently issued hereunder, then this Agreement and the lien, rights and interests hereby granted shall cease, determine and become null and void.

In the absence of an Authorized Representative of the Authority's Certificate as aforesaid, the payment of all Extendable Municipal Commercial Paper Notes Outstanding shall not render this Agreement inoperative or prevent the Authority from issuing Extendable Municipal Commercial Paper Notes from time to time thereafter as herein provided.

All moneys, obligations and income thereon deposited with the Issuing and Paying Agent pursuant to Section 10.01 hereof, as the case may be, shall be held in a special escrow account and applied by the Issuing and Paying Agent to the payment to the persons entitled thereto of the principal of and interest on said Extendable Municipal Commercial Paper Notes and thereafter as provided in Section 9.06 hereof.

Upon receipt of such moneys, the Issuing and Paying Agent shall invest the same in Defeasance Obligations, as directed and selected by the Authority and in accordance with the Verification Certificate, that mature on or before the Stated Maturity of the Extendable Municipal Commercial Paper Notes.

ARTICLE XI AMENDMENTS

Section 11.01 Amendment Without Consent of Holders

Without the consent of the Holders of any Extendable Municipal Commercial Paper Notes, the Authority and the Issuing and Paying Agent may enter into one or more amendments hereto, for any one or more of the following purposes:

(a) To modify the procedures set forth in Article III hereof for the issuance of Extendable Municipal Commercial Paper Notes;

(b) To modify or eliminate any of the terms of this Agreement; provided, however, that any such modifications or eliminations shall expressly become effective only when there are no Extendable Municipal Commercial Paper Notes Outstanding that were issued prior to the execution of such amendment;

(c) To make any other changes with respect to matters or questions arising under this Agreement which in the Opinion of Counsel shall not materially adversely affect the interests of the Holders of the Extendable Municipal Commercial Paper Notes then Outstanding;

(d) To increase the Maximum Principal Amount, the Maximum Rate, the number of days that the Original Maturity Date may fall on after the issuance of an Extendable Municipal Commercial Paper Note, or the Maximum Term permitted hereunder; provided that the Issuing and Paying Agent shall have first received written notice from the applicable rating agency that the ratings on the Extendable Municipal Commercial Paper Notes shall not be adversely affected by such increase; or,

(e) To maintain the ratings on the Extendable Municipal Commercial Paper Notes.

Section 11.02 **Amendments With Consent of Holders**

Exclusive of amendments to this Agreement authorized by Section 11.01 and subject to the terms and provisions contained in this Section, the Holders of not less than a majority in aggregate principal amount of Outstanding Extendable Municipal Commercial Paper Notes shall have the right from time to time, notwithstanding anything in this Agreement to the contrary, to consent to the execution by the Authority and the Trustee of such other agreements or agreements supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture and any Supplemental Indentures; provided, however that no amendment to this Agreement shall, without the consent the Holder of each Outstanding Extendable Municipal Commercial Paper Note affected thereby, change the Stated Maturity of the principal of any Extendable Municipal Commercial Paper Note, or reduce the principal amount thereof or the interest thereon or change the coin or currency in which any Extendable Municipal Commercial Paper Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof.

It shall not be necessary for any act of Holders under this Section 11.02 to approve the particular form of any proposed amendment to this Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.03 Consent by Purchaser

In the event Extendable Municipal Commercial Paper Notes are issued at or subsequent to the date of execution of any amendment pursuant to Sections 11.01 or 11.02 hereof, the Holders of such Commercial Paper Note shall be deemed, by the purchase of such Extendable Municipal Commercial Paper Notes with disclosure of the substance of such amendment, to have consented to and approved the provisions of such amendment.

Section 11.04 Consent by Issuing and Paying Agent

The Issuing and Paying Agent shall not be required to enter into any amendment of this Agreement that affects its rights, duties or obligations without its consent.

Section 11.05 Holders Bound

Upon the execution of any amendment under this Article XI, this Agreement shall be modified in accordance therewith, and such amendment shall form a part of this Agreement for all purposes and every Holder of Extendable Municipal Commercial Paper Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 11.06 Effect of Amendment

No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by both of the parties hereto. No waiver of, or any consent to any departure from, any provision of this Agreement shall be effective unless signed by the party intended to be bound. No such amendment, modification, waiver or consent shall adversely affect the rights of any holder of Extendable Municipal Commercial Paper Notes Outstanding at the time of such amendment, modification, waiver or consent. In consenting to any amendment to this Agreement, the Issuing and Paying Agent shall be entitled to rely on an opinion of counsel that such amendment is authorized by the terms of this Agreement. Copies of any amendment shall be sent to the rating agencies as provided in Section 13.02 hereof.

**ARTICLE XII
AUTHORITY'S COVENANTS**

Section 12.01 Compliance with Indenture

So long as any Extendable Municipal Commercial Paper Notes remain Outstanding, the Authority shall comply in all respects with each of the provisions, covenants and agreements of the Authority contained in the Indenture.

Section 12.02 Payment of Extendable Municipal Commercial Paper Notes

The Authority shall duly and punctually pay, or cause to be paid, but only from the Pledged Funds and subject to the provisions hereof, from a subordinate lien on the Trust Estate subject to the terms of the Indenture, the principal of and interest on each Extendable Municipal Commercial Paper Note on the dates, at the places, and in the manner provided in the Extendable Municipal Commercial Paper Notes according to the true intent and meaning thereof.

The Authority shall faithfully do and perform and at all times fully observe and keep any and all of its covenants, undertakings, stipulations and provisions contained in the Extendable Municipal Commercial Paper Notes and in this Agreement.

Section 12.03 **General Tax Covenants**

The Authority covenants as follows with respect to the Extendable Municipal Commercial Paper Notes:

(a) The Authority shall not (i) make any use of the proceeds of the Extendable Municipal Commercial Paper Notes, any funds reasonably expected to be used to pay the principal of or interest on the Extendable Municipal Commercial Paper Notes, or any other funds of the Authority; (ii) permit any use of the System; or (iii) take (or omit to take) any other action with respect to the System, the Extendable Municipal Commercial Paper Notes, the proceeds thereof, or otherwise, if such use, action or omission would, under the Code, cause the interest on the Extendable Municipal Commercial Paper Notes issued as tax-exempt obligations to be included in gross income for federal income tax purposes.

(b) Also in particular, without limitation, the Authority hereby covenants that it shall not take (or omit to take) or permit or suffer any action to be taken if the result of the same causes the Extendable Municipal Commercial Paper Notes issued as tax-exempt obligations to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) In furtherance of the foregoing, an Authorized Representative of the Authority shall execute a Tax Certificate upon each issuance of Extendable Municipal Commercial Paper Notes issued as tax-exempt obligations and that constitutes a new “issue” for federal income tax purposes, and the representations in each such Tax Certificate shall be confirmed by an Authorized Representative of the Authority upon each increase in the aggregate principal amount of Extendable Municipal Commercial Paper Notes outstanding that are to be treated as part of the same issue for federal income tax purposes. The Authority will also file, or cause to be filed, a copy of Internal Revenue Form 8038 or 8038-G with respect to each issuance of Extendable Municipal Commercial Paper Notes issued as tax-exempt obligations and that constitutes a new “issue” for federal income tax purposes.

Section 12.04 **Rebate**

(a) With respect to each portion of the Extendable Municipal Commercial Paper Notes issued as tax-exempt obligations and that constitutes a separate issue for federal income tax purposes:

(1) Except as otherwise expressly provided in the Code, the Authority shall pay to the United States in accordance with the requirements of Section 148(f) of the Code an amount equal to the sum of (i) the excess of the amount earned on all nonpurpose investments allocable to each such Extendable Municipal Commercial Paper Note (other than investments attributable to such excess) over the amount that would have been earned if such nonpurpose investments were invested at a rate equal to the yield on such Extendable Municipal Commercial Paper Notes, plus (ii) any income attributable to such excess.

(2) Any amounts so paid shall be derived from the legally available sources as the Authority may determine.

(b) Notwithstanding any provision of this Section 12.04, if the Chief Financial Officer of the Authority shall obtain an opinion or opinions of Bond Counsel to the effect that any action required under this Section 12.04 is no longer required or that some further action is required to maintain the exclusion from federal income tax of interest on the Extendable Municipal Commercial Paper Notes, the Authority may rely conclusively on such opinion in complying with the requirements of this Section 12.04, and the covenants contained herein shall be deemed to be modified to that extent.

ARTICLE XIII GENERAL PROVISIONS

Section 13.01 Resignation or Replacement of Issuing and Paying Agent; Termination of this Agreement

The Issuing and Paying Agent's duties under this Agreement shall terminate at the earlier of the date which is 15 days after a written notice of replacement by the Authority or the date which is 45 days after a written notice of resignation by the Issuing and Paying Agent. No such termination shall affect the rights and obligations of the Authority and the Issuing and Paying Agent which have accrued under this Agreement prior to termination. No resignation can occur prior to a substitute Issuing and Paying Agent being appointed by the Authority and assuming its duties under this Agreement and the Resolution. In any such event, the Issuing and Paying Agent shall return to the Authority all undelivered Extendable Municipal Commercial Paper Notes held by the Issuing and Paying Agent at the time of such notice, and the Authority's rights to issue Extendable Municipal Commercial Paper Notes shall be suspended until such time as a successor Issuing and Paying Agent assumes the rights and obligations as the Issuing and Paying Agent under this Agreement. All Extendable Municipal Commercial Paper Notes validly authenticated and delivered by the Issuing and Paying Agent pursuant hereto prior to the termination of this Agreement, and the authority granted to the Issuing and Paying Agent hereunder with respect to the payment of such Extendable Municipal Commercial Paper Notes, shall be valid obligations notwithstanding such termination, and this Agreement shall remain in full force and effect with respect to such Extendable Municipal Commercial Paper Notes until the same have been paid in full.

This Agreement shall also terminate upon receipt by the Issuing and Paying Agent of irrevocable instructions from the Authority that no further Extendable Municipal Commercial Paper Notes shall be issued under this Agreement and (i) the Issuing and Paying Agent has paid the last maturing Extendable Municipal Commercial Paper Notes or the Issuing and Paying Agent shall hold in Extendable Municipal Commercial Paper Payment Account, funds sufficient to pay all Extendable Municipal Commercial Paper Notes which have not been paid, (ii) the Issuing and Paying Agent has transferred all funds to be transferred to the Authority in accordance with Section 9.06 of this Agreement, and (iii) all other obligations due and payable hereunder shall have been satisfied or otherwise provided for to the satisfaction of the Issuing and Paying Agent.

Section 13.02 **Addresses**

(a) Issuance Requests hereunder shall be (a) mailed, (b) telephoned, (c) transmitted by facsimile device, and/or (d) transmitted electronically as approved by the Issuing and Paying Agent, to the Issuing and Paying Agent at the address, telephone number, and/or facsimile number, or email address, as specified below and shall be deemed delivered upon receipt by the Issuing and Paying Agent at the address, telephone number, and/or facsimile number or email address specified below.

(b) All notices, requests, demands, including any No-Issuance Notices and other communications hereunder (excluding Issuance Requests) shall be in writing and shall be deemed to have been duly given (a) upon delivery by hand (against receipt), (b) upon facsimile transmission, or (c) three days after such notice, request, demand, or other communication is delivered to a United States Post Office by certified mail (against receipt) or by regular mail (upon receipt) in each case to the party and at the address set forth below or at such other address as a party may designate by written notice:

If to the Authority:

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
Attention: Chief Financial Officer
Telephone: (202) 787-2154
Facsimile: (202) 787-2192

If to the Issuing and Paying Agent:

U.S. Bank, National Association
[_____]
[New York, NY 100__]
Attention: _____
Telephone: _____
Facsimile: _____

If to Goldman, Sachs and Co. (Dealer):

Goldman, Sachs and Co.

Attention: _____
Telephone: _____
Facsimile: _____

If to Standard & Poor's:

Standard & Poor's Ratings Services
Muni Structured Surveillance
55 Water Street, 38th Floor
New York, NY 10041
pubfin_structured@standardandpoors.com

If to Moody's:

Moody's Investors Service
99 Church Street
New York, NY 10007

If to Fitch:

Fitch, Inc.
One State Street Plaza
New York, NY 10004

(c) The Issuing and Paying Agent shall give notice to the Holders of the Extendable Municipal Commercial Paper Notes by mailing to the address for such Holders maintained by the Issuing and Paying Agent in registration books for the Extendable Municipal Commercial Paper Notes.

(d) The Authority shall send written notice to Fitch, Standard & Poor's and Moody's of the following events:

- (1) any change in any Dealer;
- (2) any change in the Issuing and Paying Agent;
- (3) any amendment, termination or revision of the Issuing and Paying Agency Agreement or the Dealer Agreement;
- (4) any defeasance of the Extendable Municipal Commercial Paper Notes; or
- (5) any other significant changes to the terms of the program for issuing the Extendable Municipal Commercial Paper Notes, including termination of the Program.

**ARTICLE XIV
MISCELLANEOUS**

Section 14.01 Governing Law

This Agreement shall be governed and interpreted in accordance with the laws of the District of Columbia and, as applicable, operating circulars of the Federal Reserve Bank, federal laws and regulations as amended, New York Clearing House rules, the Note Depository rules, and general commercial bank practices applicable to commercial paper issuance and payment, funds transfer and related activities.

Section 14.02 Limited Obligation of the Authority

The Authority shall not be required to pay the principal of or interest on the Extendable Municipal Commercial Paper Notes or any other amounts payable under or with respect to this Agreement from any source other than the Pledged Funds and a subordinate lien on the Trust Estate of the Authority.

Section 14.03 Complete Agreement

This Agreement contains the entire understanding and agreement between the parties with respect to the subject matter hereof and all prior agreements, understandings, representations, statements, promises, inducements, negotiations and undertakings between the parties with respect to said subject matter are superseded hereby.

Section 14.04 Counterparts

This Agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

Section 14.05 Section Headings

Section headings in this Agreement are for convenience of reference only, shall not constitute part of this Agreement and shall not be used to continue the meaning or intent of the provisions hereof.

Section 14.06 Waiver of Set-Off, Offset Lien or Counterclaim

The Issuing and Paying Agent hereby waives to the fullest extent possible under applicable law any and all rights of set-off, offset, lien or counterclaim it may have with respect to any amounts held by it in the Extendable Municipal Commercial Paper Payment Account by reason of any claim it may have against the Authority or any other person.

Section 14.07 Benefit of Agreement

This Agreement is solely for the benefit of the parties hereto and the Holders of the Extendable Municipal Commercial Paper Notes, and no other person shall acquire or have any right under or by virtue hereof.

Section 14.08 **Force Majeure**

In no event shall the Issuing and Paying Agent be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Issuing and Paying Agent's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, or government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement.

Section 14.09 **Indemnification; Liabilities**

(a) The Authority shall, to the extent permitted by law, indemnify the Issuing and Paying Agent, and its respective officers, directors, employees and agents (the "**Indemnified Persons**"), and hold the Indemnified Persons harmless from and against any and all costs, expenses, claims or liabilities (including, without limitation, reasonable lawyers' fees) arising out of or connected with the performance of each Indemnified Person's duties hereunder, except for costs, expenses, claims or liabilities arising out of the negligence or willful misconduct of an Indemnified Person. Each Indemnified Person may rely and shall be protected in acting upon any resolution, certificate, opinion, instructions (whether oral or otherwise), receipt, or other document reasonably believed by such Indemnified Person to be (i) genuine and (ii) to have been signed or given by the proper party or parties. The provisions of this paragraph shall survive termination of this Agreement.

(b) In acting with respect to the Extendable Municipal Commercial Paper Notes, and generally in acting under the provisions hereof, the Issuing and Paying Agent will be required by the Authority to perform only such duties as are specifically set forth herein and this Agreement shall not be construed to subject the Issuing and Paying Agent to any implied covenants or obligations. Except in the case of the Issuing and Paying Agent's negligence or willful misconduct, the Issuing and Paying Agent shall not be liable to the Authority or Holders for any action taken or omitted by the Issuing and Paying Agent and reasonably believed by the Issuing and Paying Agent to be authorized or within the powers conferred upon the Issuing and Paying Agent hereby. In no event shall the Issuing and Paying Agent be liable for consequential, indirect or special damages, even if the Issuing and Paying Agent has been advised of the possibility of such damages. The Issuing and Paying Agent shall also not be liable for any action taken, or any failure to take any action in connection with this Agreement or the services provided hereunder or otherwise to fulfill its obligations in connection with this Agreement, in the event and to the extent that the taking of such action or such failure arises out of or is caused by mechanical breakdown, computer or system failure or other failure of equipment, failure or malfunctioning of any communications media for whatever reason, or any other cause outside of the control of the Issuing and Paying Agent, provided that the Issuing and Paying Agent undertakes to use reasonable efforts to cure any such failure or breakdown of the Issuing and Paying Agent's equipment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

**U.S. BANK, NATIONAL
ASSOCIATION,**
as Issuing and Paying Agent

By: _____

Its: _____

By: _____

Its: _____

[SEAL]

ATTEST:

Secretary

**DISTRICT OF COLUMBIA WATER
AND SEWER AUTHORITY**

By: _____
Chairman

EXHIBIT A

[Conformed Copy]

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

**Book-Entry-Only Municipal Tax-Exempt Commercial Paper (TECP)
(Master Note) Program**

Letter of Representations

[To be completed by Issuer, Issuing Agent, and Paying Agent]

District of Columbia Water and Sewer Authority

[Name of Issuer]

U.S. Bank National Association (DTC #:

[Name and DTC: Participant Number of Issuing Agent and Transfer Agent]

_____, 2015

[Date]

Attention: Underwriting Department
The Depository Trust Company
570 Washington Blvd, 4th FL
Jersey City, NJ 07310

**Re: Up to \$ _____ District of Columbia Water and Sewer Authority Extendable
Municipal Commercial Paper Notes, Series A – Exempt under Section 3(a)(2) of the
Securities Act of 1933, as amended**

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the issuance by Issuer from time to time of notes under its Municipal Commercial Paper--TECP program described above (the "Securities"). Issuing Agent shall act as issuing agent with respect to the Securities. Paying Agent shall act as paying agent or other such agent of Issuer with respect to the Securities. Issuance of the Securities has been authorized pursuant to a prospectus supplement, offering circular, or other such document dated _____.

Paying Agent has entered into a Money Market Instrument Certificate Agreement with The Depository Trust Company ("DTC") dated as of _____, pursuant to which Paying Agent shall act as custodian of a Master Note Certificate evidencing the Securities, when issued. Paying Agent shall amend Exhibit A to such Certificate Agreement to include the program described above, prior to issuance of the Securities.

To induce DTC to accept the Securities as eligible for deposit at DTC and to act in accordance with its Rules with respect to the Securities, Issuer, Issuing Agent, and Paying Agent make the following representations to DTC:

1. The Securities shall be evidenced by a Master Note Certificate in registered form registered in the name of DTC's nominee, Cede & Co., and such Master Note Certificate shall represent 100% of the principal amount of the Securities. The Master Note Certificate shall include the substance of all material provisions set forth in the DTC model Municipal Commercial Paper -- TECP Master Note, a copy of which previously has been furnished to Issuing Agent and Paying Agent, and may include additional provisions as long as they do not conflict with the material provisions set forth in the DTC model.

2. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its participants ("Participants") or to any person having an interest in the Securities any information contained in the Master Note Certificate; and (b) acknowledges that neither DTC's Participants nor any person having an interest in the Securities shall be deemed to have notice of the provisions of the Master Note Certificate by virtue of submission of such Certificate to DTC.

3. Issuer or Issuing Agent has obtained from the CUSIP Service Bureau a written list of approximately 900 nine-character numbers (the basic first six characters of which are the same and uniquely identify Issuer and the Securities to be issued under its Municipal Commercial Paper -- TECP program described above). The CUSIP numbers on such list have been reserved for future assignment to issues of the Securities. At any time when fewer than 100 of the CUSIP numbers on such list remain unassigned, Issuer or Issuing Agent shall promptly obtain from the CUSIP Service Bureau an additional written list of approximately 900 such numbers.

4. When Securities are to be issued through DTC, Issuing Agent shall notify Paying Agent and shall give issuance instructions to DTC in accordance with DTC's Procedures, including Operational Arrangements and the Issuing/Paying Agent General Operating Procedures (the "MMI Procedures"), a copy of which previously has been furnished to Issuing Agent and Paying Agent. The giving of such issuance instructions, which include delivery instructions, to DTC shall constitute: (a) a representation that the Securities are issued in accordance with applicable law; and (b) a confirmation that the Master Note Certificate evidencing such Securities, in the form described in paragraph 1, has been issued and authenticated.

5. All notices and payment advises sent to DTC shall contain the CUSIP number of the Securities.

6. Issuer recognizes that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with the following, as amended from time to time: (a) any exemptions from registration under the Securities Act of 1933; (b) the Investment Company Act of 1940; (c) the Employee Retirement Income Security Act of 1974; (d) the Internal Revenue Code of 1986; (e) any rules of any self-regulatory organizations (as defined under the Securities Exchange Act of 1934); or (f) any other local, state, federal, or foreign laws or regulations thereunder.

7. If issuance of Securities through DTC is scheduled to take place one or more days after Issuing Agent has given issuance instructions to DTC, Issuing Agent may cancel such issuance by giving a cancellation instruction to DTC in accordance with the MMI Procedures.

8. At any time that Paying Agent has Securities in its DTC accounts, it may request withdrawal of such Securities from DTC by giving a withdrawal instruction to DTC in accordance with the MMI Procedures. Upon DTC's acceptance of such withdrawal instruction, Paying Agent shall reduce the principal amount of the Securities evidenced by the Master Note Certificate accordingly.

9. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer, Issuing Agent, or Paying Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall send notice of such record date to DTC's Reorganization Department, Proxy Unit no fewer than 15 calendar days in advance of such record date. If sent by telecopy, such notice shall be directed to (212) 855-5181 or (212) 855-5182. If the party sending the notice does not receive a telecopy receipt from DTC such party shall confirm DTC's receipt of such telecopy by telephoning (212) 855-5187. For information regarding such notices, telephone The Depository Trust and Clearing Corporation's Proxy hotline at (212) 855-5191.

10. Paying Agent may override DTC's determination of interest and principal payment dates, in accordance with the MMI Procedures.

11. Notice regarding the amount of variable interest and principal payments on the Securities shall be given to DTC by Paying Agent in accordance with the MMI Procedures.

12. Paying Agent shall confirm with DTC daily, by CUSIP number, the face value of the Securities outstanding, and Paying Agent's corresponding interest and principal payment obligation, in accordance with the MMI Procedures.

13. DTC may direct Issuer, Issuing Agent, or Paying Agent to use any other telephone number or address as the number or address to which notices may be sent.

14. Payments on the Securities, including payments in currencies other than the U.S. Dollar, shall be made by Paying Agent in accordance with the MMI Procedures,

15. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Paying Agent shall notify DTC of the availability of certificates. In such event, Issuer or Paying Agent shall issue, transfer, and exchange certificates in appropriate amounts, as required by DTC and others.

16. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer, Issuing Agent or Paying Agent (at which time DTC will confirm with Issuer or Paying Agent the aggregate amount of Securities outstanding by CUSIP number). Under such circumstances, at DTC's request Issuer, Issuing Agent and Paying Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any Participant having Securities credited to its DTC accounts.

17. Nothing herein shall be deemed to require Issuing Agent or Paying Agent to advance funds on behalf of Issuer.

18. This Letter of Representations may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument.

19. This Letter of Representations shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law.

20. The sender of each notice delivered to DTC pursuant to this Letter of Representations is responsible for confirming that such notice was properly received by DTC.

21. Issuing and/or Paying Agent represent to DTC that the Issuing and/or Paying Agent screened the name of the party in whose name a deposited Security certificate is registered against the U.S. Department of the Treasury's Office of the Office of Foreign Asset Control's ("OFAC") Specially Designated Nationals Blocked Persons List ("SDN List") and against OFAC's regulations and that there were no matches identified by such comparison. Issuer is prohibited from submitting Securities for DTC eligibility if the issuer of the securities is listed on the OFAC's SDN List, or is incorporated or formed in a country that is subject to OFAC sanctions or embargoes, or otherwise subject to sanctions administered by OFAC.

22. Issuer hereby authorizes DTC to provide to Issuing Agent and/or Paying Agent listings of DTC Participants' holdings, known as Security Position Reports ("SPRs") with respect to the Assets from time to time at the request of Issuing Agent or Paying Agent. DTC charges a fee for such SPRs. This authorization, unless revoked by Issuer, shall continue with respect to the Assets while any Assets are on deposit at DTC, until and unless Issuing Agent and/or Paying Agent shall no longer be acting as Issuing and/or Paying Agent for Issuer. In such event, Issuer shall provide DTC with similar evidence, satisfactory to DTC, of the authorization of any successor thereto so to act. Proxy Web Services are available at www.dtcc.com. To register for or inquire about Proxy Web Services, telephone The Depository Trust and Clearing Corporation's Proxy Hotline at (212) 855-5191.

23. Issuer, Issuing Agent and Paying Agent shall comply with the applicable requirements stated in DTC's MMI Procedures, as they may be amended from time to time.

24. The following rider(s), attached hereto, are hereby incorporated into this Letter of Representations:

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

District of Columbia Water and Sewer Authority
[Issuer]

By: _____
[Authorized Officer's Signature]

[Guarantor]

By: _____
[Authorized Officer's Signature]

[Issuing Agent]

By: _____
[Authorized Officer's Signature]

[Paying Agent]

By: _____

cc: Underwriter
Underwriter's Counsel

SCHEDULE A**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such

other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

EXHIBIT B

CERTIFICATE OF AUTHORIZED REPRESENTATIVE OF THE AUTHORITY

I am the Chairman of the District of Columbia Water and Sewer Authority (the **“Authority”**) duly authorized pursuant to Resolution 15-__, adopted by the Authority on October 1, 2015 (collectively, the **“Resolution”**) to confirm the appointment of Authorized Representatives of the Authority in connection with the issuance, from time to time, by the Authority of its Extendable Municipal Commercial Paper Notes (the **“Extendable Municipal Commercial Paper Notes”**) in accordance with the Resolution and the Issuing and Paying Agency Agreement dated as of November 1, 2015. I hereby confirm that the following persons may act as Authorized Representatives of the Authority in accordance with the aforesaid Resolution and that specimen signatures of such persons are set forth beside their names.

Designated Persons

Specimen Signatures

EXECUTED THIS [MONTH] [DAY], [YEAR].

Chairman

Pursuant to the Issuing and Paying Agency Agreement, the undersigned hereby certifies as follows:

- (i) after the issuance of Extendable Municipal Commercial Paper Notes as requested hereby and the application of proceeds thereof, the aggregate principal amount of Extendable Municipal Commercial Paper Notes Outstanding will not exceed the amount currently authorized to be Outstanding under the Issuing and Paying Agency Agreement;
- (ii) the issuance of Extendable Municipal Commercial Paper Notes requested hereby will be applied as follows: \$_____ shall be applied for deposit into the Extendable Municipal Commercial Paper Note Payment Account for payment of certain Outstanding Extendable Municipal Commercial Paper Notes and \$_____ will be deposited into the Construction Account;
- (iii) the interest rates borne by the Extendable Municipal Commercial Paper Notes to be delivered do not exceed the applicable Maximum Rate;
- (iv) the terms of the Extendable Municipal Commercial Paper Notes to be delivered do not exceed the Maximum Term;
- (v) the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed as of the date hereof;
- (vi) the terms to maturity of the Extendable Municipal Commercial Paper Notes set forth herein do not extend beyond the Termination Date;
- (vii) the Authority has not been notified by Bond Counsel that their opinions with respect to the validity of the Extendable Municipal Commercial Paper Notes and the tax treatment of the interest thereon delivered prior to the initial issuance of the Extendable Municipal Commercial Paper Notes has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or substitute opinion has not been revised or withdrawn;
- (viii) no Event of Default has occurred and is now continuing; and
- (ix) all of the conditions precedent to the issuance of Extendable Municipal Commercial Paper Notes set forth in Sections 3.05 and 3.06 of the Issuing and Paying Agency Agreement have been satisfied.

PART II.

Pursuant to the Issuing and Paying Agency Agreement, the undersigned hereby certifies as follows:

- (i) the aggregate principal amount of Extendable Municipal Commercial Paper Notes Outstanding does not exceed the amount currently authorized under the Issuing and Paying Agency Agreement and the aggregate principal amount of Extendable Municipal Commercial Paper Notes which were Outstanding at any time during the immediately preceding three months did not exceed the amount then authorized to be Outstanding under the Issuing and Paying Agency Agreement at the time such Extendable Municipal Commercial Paper Notes were Outstanding;
- (ii) the interest rates borne by the Extendable Municipal Commercial Paper Notes Outstanding do not exceed the current applicable Maximum Rate and the interest rates borne by the Extendable Municipal Commercial Paper Notes which were Outstanding during the immediately preceding three months did not exceed the Maximum Rate applicable to such Extendable Municipal Commercial Paper Notes at the time of issuance thereof;
- (iii) the terms of the Extendable Municipal Commercial Paper Notes Outstanding do not exceed the current Maximum Term and the terms of the Extendable Municipal Commercial Paper Notes which were Outstanding during the immediately preceding three months did not exceed the Maximum Term applicable to such Extendable Municipal Commercial Paper Notes at the time of issuance thereof;
- (iv) the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate, if any, continue to exist and are reaffirmed as of the date hereof;
- (v) the Stated Maturity of the Extendable Municipal Commercial Paper Notes Outstanding does not extend beyond the Termination Date;
- (vi) the Authority has not been notified by Bond Counsel that either of their opinions with respect to the validity of the Extendable Municipal Commercial Paper Notes and the tax treatment of the interest thereon delivered prior to the initial issuance of the Extendable Municipal Commercial Paper Notes has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or substitute opinion has not been revised or withdrawn;
- (vii) no Event of Default has occurred and is now continuing; and
- (viii) all of the conditions precedent to the issuance of Extendable Municipal Commercial Paper Notes set forth in Sections 3.05 and 3.06 of the Issuing and Paying Agency Agreement have been satisfied in connection with the issuance of all Extendable Municipal Commercial Paper Notes since the Closing Date.

All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Issuing and Paying Agency Agreement.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By: _____
Authorized Representative of the
Authority

Date: _____

Request Number: _____

EXHIBIT D

MASTER NOTE CERTIFICATE

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
 EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES
 TAX-EXEMPT MASTER NOTE
 (SERIES _____)

Registered Owner: CEDE & CO.

Principal Sum: Not to Exceed _____ Million Dollars (\$_____) Outstanding

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY, an independent authority of the District of Columbia (the “**Authority**”), for value received, hereby promises to pay (but only out of a subordinate lien on the Trust Estate and a lien on the Pledged Funds hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of the Authority (the “**Underlying Records**”) as being evidenced by this Master Note, which Underlying Records are maintained by U.S. Bank, National Association, as Issuing and Paying Agent (the “**Issuing and Paying Agent**”) under the Issuing and Paying Agency Agreement dated as of November 1, 2015 (the “**Paying Agency Agreement**”). Interest shall be calculated on the basis of actual days elapsed in a 365- or 366-day year, as the case may be, at the rate specified on the Underlying Records. Payments shall be made solely from a subordinate lien on the Trust Estate, including but not limited to Net Revenues, and a lien on Pledged Funds (each as defined in the Paying Agency Agreement) by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Master Note and the issue of which it forms a part are issued pursuant to and in full compliance with the laws of the District of Columbia. The Extendable Municipal Commercial Paper Notes issued under this Master Note do not now and shall never constitute a charge against the general credit of the Authority or the District of Columbia. No recourse shall be had for the payment of the principal of, premium, if any, or interest on this Master Note or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture or the

Paying Agency Agreement contained, against the Authority, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Authority or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Authority, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is, by the acceptance of this Master Note, expressly waived and released as a condition of, and in consideration for, the execution of the Indenture, the Issuing and Paying Agency Agreement and the issuance of the Master Note.

This Master Note is issued pursuant to the Paying Agency Agreement and Resolution No. 15-__ of the Authority, adopted October 1, 2015, as amended and supplemented (the “**Resolution**”) providing for the issuance of the Extendable Municipal Commercial Paper Notes.

Reference is hereby made to the Resolution, the Paying Agency Agreement and to the WASA Act for a description of the terms on which the Extendable Municipal Commercial Paper Notes are issued and to be issued, the provisions with regard to the nature and extent of the Pledged Funds, and the rights of the registered owners of the Extendable Municipal Commercial Paper Notes; and all the terms of the Paying Agency Agreement, the Resolution and the WASA Act are hereby incorporated herein and made a contract between the Authority and the registered owner from time to time of this Master Note, and to all the provisions thereof the registered owner of this Master Note, by its acceptance hereof, consents and agrees.

This Master Note is a limited obligation of the Authority payable solely from and secured by a subordinate lien on the Trust Estate, including but not limited to the Net Revenues, a lien on Pledged Funds, the income derived from the investment of any Net Revenues and Pledged Funds and other moneys that have been pledged as described in the Indenture and the Paying Agency Agreement to secure payment thereof. This Master Note is a special obligation of the District. This Master Note shall be without recourse to the District. This Master Note shall not be a general obligation of the District, shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, and shall not constitute lending of the public credit for private undertakings.

At the request of the registered owner, the Authority shall promptly issue and deliver one or more separate notes evidencing each obligation evidenced by this Master Note. This Master Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agency Agreement, and upon surrender and cancellation of this Master Note. Upon such transfer a new fully registered Note or Notes without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Authority and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Master Note, and in the issuing of this Master Note, do exist, have happened and have been performed in due time, form and manner, as required by the laws of the District of Columbia, and that this Master Note is not in excess of the amount of Extendable Municipal Commercial Paper Notes permitted to be issued under the Paying Agency Agreement.

This Master Note shall not be entitled to any benefit under the Resolution or the Paying Agency Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent.

The obligation of the Authority under this Master Note shall be construed in accordance with and governed by the laws of the District of Columbia.

IN WITNESS WHEREOF, the DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY has caused this Master Note to be executed in its name and on its behalf by its Chairman and attested by its Secretary, and the seal of said Authority to be imprinted or reproduced by facsimile hereon, and this Master Note to be dated as of [MONTH] [DAY], [YEAR].

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By: _____
Chairman

[SEAL]

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Master Notes described in the within-mentioned Resolution and Paying Agency Agreement.

U.S. Bank, National Association
as Issuing and Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Name, address, and Taxpayer Identification Number of Assignee)

this Master Note and all rights thereunder, hereby irrevocably constituting and appointing

_____ attorney to transfer said Master Note on the books of the
Commission with full power of substitution in the premises.

Dated: _____

NOTICE: Signature(s) must be
guaranteed by an Eligible Guarantor
Institution such as a Commercial Bank,
Trust Company, Securities
Broker/Dealer, Credit Union, or Savings
Association that is a member of a
medallion program approved by The
Securities Transfer Association, Inc.

Note: The signature on this assignment must
correspond with the name as written upon the
face of this Master Note, in every particular,
without alteration or enlargement or any
change whatsoever.

EXHIBIT E

FORM OF AUTHORITY ORDER CONCERNING
THE MAXIMUM PRINCIPAL AMOUNT,
MAXIMUM RATE OR MAXIMUM TERM

RESOLUTION _____

WHEREAS, the District of Columbia Water and Sewer Authority (the “**Authority**”) operates a water and sewer system for the District of Columbia (the “**System**”); and

WHEREAS, the Authority is empowered under the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, (D.C. Law 11-111, codified as amended as D.C. Code Ann. Sections 34-2201.01 et seq. (2001), (herein called the “**WASA Act**”), to undertake the obligations and commitments on its part herein set forth; and

WHEREAS, pursuant to Resolution No. _____, as supplemented, the Authority authorized the issuance of a series of Extendable Municipal Commercial Paper Notes called District of Columbia Water and Sewer Authority Extendable Municipal Commercial Paper Notes, Series A in an aggregate principal amount not to exceed \$_____, at a per annum interest rate not to exceed [12%], for an initial Maximum Term of [270] days; and

WHEREAS, the Authority has now determined that the [**Maximum Term, Maximum Rate, and/or Maximum Principal Amount**] pertaining to the Extendable Municipal Commercial Paper Notes should be [**increased/decreased**];

NOW, THEREFORE, BE IT RESOLVED by the Board of the Authority that:

1. The [**Maximum Rate, Maximum Term and/or Maximum Principal Amount**] of the Extendable Municipal Commercial Paper Notes shall be [**increased/decreased**] to _____.
2. This Resolution shall take effect upon passage.

Adopted this _____ day of _____, 20__.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By: _____

Chairman

[SEAL]

ATTEST:

Secretary

EXHIBIT F

MASTER INDENTURE OF TRUST

See Tab 5 of Closing Transcript

M&A draft 8/28/15

DEALER AGREEMENT

THIS DEALER AGREEMENT (this “Agreement”) is dated as of November 1, 2015 by and between the District of Columbia Water and Sewer Authority (the “Issuer”) and Goldman, Sachs & Co. (the “Dealer”).

RECITALS

The Issuer proposes to issue and reissue its Extendable Municipal Commercial Paper (the “Notes”) in an aggregate principal amount not to exceed \$100,000,000 at any time outstanding. The Dealer has agreed to act as Dealer for the Notes and to perform the duties imposed upon the Dealer by the Note Resolution and this Agreement.

AGREEMENTS

NOW THEREFORE, for and in consideration of the covenants herein made, and subject to the conditions herein set forth, the parties hereto agree as follows:

Section 1. Definitions. Unless the context clearly indicates a contrary meaning, each capitalized term used in this Agreement shall have the meaning given to that term in the Resolution authorizing the Notes adopted by the Issuer on October 1, 2015 (the “Note Resolution”).

Section 2. Appointments of Dealer; Acceptance.

(a) Subject to the terms and conditions set forth in this Agreement, the Issuer hereby appoints Goldman, Sachs & Co. as the Dealer for the Notes, and Goldman, Sachs & Co. hereby accepts such appointment and accepts and agrees to perform the duties and obligations imposed upon it as Dealer under this Agreement and under the Note Resolution, subject to the terms, conditions and limitations set forth in this Agreement.

While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases the Notes from the Issuer, or arranges for the sale of the Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

(b) The Issuer has delivered to the Dealer a certified copy of the Note Resolution and the Issuing and Paying Agency Agreement dated as of November 1, 2015 among the Issuer and U.S. Bank National Association (the “Issuing and Paying Agency Agreement”). The Issuer agrees to provide the Dealer with a certified copy of any amendment to the Note

Resolution or Issuing and Paying Agency Agreement, if any, promptly upon the adoption or execution thereof.

Section 3. Sale and Purchase of Notes. The Dealer and the Issuer agree that any Note which the Dealer may purchase or for which the Dealer may arrange the sale, will be purchased or sold on the terms and conditions and in the manner provided in the Note Resolution, the Issuing and Paying Agency Agreement and this Agreement.

Section 4. Transaction in Notes.

(a) All transactions in Notes between the Dealer and the Issuer shall be in accordance with the Note Resolution and the custom and practice in the commercial paper market to the extent such custom and practice is not inconsistent with the Note Resolution.

(b) As early as possible, but not later than 1:00 p.m. (New York City time) on the day on which any Notes are to be issued, the Dealer shall notify the Issuer of the proposed Original Maturity Dates, the final maturity dates, prices and interest rates at which the Dealer will purchase or arrange the sale of the Notes. The Dealer shall not be obligated to purchase any Notes unless and until an agreement has been reached in each case on the foregoing points and the Dealer has agreed to such purchase. Not later than 1:00 p.m. (New York City time) on the date of each transaction, the Dealer shall either (a) confirm each transaction made with or arranged by it or (b) notify the Issuer and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase. Such confirmation or notification shall be given by telephone (or by other telecommunications medium acceptable to the Issuer) and in writing to the Issuer and the Issuing and Paying Agent in the Dealer's customary form.

(c) On any Original Maturity Date, the Issuer shall notify the Issuing and Paying Agent and the Dealer no later than 11:00 a.m. whether any Notes are to have their maturities extended to the Extended Maturity Date. The Issuing and Paying Agency Agreement shall require the Issuing and Paying Agent to notify DTC no later than 11:30 a.m. of the identity of Notes having extended maturities to the Extended Maturity Date.

Section 5. Payment for Notes. The Dealer shall pay for the Notes purchased by the Dealer or sold by the Dealer in immediately available funds on the Business Day such Notes are delivered to the Dealer. All Notes will be sold at par, and will be executed in the manner provided for in the Issuing and Paying Agency Agreement.

Section 6. Authorized Issuer Representative. Note transactions with the Issuer referred to in Section 4 hereof, shall be with any one of the officers or employees of the Issuer who are designated as an Authorized Issuer Representative by certificate signed by the Chief Financial Officer. The initial written designation of the Authorized Issuer Representatives is appended hereto as Exhibit A. The Issuer agrees to provide the Dealer with revised written designations in the form of Exhibit A when and as required by changes in the Authorized Issuer Representatives. The Dealer may rely upon such designation unless and until otherwise notified in writing by the Issuer.

Section 7. Representations and Warranties of the Issuer. The Issuer represents and warrants to the Dealer as follows:

(a) The Issuer is, and at the Closing Date will be, a duly organized and validly existing corporate body and independent authority of the District established under the laws of the United States and the District, including the Act and the Federal Act, with the full legal right, power and authority to issue the Notes, to enter into, perform and observe the covenants and agreements on its part contained in this Agreement, the Issuing and Paying Agency Agreement, the Note Resolution and the Notes (collectively, the “Note Documents”) and to carry out and consummate all transactions contemplated by the Note Documents, and the Note Documents have been duly authorized, executed and delivered by the Issuer. The Note Documents constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors’ rights, to the extent constitutionally applicable.

(b) The Issuer has adopted the Note Resolution at a meeting that was duly called and at which a quorum was present and acting throughout. The Note Resolution is in full force and effect and has not been modified or amended since its adoption. The Issuer has also duly authorized the Chairman and Vice Chairman of the Board and the General Manager, Chief Financial Officer, Controller, Budget Director and Finance Director of the Authority (each an “Authorized Official” and, together, the “Authorized Officials”) to execute and deliver this Agreement and the other Documents.

(c) The Notes have been duly authorized and executed by the Issuer, and when authenticated and delivered by the Issuing and Paying Agent will constitute valid and binding notes of the Issuer and will be in conformity with, and entitled to the benefit of, the Note Resolution. The Notes will be issued solely as Book-Entry Notes, as defined in the Issuing and Paying Agency Agreement, and the Issuer will not issue Certificated Notes, as defined in the Issuing and Paying Agency Agreement, without amending the Offering Memorandum to provide material information relating to the Certificated Notes.

(d) The Offering Memorandum prepared by the Issuer does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) There are no consents, authorization or approvals of, or filings with, any Federal or state government authority (other than the Issuer) required in connection with the issuance or sale by the Issuer of the Notes or the performance of its obligations thereunder except as may be required by state securities laws and those which have already been obtained or made.

(f) Adoption of the Note Resolution and the execution, delivery and performance by the Issuer of this agreement, the Notes, and the Note Documents have not and will not result in a breach, violation of, conflict with, or constitute a default under any law,

regulation, order, judgement, agreement or instrument to which the Issuer is a party or by which the Issuer or any of its property is bound.

(g) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Notes, the Note Resolution, this Agreement and the Issuing and Paying Agency Agreement, or any other agreement or instrument to which the Issuer is a party and which has been or will be executed in connection with the issuance of the Notes.

(h) Each delivery of Notes to the Dealer shall be deemed a representation and warranty by the Issuer, as of the date thereof, that (i) the Notes issued on such date have been duly authorized, issued and delivered and, upon payment therefor, will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, and (ii) the representations and warranties of the Issuer set forth in paragraphs (a) through (g) of this Section 7 are true and correct as if made on such date.

Section 8. Covenants and Agreements of the Issuer. The Issuer covenants and agrees that:

(a) The Issuer will give the Dealer notice forthwith of the occurrence of any breach by the Issuer of any of its covenants contained in the Issuing and Paying Agency Agreement

(b) The Issuer will not permit to become effective any amendment to or modification of the Note Resolution or the Note Documents (i) which would affect the rights and obligations of the Dealer, except as may have been agreed to in writing by the Dealer or (ii) which could reasonably be expected to adversely affect the interest of the holder of any Notes then outstanding. The Issuer will give the Dealer notice of any proposed amendment to or modification of the Note Resolution or the Note Documents prior to the effective date thereof.

(c) The Issuer will not sell Notes in the event that the opinions from Squire Patton Boggs (US) LLP and Leftwich, LLC, Co-Bond Counsel delivered in connection with the initial issuance of the Notes have been withdrawn, adversely modified or retracted.

(d) The Issuer will take all actions within its control necessary to maintain the exclusion of interest on the Notes from the gross income of the holders thereof for Federal income tax purposes.

Section 9. Offering Memorandum.

(a) The Issuer shall prepare or cause to be prepared for distribution to investors and potential investors in the Notes an Offering Memorandum containing material information about the Issuer and the Notes. The Issuer shall be responsible for retaining such counsel or advisors as it believes necessary to assure itself that the Offering Memorandum contains all material information necessary to comply with the disclosure requirements of federal and state securities laws. The Offering Memorandum shall be updated by the Issuer **on an annual basis** or more often as necessary to reflect information material to investors in the Notes.

Copies of each updated Offering Memorandum shall be promptly delivered to the Dealer in reasonable quantity for delivery to holders or potential holders of the Notes.

(b) In the event that an action is brought against the Dealer pursuant to federal or state securities laws for a material misstatement or omission in the Issuer's Offering Memorandum, the Issuer shall reimburse the Dealer for its legal expenses in defending itself against such action.

(c) After the Closing, defined below, the Issuer shall immediately notify the Dealer by telephone (which shall promptly be confirmed in writing) of (i) any fact or occurrence as a result of which the Offering Memorandum would be or become misleading or any representation or warranty of the Issuer under the Note Documents would become false; (ii) any material adverse change in the financial condition or general affairs of the Issuer; (iii) any reduction or written communication by any rating agency that it is considering a possible reduction, in any existing rating of the Notes; (iv) any adverse change in the federal income tax treatment of interest on the Notes under the Internal Revenue Code or 1986, as amended (the "Code"); (v) the need for an opinion of bond counsel as to the tax status of any of the Notes; or (vi) any event of default under the Note Resolution, or any event which, with notice or lapse of time or both, would constitute such an event of default.

(d) The Issuer shall furnish the Dealer copies of any published reports and financial statements relating to the financial affairs and condition of the Issuer, promptly after they are made available to the public, and such additional information concerning the operations and financial condition of the Issuer, as the Dealer may from time to time reasonably request.

Section 10. Closing. On a date mutually acceptable to the Issuer and the Dealer (the "Closing") there shall be delivered to the Dealer the following documents:

(a) A Certificate signed by the Chief Financial Officer stating that the representations and warranties set forth in this Agreement, the Note Resolution and Issuing and Paying Agency Agreement are true and accurate as of the date of Closing.

(b) An opinion of Co-Bond Counsel, dated the Closing, substantially in the form attached to the Offering Memorandum.

(c) A supplemental opinion of Co-Bond Counsel, dated the Closing, substantially in the form of Exhibit B hereto.

(d) Such additional documentation as Co-Bond Counsel or the Dealer may reasonably request to evidence compliance with applicable law.

Section 11. Payment of Fees and Expenses of Dealer.

(a) For the services to be performed by the Dealer under this Agreement, the Issuer agrees to pay the Dealer during each calendar year a fee equal to ____% of the amount of each Note sold or placed by the Dealer calculated as follows: **[rate in decimal form]** times the principal amount of the Notes which are outstanding, times the number of days such Notes shall

be Outstanding, divided by 365 or 366 days (as appropriate); payable quarterly in arrears on **[first billing date]** and on the first day of each **[quarterly cycle]** thereafter.

(b) The Issuer's obligations under this Section 10 shall survive termination or expiration of the Agreement.

Section 12. Indemnification and Contribution.

(a) To the extent permitted by law, the Issuer will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgements of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Offering Memorandum, the **[Issuer Information]** or any information provided by the Issuer to the Dealer included (as of any relevant time) or includes any untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon information provided by the Dealer.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 12 are held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 12, to the extent permitted by law, the Issuer shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and the Dealer; provided, however, such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 13. Termination. Either the Dealer or the Issuer may terminate this Agreement with one business days' prior written notice to the other, with a copy provided to the Issuing and Paying Agent. No such termination shall affect the rights and obligations of the Dealer which have accrued under this Agreement prior to termination.

Section 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as an original but all of which shall constitute one and the same document.

Section 15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; provided, however, that the obligations of the Issuer hereunder shall be governed by, and construed in accordance with the laws of the District of Columbia.

Section 16. Notices. Except as otherwise specifically provided herein, all notices and documents required of and provided for under this Agreement shall be in writing and shall be delivered by hand, first class mail (postage prepaid), telex, telecopier, telegram or overnight express delivery, and shall be effective when received at the following addresses or at such other address as a party may designate in a notice delivered to the other party hereto in accordance herewith:

If to the Issuer:

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Attn: Chief Financial Officer
Tel: 202-
Email:

If to the Dealer:

Goldman, Sachs & Co.
200 West Street, 5th Floor
New York, New York 10282
Attn: Municipal Money Market Sales and Trading – CP and Notes Trading
Tel: 212-902-6633
E-mail: ficc-municp-traders@ny.email.gs.com

Section 17. No Advisory or Fiduciary Role. The Issuer acknowledges and agrees that: (i) any purchase of, or arrangement for the sale of, the Notes contemplated by this Agreement will be pursuant to an arm's-length commercial transaction between the Issuer and the Dealer and that the Dealer has financial and other interests that differ from those of the issuer; (ii) the Dealer is not acting as a municipal advisor, financial advisor, or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to any transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Dealer has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Dealer has to the Issuer with respect to any transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

Section 18. Headings. The section headings hereof have been inserted for convenience of reference only, shall not be part of this Agreement, and shall not be used to construe, define, limit or interpret the meaning of any provision hereof.

Section 19. Severability. If any provision of this Agreement shall be held or deemed by a court of competent jurisdiction to be invalid, inoperative or unenforceable for any reason, such determination shall not affect the validity or enforceability of the remaining provisions hereof.

Section 20. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY

By:

Title:

GOLDMAN, SACHS & CO.

By:

Title

EXHIBIT A

DESIGNATION OF AUTHORIZED ISSUER REPRESENTATIVE

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Extendable Municipal Commercial Paper Notes

I, the Chief Financial Officer of District of Columbia Water and Sewer Authority, pursuant to the terms of the Note Resolution authorizing \$_____ _____ Extendable Municipal Commercial Paper Notes adopted by _____ on October 1, 2015 DO HEREBY DESIGNATE the following individuals as Authorized Issuer Representatives, to execute and deliver documents and instructions and to effect other transactions on behalf of the Issuer pursuant to or as contemplated by the Note Resolution, and the signatures set forth opposite their names below are their true and correct signatures, respectively:

Name	Signature
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

IN WITNESS WHEREOF, I have hereunto set my hand as of the ____ day of November, 2015.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By: _____

Exhibit B

[Letterhead of Co-Bond Counsel]

_____, 2015

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Dear Sirs:

This opinion is being rendered to you pursuant to that certain Dealer Agreement, dated _____, 2015 (the "Dealer Agreement"), between District of Columbia Water and Sewer Authority (the "Issuer"), and Goldman, Sachs & Co., relating to the \$_____ Extendable Municipal Commercial Paper Notes (the "Notes"). Terms defined in the Dealer Agreement are used in this opinion with the meanings assigned to them in the Dealer Agreement.

We have acted as Bond Counsel to the Issuer in connection with the issuance and sale of the Notes. We have examined the Offering Memorandum and the Note Resolution, a copy of an executed Note and certain certificates and other documents of representatives of the Issuer and certain other public officials, and have examined such other records and documents and have made such other investigation as we deemed appropriate for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

(1) No registration of any security under the Securities Act of 1933, as amended and as now in effect, or qualification of any indenture under the Trust Indenture Act of 1939, as amended and as now in effect, is required in connection with the offer and sale of the Notes.

(2) The Dealer Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due and valid authorization, execution and delivery of the Dealer Agreement by the parties thereto other than the Issuer, constitutes a valid and binding obligation enforceable in accordance with its terms.

(3) All consents, approvals or other actions of governmental bodies required for the valid execution and delivery of the Note Resolution and the Dealer Agreement by the Issuer and the valid issuance of the Notes by the Issuer have been obtained.

(4) The summary descriptions in the Offering Memorandum under the captions "_____", "_____", "_____", "_____" and "_____" and "_____" insofar as such descriptions purport to describe the Issuer or to

summarize certain provisions of the Notes, the Note Resolution, the Issuing and Paying Agency Agreement and the Dealer Agreement, fairly and accurately present the information purported to be shown therein.

The opinions expressed in paragraph 1 above are based upon our opinion of even date rendered to the Issuer and to you in our capacity as Bond Counsel in connection with the validity of the issuance and sale of the Notes and the tax exemption of interest thereon.

The opinions expressed in paragraph 2 above are qualified to the extent that (i) the enforceability of such instrument may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights, (ii) certain equitable remedies including specific performance may be unavailable and (iii) the indemnification provisions contained therein may be limited by applicable securities laws and public policy.

Very truly yours,

FINANCE & BUDGET COMMITTEE

PROPOSED EXECUTION OF THE DEBT SERVICE FUND AGREEMENT

ACTION ITEM C: Approval of Resolution Authorizing the Execution of the Debt Service Fund Agreement

Presented and Adopted: October 1, 2015
Subject: Approving the Final Form and
Authorizing the Execution of the
Debt Service Fund Agreement

#15-_____
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 (“Authority”), at its meeting on October 1, 2015, by a vote of _____ (__) in favor and _____ (__) opposed, decided to approve the following:

WHEREAS, the Authority sets aside bond interest and principal payments monthly into the debt service fund for each outstanding revenue bond series of the Authority in accordance with the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture” and, as supplemented and amended, the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”) (its predecessors in that capacity having been Norwest Bank Minnesota, N.A. and Wells Fargo Bank Minnesota, N.A.), and the applicable supplemental indenture of trust with the Trustee in connection with the issuance of Senior Debt and Subordinate Debt (both as defined in the Indenture); and

WHEREAS, the funds in the debt service funds are currently held by the Trustee, invested in short-term securities and paid to bond holders semi-annually.

WHEREAS, the Authority wishes to improve the interest income it earns on amounts held in the debt service funds.

WHEREAS, there has been presented at this meeting a draft of the substantially final form of the Debt Service Fund Agreement (the “Debt Service Fund Agreement”), dated as of November 1, 2015, between the Authority, the Trustee and Barclays Bank PLC (“Barclays”).

WHEREAS, the Finance and Budget Committee met on September 10, 2015, to review the Authority entering into the Debt Service Fund Agreement and has recommended approval of this Resolution by the Board;

NOW, THEREFORE, BE IT RESOLVED, that:

1. That the Chairman and Vice Chairman of the Board and the General Manager, Chief Financial Officer, Controller, Budget Director, and Finance Director of the Authority shall be “Authorized Officials.”

2. Subject to the limitations in Section 3 below, that the Authorized Officials are, and each of them is, authorized and directed to execute and deliver the Debt Service Fund Agreement substantially in the form presented to this Authority, but with such changes not inconsistent with this Resolution and not substantially adverse to the Authority as may be approved by the

Authorized Official executing the same on behalf of the Authority. The approval of any such changes by such Authorized Official and the determination by such Authorized Official that no such change is substantially adverse to the Authority shall be conclusively evidenced by the execution of the Debt Service Fund Agreement by such Authorized Official.

3. (a) The Termination Date of the Debt Service Fund Agreement shall be no greater than seven (7) years following the Closing Date.

(b) Up to one hundred percent (100%) of the aggregate amount in the debt service funds may be subject to the Debt Service Fund Agreement. The Chief Financial Officer is hereby authorized and directed to determine the appropriate percentage that, under the prevailing market conditions, will best serve the interests of the Authority.

(c) The Authority shall not execute and deliver the Debt Service Fund Agreement, unless the Chief Financial Officer determines that the present value of the investment return derived from the use of the Debt Service Fund Agreement shall be at least One Million Dollars (\$1,000,000).

4. The Authorized Officials and any other member, officer or employee of the Authority are each authorized to execute and deliver, on behalf of the Authority, such other certificates, documents and instruments related to the Debt Service Fund Agreement as are necessary in connection therewith and to do all other things required of them or the Authority pursuant to the Debt Service Fund Agreement and this Resolution.

5. No member of the Board or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to this Resolution or the Debt Service Fund Agreement or any other document authorized by this Resolution, provided such member, officer, employee, agent or advisor acts in good faith.

6. This Resolution shall take effect immediately.

Secretary to the Board of Directors

DRAFT
09/03/15**DEBT SERVICE FUND AGREEMENT**

This Debt Service Fund Agreement (this “Agreement”), dated as of [November 1], 2015, by and among WELLS FARGO BANK, N.A., a national banking association (the “Trustee”), DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY, an independent authority of the District of Columbia (the “Issuer”), and BARCLAYS BANK PLC, a Public Limited Company under the laws of England and Wales (the “Provider”).

SECTION I. DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section I have the respective meanings given to them herein:

“Act” means the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, enacted April 18, 1996, as amended and supplemented from time to time.

“Available Debt Service Fund Amount” means, at any time, the amount available in the Debt Service Fund to purchase Qualified Securities from the Provider pursuant to the terms hereof; provided, however, that for purposes of this Agreement, such amount shall not, with respect to any Delivery Period, exceed the related Scheduled Deposit Amount with respect thereto.

“Bond Payment Date” means, (i) with respect to each Delivery Date, each date identified as a “Bond Payment Date” on Exhibit F and (ii) with respect to each Subsequent Delivery Date, the last day of the Delivery Period in respect of which the related Previously Purchased Security was delivered, unless any such date is not a Business Day, in which case “Bond Payment Date” means the immediately succeeding Business Day, provided that in determining whether any such date is a Business Day no effect shall be given to clause (c), (d) or (e) of the definition of Business Day.

“Bonds” means, at any time, collectively, the Issuer’s bonds which have been issued pursuant to the Indenture and are then currently outstanding and for which the Net Revenues are pledged either on parity with the Senior Debt or the Subordinate Debt (as each such term is defined in the [Indenture], subject to Section 6.2 hereof).

“Burdened Party” means, (i) in the case of (A) an Issuer Event of Default or Trustee Event of Default or (B) if applicable, an optional termination by the Issuer pursuant to Section 4.1, the Provider and (ii) in the case of a Provider Event of Default or a termination pursuant to Section 3.1, the Issuer.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which the principal corporate trust office of the Trustee is authorized or required by law to close, (c) a day on which banking institutions in the City of New York are authorized or required by law to close, (d) a day on which any Qualified Securities which may be delivered hereunder are not

subject to delivery in the City of New York or (e) a day on which the principal office of the Provider is required by law to close.

“Closing Date” means _____.

“Coupon Payment” means, for any Qualified Security, a payment of interest which is due to be paid thereon prior to the scheduled maturity of such Qualified Security.

“Debt Service Fund” means the fund created pursuant to Section __ of the Indenture and designated thereunder as the [Bond Fund].

“Default Rate” means a per annum rate equal to the lesser of (a) the cost (without proof or evidence of any actual cost to the party to whom such amount is owed) to the party to whom such amount is owed if it were to fund or of funding the relevant amount plus 1% per annum, and (b) the maximum rate permitted by law.

“Delivery Date” means the Closing Date and each date identified as a “Delivery Date” on Exhibit F, unless any such date is not a Business Day, in which case “Delivery Date” means the immediately succeeding Business Day.

“Delivery Failure” has the meaning specified in Section 2.3(a).

“Delivery Notice” means a notice substantially in the form of Exhibit D or in such other form as provided by the Qualified Dealer and is reasonably acceptable to the Trustee.

“Delivery Period” means the period from (and including) a Delivery Date (without regard to any Business Day adjustment) to (and including) the related Bond Payment Date (or, in the case of the final Delivery Period, the Termination Date) (without regard to any Business Day adjustment), as shown on Exhibit F.

“Eligible Securities” means securities identified in Exhibit E.

“Exposure” means the amount, if any, that would be payable by the Provider to the Issuer upon an early termination of this Agreement, as determined by the Provider in good faith in a commercially reasonable manner using its estimate of the mid-market value of this Agreement.

“Guaranteed Rate” means a rate per annum equal to _____%.

“Incidental Expenses” has the meaning specified in Section 8.7.

“Incorporated Provisions” has the meaning specified in Section 6.2(a).

“Indenture” means the Master Indenture of Trust, dated as of April 1, 1998, by and between the Issuer and the Trustee as amended and supplemented.

“Insolvent” means either the Trustee, the Provider or the Issuer (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become

due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) solely with respect to the Issuer, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“Issuer Event of Default” means the occurrence of an event specified in Section 8.2.

“Loss Amount” has the meaning specified in Section 8.7(a).

“Market Value” means, with respect to any Qualified Security, the market value thereof on the date of delivery (including accrued interest thereon) as specified by the Provider.

“Maturity Amount” means, with respect to any Qualified Security delivered hereunder, the amount, payable in cash, representing the principal and interest (including any Coupon Payment) due thereon from (but excluding) its actual date of delivery to (and including) its maturity date.

“Net Revenues” has the meaning specified in the Indenture.

“Optional Termination Date” has the meaning specified in Section 4.1.

“Other Investment Agreement” has the meaning specified in Section 5.1(g)(iii).

“Permitted Investments” has the meaning specified in the Indenture.

“Previously Purchased Securities” has the meaning specified in Section 2.2.

“Price Differential Amount” means the amount, if any, by which the Purchase Price (or Subsequent Delivery Purchase Price, as applicable) of any Qualified Security delivered hereunder exceeds the Market Value thereof.

“Provider Event of Default” means the occurrence of an event specified in Section 8.3.

“Purchase Price” means, for any Eligible Security delivered with respect to any Delivery Date hereunder, that price for such security, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) such Delivery Date to (but excluding) the maturity date of such Eligible Security equal to the Guaranteed Rate assuming a year of 360 days with twelve thirty day months. In any event, the aggregate Purchase Price of all Eligible Securities delivered with respect to a particular Delivery Date shall not exceed the Scheduled Deposit Amount.

“Qualified Dealer” means any dealer in Eligible Securities selected by the Provider.

“Qualified Securities” means, (a) in connection with any Delivery Date or Subsequent Delivery Date (other than a Subsequent Delivery Date relating to a Coupon Payment), Eligible Securities which, to the extent any such Eligible Securities are available on the open market, (i) shall mature not later than the related Bond Payment Date and (ii) have an aggregate Purchase Price or Subsequent Delivery Purchase Price, as applicable, which is as close as possible to but does not exceed the related Available Debt Service Fund Amount or Subsequent Available Amount, as applicable and (b) in connection with any delivery in respect of a Coupon Payment pursuant to Section 2.2(b), Eligible Securities which (i) shall mature not later than the related Bond Payment Date and (ii) have an aggregate Subsequent Delivery Purchase Price which is as close as possible to but does not exceed the amount of such Coupon Payment.

“Reference Market-Maker” means a leading dealer in the relevant markets selected by the Provider in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that the Provider applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Scheduled Deposit Amount” means the amount set forth under the column heading “Scheduled Deposit Amount” in Exhibit F for each Delivery Date.

“Shortfall Amount” has the meaning specified in Section 8.7(a).

“Specified Indebtedness” means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money or any guarantee in respect thereof, including without limitation, with respect to the Issuer, the Bonds.

“Subsequent Available Amount” has the meaning specified in Section 2.2(a).

“Subsequent Delivery Date” means any day on which the Provider is obligated to cause a Qualified Dealer to deliver Eligible Securities in accordance with Section 2.2(a) or has the option to cause a Qualified Dealer to deliver Eligible Securities in accordance with Section 2.2(b),

unless any such date is not a Business Day, in which case, "Subsequent Delivery Date" means the immediately succeeding Business Day.

"Subsequent Delivery Purchase Price" means, with respect to each Eligible Security delivered pursuant to Section 2.2 hereof, (i) with respect to Eligible Securities delivered in connection with the proceeds of a matured security, that price for such Eligible Securities, as set forth in the Delivery Notice, which will produce a rate of return on such Eligible Securities for the period from (and including) the Subsequent Delivery Date to (but excluding) the maturity date of such Eligible Security, of the Guaranteed Rate and (ii) with respect to Eligible Securities delivered in connection with the proceeds of a Coupon Payment, a purchase price equal to the Maturity Amount thereof. In any event, the aggregate Subsequent Delivery Purchase Price of all Eligible Securities delivered with respect to a particular Subsequent Delivery Date shall not exceed the Subsequent Available Amount or the Coupon Payment, as applicable.

"Termination Amount" means an amount, as determined by the Provider in good faith on the basis of the arithmetic mean of quotations from at least three Reference Market-Makers of the amount, if any, that each such Reference Market-Maker would require the Burdened Party to pay to the Reference Market-Maker (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer) or would pay to the Burdened Party (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in consideration of such Reference Market-Maker entering into an agreement with the Burdened Party (with such documentation as the Provider and the Reference Market-Maker may in good faith agree) which would have the effect of preserving for the Burdened Party the economic equivalent of its rights under this Agreement for the period commencing on the termination date of this Agreement (or, if applicable, the Optional Termination Date) and terminating on the Termination Date (assuming for these purposes that this Agreement had not terminated on the termination date (or Optional Termination Date) and continued in full force through the Termination Date); provided, however, that:

(i) if more than three quotations are provided, the Termination Amount will be the arithmetic mean of such quotations, without regard to the quotations having the highest and lowest values,

(ii) if exactly three quotations are provided, the Termination Amount will be the quotation remaining after disregarding the highest and lowest quotations,

for purposes of clauses (i) and (ii), if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded, and

(iii) if the Provider is unable to obtain three such quotations, the Termination Amount shall be the amount, as reasonably determined by the Provider, to be the Burdened Party's total losses and costs (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer), or gains (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in connection with a termination of this Agreement, including any loss of bargain, cost of funding or, at the election of the Provider but without duplication, any loss or

cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position, and;

provided further, however, that in any event the Termination Amount shall also include (A) any unpaid amounts due as of the date of termination of this Agreement (including any amounts due under Section 8.7) and (B) if such Termination Amount is being paid in connection with a termination of this Agreement following an Event of Default or if any Termination Amount otherwise due hereunder is not paid when due, the Termination Amount shall also include any incidental costs and expenses incurred by the Burdened Party in connection with such termination and the enforcement of its rights hereunder (including costs of collection and reasonable attorneys' fees).

“Termination Date” means _____.

“Trustee Event of Default” means the occurrence of an event specified in Section 8.1.

SECTION II. PURCHASE AGREEMENT

Section 2.1 Purchase and Sale of Qualified Securities.

(a) The Provider shall cause a Qualified Dealer to deliver to the Trustee on each Delivery Date Qualified Securities selected by the Provider to the extent any such securities are available on the open market.

(b) At the time of the delivery by the Qualified Dealer of any Qualified Securities in accordance with this Agreement, whether on or after a Delivery Date, the Trustee shall, out of funds available under the Indenture, purchase such Qualified Securities and pay (i) to the Qualified Dealer, in its individual capacity, the lesser of (A) the Market Value and (B) the Purchase Price thereof, and (ii) to the Qualified Dealer as agent for the Provider, the Price Differential Amount, if the Purchase Price of the Qualified Securities exceeds the Market Value.

(c) The Provider is not required to own any Qualified Securities at any time prior to the respective delivery dates thereof. The Provider's failure to cause the delivery of Qualified Securities at any time shall not terminate or affect the Provider's right to cause the delivery of Qualified Securities at any other time prior to the termination of this Agreement.

(d) All Qualified Securities delivered under this Agreement shall be delivered to the Trustee to the account specified in Section 10.1, in such manner as at the time is generally acceptable for delivery of Qualified Securities. All Qualified Securities delivered under this Agreement shall be delivered to the Trustee on a “delivery versus payment” basis.

(e) The Provider shall cause the Delivery Notice to be delivered to the Trustee at least one Business Day prior to the delivery of any Qualified Securities.

(f) All payments required to be made by the Trustee under this Agreement shall be made in immediately available funds by means of a bank or Federal funds wire.

Section 2.2 Subsequent Deliveries. (a) If any Qualified Securities previously delivered to the Trustee pursuant to this Agreement (collectively, the “Previously Purchased Securities”) mature prior to the Bond Payment Date for which such Previously Purchased Securities were delivered, the Provider shall, on the maturity date of such Previously Purchased Securities, subject to Section 2.1(e) hereof, cause a Qualified Dealer to sell to the Trustee, Qualified Securities which mature not later than the next Bond Payment Date and which have an aggregate Subsequent Delivery Purchase Price that is as close as possible, but does not exceed the proceeds of such Previously Purchased Securities (the “Subsequent Available Amount”), to the extent any such Qualified Securities are available in the open market. If the Provider causes a Qualified Dealer to deliver to the Trustee such Qualified Securities, the Trustee shall purchase such Qualified Securities at the Subsequent Delivery Purchase Price thereof in the manner set forth in Section 2.1.

(b) If any Previously Purchased Securities have a Coupon Payment, the Provider may, at its option, on or after the date on which interest in respect of such Coupon Payment is received by the Trustee (but prior to the related Bond Payment Date), subject to Section 2.1(e) hereof, cause a Qualified Dealer to sell to the Trustee, Qualified Securities which mature not later than the related Bond Payment Date and which have an aggregate Subsequent Delivery Purchase Price that is equal to or less than the amount of such Coupon Payment. If the Provider causes a Qualified Dealer to deliver to the Trustee such Qualified Securities, the Trustee shall purchase such Qualified Securities at the Subsequent Delivery Purchase Price thereof in the manner set forth in Section 2.1.

(c) In the event that the Subsequent Delivery Purchase Price of any Qualified Securities delivered pursuant to this Section 2.2 exceeds the Market Value thereof, the Qualified Dealer shall receive, as agent for the Provider, the Price Differential Amount from the Trustee and shall promptly pay to the Provider such Price Differential Amount.

Section 2.3. Failure to Deliver Qualified Securities. (a) If the Provider does not cause a Qualified Dealer to deliver Qualified Securities by 4:30 p.m. New York City time on any Delivery Date or Subsequent Delivery Date, the Trustee shall invest the Available Debt Service Fund Amount on an overnight basis in Permitted Investments and if the Provider’s failure is not cured within three Business Days after written notice thereof from the Trustee or the Issuer (such failure, a “Delivery Failure”), (i) the Trustee shall invest the Available Debt Service Fund Amount in Permitted Investments with the longest possible maturities, provided such maturities are not later than the related Bond Payment Date and (ii) unless such failure occurs in respect of a Coupon Payment, the Issuer may, on the next succeeding Bond Payment Date, make demand for the payment of its losses in connection therewith, if any, calculated as provided in Section 2.3(b) below. No failure on the Provider’s part to cause a Qualified Dealer to deliver Qualified Securities under Section 2.1 or 2.2 shall terminate or affect the Provider's right to cause future sales of Qualified Securities in accordance with this Agreement prior to the termination hereof.

(b) If there is a Delivery Failure as described in Section 2.3(a) above, the amount of losses payable by the Provider upon demand therefore pursuant to Section 2.3(a) shall equal the excess, if any, of (i) interest the Trustee would have earned on the Available Debt Service Fund Amount (as calculated on such Delivery Date or Subsequent Delivery Date) had the Available Debt Service Fund Amount been invested in Qualified Securities at the Guaranteed Rate for the period from and including the related Delivery Date or Subsequent Delivery Date to but

excluding the related Bond Payment Date over (ii) the sum of (A) interest the Trustee earned on Eligible Securities actually delivered by the Qualified Dealer with respect to such Delivery Date or Subsequent Delivery Date, if any, and (B) interest the Trustee actually earned by investing the remaining Available Debt Service Fund Amount in Permitted Investments in accordance with Section 2.3(a) hereof (or if the Trustee fails to invest such Available Debt Service Fund Amount in Permitted Investments in accordance with Section 2.3(a), the amount of interest the Trustee would have earned on such Available Debt Service Fund Amount had the Trustee complied with the requirements of Section 2.3(a) hereof).

SECTION III. DOWNGRADE OF PROVIDER

3.1 Downgrade of Provider. If the long-term senior unsecured debt rating of the Provider falls below “BBB-” by S&P or “Baa3” by Moody’s (a “Downgrade Event”), the Provider shall, within thirty (30) Business Days thereof, at its own option, either (i) as security for its obligations hereunder, deliver collateral to the Trustee or a third party custodian designated by the Trustee as directed by the Issuer with the consent of the Provider, such collateral, free and clear of any third-party liens or claims, to be in a form acceptable to the Issuer and the Provider, but in any event having a Market Value equal to the Exposure, which amounts shall be determined not less frequently than weekly by the Provider, (ii) have the obligations of the Provider hereunder guaranteed by a financial institution reasonably acceptable to the Issuer, or (iii) enter into an oral agreement (which oral agreement shall be evidenced by written documentation within thirty (30) days) to assign its right, title and interest in this Agreement to a provider reasonably acceptable to the Issuer, which shall assume the obligations of the Provider hereunder. Upon the effective date of any assignment pursuant to clause (iii) above, the Provider shall have no further rights against or obligations to the Trustee or the Issuer hereunder and the Trustee and the Issuer shall have the same rights against, and shall owe the same obligations to, the assignee as if such assignee had been named as a party to this Agreement instead of the Provider.

In the event the Provider fails to take one of the actions specified in clause (i), clause (ii) or clause (iii) above within thirty (30) Business Days of the Downgrade Event and such failure is not cured within five Business Days after written notice thereof to the Provider from the Trustee or the Issuer, the Issuer shall have the right to immediately terminate this Agreement by giving notice thereof to the Provider with a copy to the Trustee, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Any Termination Amount payable by the Issuer pursuant to this Section 3.1 shall be payable solely from Net Revenues (as defined in the Indenture) on deposit in the [System Fund] and shall constitute an authorized purpose for funds on deposit in the [System Fund] pursuant to the Indenture.

SECTION IV. OPTIONAL TERMINATION BY ISSUER

Section 4.1. Optional Termination. The Issuer shall have the right to terminate this Agreement in whole or in part (provided that no Issuer Event of Default or Trustee Event of Default has occurred and is continuing) by providing (i) at least three (3) Business Days' prior written notice to the Provider of its election to terminate all or a portion of this Agreement and (ii) evidence reasonably satisfactory to the Provider that any and all amounts owed to the Provider in connection with such optional termination shall be paid on the due date thereof (the effective date of such optional termination, the "Optional Termination Date"); provided, however, that the option to designate an Optional Termination Date under this Section 4.1 shall not prevent any party from designating a termination in accordance with the provisions of Article VIII of this Agreement, to be effective on any date prior to the Optional Termination Date designated hereunder. In the event the Issuer elects to terminate all or a portion of this Agreement pursuant to this Section 4.1, the Provider shall determine the amount owed, if any, by the Provider or the Issuer, as the case may be, in connection with such termination. If the Issuer elects to dispute such calculation, the Provider shall seek bids from Reference Market-Makers consistent with the definition of Termination Amount (calculated with respect to all or the portion of this Agreement being optionally terminated and assuming that the Provider is the Burdened Party). The Provider or the Issuer, as the case may be, shall pay the amount due with respect to such optional termination on the Optional Termination Date.

SECTION V. REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that:

(a) it is duly organized and validly existing under the laws of its jurisdiction, incorporation or establishment;

(b) it has the power and the authority to enter into and perform its obligations under this Agreement (including, in the case of the Issuer and the Trustee, to pay the Termination Amount in accordance herewith and to enter into and perform its obligations under the Indenture);

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws (or equivalent organizational documents), or any other agreement (including in the case of the Issuer and the Trustee, the Indenture), instrument, law (including in the case of the Issuer, the Act), ordinance, regulation, judgment, injunction or order applicable to it or any of its property;

(e) all consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such execution, delivery or performance;

(f) there is no proceeding pending or threatened against it at law or in equity, or before any governmental instrumentality or in any arbitration, which would materially impair its ability to perform its obligations under this Agreement, and there is no such proceeding pending against it which purports or is likely to affect the legality, validity or enforceability of this Agreement;

(g) in the case of the Issuer:

(i) it has entered into this Agreement for purposes of managing its borrowings or investments by increasing the predictability of its cash flow from earnings on its investments and not for purposes of speculation;

(ii) [the Scheduled Deposit Amount is a portion of the amount the Issuer is required to have on deposit in the Debt Service Fund on each Delivery Date in respect of the Bonds pursuant to Section ___ of the Indenture];

(iii) it has not entered into any agreements providing for the forward delivery of Eligible Securities or for the investment of funds held under the Indenture except for [_____] (the "Other Investment Agreement");

(iv) each of the Eligible Securities is a Permitted Investment under the Indenture and a permitted investment under applicable law, including without limiting the foregoing, the Act;

(v) current District of Columbia law does not prohibit the Issuer from waiving sovereign immunity or require the Issuer to raise sovereign immunity as a defense;

(vi) all payments required to be made by the Issuer into the Debt Service Fund pursuant to the Indenture prior to the date hereof have been made by the Issuer on the dates such payments were required to be made pursuant to the Indenture without regard to any cure or grace periods allowed by the Indenture; and

(vii) its obligation to make payments of the Scheduled Deposit Amount to the Trustee on each Delivery Date is secured by a pledge of [Net Revenues] under the Indenture.

(h) in the case of each of the Issuer and the Trustee:

(i) the Indenture has been duly authorized, executed and delivered by it;

(ii) assuming the due authorization, execution and delivery thereof by the other parties thereto, the Indenture constitutes the legal, valid and binding obligation of it, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy,

insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(iii) the Indenture is in full force and effect on the date hereof and no amendment, waiver or course of dealing has amended or terminated any of the terms thereof since the original execution and delivery of the Indenture, except such as may have been delivered to the Provider pursuant to Section 7.1(e); and

(iv) no "event of default" or event which would with the passage of time or the giving of notice constitute an event of default has occurred and is continuing under the Indenture.

SECTION VI. COVENANTS AND ACKNOWLEDGEMENTS

Section 6.1 Covenants. Each party hereto covenants to the other parties hereto that so long as it shall have any obligations under this Agreement it shall:

(a) maintain in full force and effect all authorizations and agreements of and exemptions, consents, licenses, actions or approvals by, and all filings with or notices to, any governmental or other authority that are required to be obtained or made by such party with respect to this Agreement and will use all reasonable efforts to obtain or make any that may become necessary in the future;

(b) comply in all material respects with all applicable laws, rules, regulations and orders to which it may be subject if failure so to comply could materially impair its ability to perform its obligations under this Agreement;

(c) if it is the Issuer or the Trustee, not enter into any amendment or modification of the Indenture which could impair its ability to perform its obligations to the Provider hereunder except nothing contained herein shall restrict the Issuer's ability to issue additional bonds under the Indenture;

(d) if it is the Issuer, it shall not redeem, defease, repurchase, refund or otherwise retire, prior to their stated maturity, any of the Bonds if such redemption, defeasance, repurchase, refunding or retirement would affect, in any way, any of the Bond Payment Dates, the Delivery Dates or Scheduled Deposit Amounts and, if it is the Issuer, it shall not direct the Trustee to withdraw any funds or investments from the Debt Service Fund unless it is required to do so under the Indenture in order to pay any [debt service payment] then due on the Bonds;

(e) if it is the Issuer, not permit any provider of any investment with respect to funds held under the Indenture to obtain a lien position with respect to excess funds held under the Indenture or funds that have otherwise been released from the lien of the Indenture;

(f) if it is the Issuer, on or before each Delivery Date it shall make payments of the related Scheduled Deposit Amount in immediately available funds into the Debt Service Fund;

(g) if it is the Issuer, [the Scheduled Deposit Amount shall, at all times, represent a portion of the amount the Issuer is required to have on deposit in the Debt Service Fund on each Delivery Date in respect of the Bonds pursuant to Section ____ of the Indenture]; and

(h) if it is the Issuer, it shall not, unless otherwise specifically provided by District of Columbia law, raise the defense of sovereign immunity in any proceeding by the Provider to enforce any of the contractual obligations of the Issuer under this Agreement. Any such proceeding shall be brought exclusively in either the District of Columbia Superior Court or in the United States District Court for the District of Columbia.

Section 6.2 Incorporated Provisions.

(a) The Issuer agrees that each of its covenants and other agreements in the Indenture and the Act (the “Incorporated Provisions”) are incorporated herein as fully as if set forth herein and the Provider were a named beneficiary thereof (including, without limitation, the right to consent to certain actions subject to consent under the Indenture and the right to receive financial statements and other notices and information). The Issuer will observe, perform and fulfill each such agreement in the Indenture and the Act. If the Indenture or the Act ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Indenture) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Issuer under this Agreement have been fully satisfied. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of the Provider shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(b) The Issuer shall provide the Provider with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Incorporated Provisions whether or not the proposed amendment, supplement or modification will adversely affect the rights or obligations of the Provider under this Agreement. If the Issuer fails to comply with any Incorporated Provision, the Issuer (and the Trustee, if the Trustee shall have actual knowledge of such failure) shall provide written notice of such failure to the Provider within one (1) Business Day thereof.

Section 6.3 Roles of the Provider.

(a) The Issuer acknowledges and agrees as follows:

(i) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Provider as investment advice or as a recommendation to enter into this Agreement; it being understood that information and explanations related to the terms and conditions of this Agreement shall not be considered investment advice or a recommendation to enter into this Agreement. No

communication (written or oral) received from the Provider shall be deemed to be an assurance or guarantee as to the expected results of this Agreement.

(ii) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement.

(iii) The Provider is Not a Fiduciary or Advisor. The Provider is acting solely as a principal in an arm's-length transaction, in the Provider's own best interests, and not as an agent, advisor or fiduciary of the Issuer. The Provider has not assumed a fiduciary responsibility in favor of the Issuer with respect to this Agreement. Nothing in this Agreement or in any current or prior relationship between the Provider and the Issuer will be deemed to create an advisory, fiduciary or agency relationship between the Provider and the Issuer in respect of this Agreement (whether or not the Provider, or any affiliate of the Provider, has provided or is currently providing services to the Issuer as underwriter or other services to the Issuer on related or other matters).

(b) Neither the Provider nor any of its respective directors, officers, employees, agents, affiliates or representatives have made any investigation with respect to or have any liability with respect to: (i) the tax-exempt status of the Bonds, (ii) the payment of any amounts owing on or with respect to the Bonds, (iii) the use or application by the Trustee or the Issuer of any moneys payable to the Trustee hereunder, (iv) any acts or omissions of the Issuer or the Trustee under, or with respect to, the validity, tax exemption or enforceability of, the Bonds or the Indenture, or (v) the Trustee's or the Issuer's performance of its obligations under the Bonds, the Indenture or any other agreement or instrument with respect to the Bonds. Without limiting the foregoing, the Provider shall have no duty to ascertain whether the Trustee or the Issuer is in compliance with any applicable statute, regulation or law or the Indenture.

(c) The Issuer acknowledges that the economic terms of this Agreement have been individually negotiated by it and that, to the extent it has deemed necessary, it has consulted with its own legal, tax and investment advisors regarding its decision to enter into this Agreement. The Issuer understands that in entering into this Agreement pursuant to which it is agreeing upon the rate of return it will receive during the term of this Agreement on amounts held in the Debt Service Fund and thereby minimizing the risks resulting from fluctuations in interest rates during the term hereof it is also foregoing the possibility of receiving greater returns on such amounts from such fluctuations.

Section 6.4 Termination Amount. Each of the Issuer and the Trustee understands that if under any of the circumstances provided herein, a Termination Amount would be due from the Issuer or the Trustee, the size of such Termination Amount will vary depending, in large part, on prevailing interest rates at the time such Termination Amount is calculated; and provided that, with respect to the Trustee, payment of any such Termination Amount shall be subject to Section 9.2. Under certain market conditions the amount of the Termination Amount owed to the Provider by, as applicable, the Trustee or the Issuer, could be substantial.

SECTION VII. CLOSING CONDITIONS

Section 7.1 Closing Conditions. On or prior to the Closing Date the following shall occur:

(a) delivery to the Provider and the Issuer of an opinion of counsel to the Trustee, in the form of Exhibit A;

(b) delivery to the Trustee and the Issuer of an opinion of counsel to the Provider, in the form of Exhibit B;

(c) delivery to the Provider and the Trustee of an opinion of counsel to the Issuer, in the form of Exhibit C;

(d) delivery to the Provider of a copy of the Indenture and the Other Investment Agreement (as defined in Section 5.1(g)(iii)), each certified by the Issuer as being a true and correct copy of such document as in full force and effect on the date hereof;

(f) delivery to the Provider of a copy of any consent received by the Issuer to enter into this Agreement; and

(g) delivery to the Provider of a copy of the statutory or regulatory authority pursuant to which the Issuer is authorized to enter into this Agreement and a certified copy of any resolution or resolutions of the Issuer pursuant to which the Issuer is authorized to enter into this Agreement.

SECTION VIII. DEFAULTS; TERMINATION

Section 8.1 Trustee Events of Default. The occurrence of any of the following events shall constitute a Trustee Event of Default:

(a) the Trustee shall fail for any reason to apply any funds in the Debt Service Fund to purchase any Eligible Securities delivered by the Qualified Dealer in accordance with this Agreement;

(b) the Trustee shall default in the performance of any other covenant or obligation under this Agreement and such default is not cured within five Business Days of notice thereof from the Provider or the Issuer;

(c) any representation or warranty of the Trustee contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made; or

(d) the Trustee is at any time Insolvent.

Section 8.2 Issuer Events of Default. The occurrence of any of the following events shall constitute an Issuer Event of Default:

(a) (i) the Issuer shall fail on any date to deposit or cause to be deposited in the Debt Service Fund any amounts required to be deposited on such date pursuant to the Indenture or (ii)

the amount in the Debt Service Fund available to purchase Qualified Securities (A) on any Delivery Date is less than the Scheduled Deposit Amount or (B) on any Subsequent Delivery Date is less than the Subsequent Available Amount;

(b) the Issuer shall default in the performance of any covenant or obligation under, or incorporated by reference in, this Agreement, other than as described in clause (a) above and such default is not cured within five Business Days of notice thereof from the Provider or the Trustee;

(c) any representation or warranty of the Issuer contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

(d) the Issuer is at any time Insolvent;

(e) the interest and principal outstanding under any of the Bonds shall be declared due and payable at any time prior to the scheduled maturity thereof;

(f) there shall be an investment of amounts in the Debt Service Fund which is inconsistent with or otherwise interferes with the Issuer's or the Trustee's ability to perform its obligations under this Agreement;

(g) the Issuer consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if an entity such as an organization, board, commission authority, agency or body succeeds to the principal functions of, or powers and duties granted, to the Issuer) and, at the time of such consolidation, amalgamation, merger or transfer either (i) the resulting or surviving or transferee entity fails to assume all the obligations of the Issuer under this Agreement or by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement or (ii) the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of the Issuer immediately prior to such action;

(h) the occurrence or existence of a default, event of default or other similar condition or event (however described) in respect of the Issuer under one or more agreements or instruments relating to Specified Indebtedness of the Issuer which has resulted in such Specified Indebtedness becoming capable of being declared due and payable under such agreements or instruments, before it would otherwise have been due and payable; or

(i) a Trustee Event of Default has occurred.

Section 8.3 Provider Events of Default. The occurrence of any of the following events shall constitute a Provider Event of Default:

(a) the Provider shall fail to pay any amounts required to be paid pursuant to Section 2.3 hereof and such failure is not cured within three (3) Business Days after written notice thereof to the Provider from the Trustee or the Issuer;

(b) any representation or warranty of the Provider contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

(c) the Provider shall default in the performance of any other covenant or obligation under this Agreement and such default is not cured within five Business Days of notice thereof from the Trustee or the Issuer;

(d) the Provider is at any time Insolvent; or

(e) the Provider consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer the resulting or surviving or transferee entity fails to assume all the obligations of the Provider under this Agreement or by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement.

Section 8.4 Remedies Upon Occurrence of a Trustee Event of Default. Upon the occurrence of a Trustee Event of Default, the Provider shall have the right to:

(a) cause the Qualified Dealer to redeliver to the Trustee or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date or Subsequent Delivery Date and which have not theretofore been delivered to and purchased by the Trustee and make demand for the payment of its losses (calculated in accordance with Section 8.7) arising out of the Trustee's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Trustee with a copy to the Issuer and, subject to Section 9.2, (i) if the Termination Amount is a positive number, make demand upon the Trustee for the payment of the Termination Amount, and (ii) if the Termination Amount is a negative number, pay the absolute value of such Termination Amount to the Issuer.

If the Termination Amount is payable pursuant to this Section 8.4(b), subject again to Section 9.2, the party owing such amount shall promptly, but by no later than one Business Day after notice that such amount is due from the party to whom such Termination Amount is due, pay such amount, in immediately available funds, to the party to whom such Termination Amount is due. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due and not paid at the Default Rate. Any amounts payable pursuant to Section 8.7 shall be payable upon demand as provided therein.

Section 8.5 Remedies Upon Occurrence of Issuer Event of Default. Upon the occurrence of an Issuer Event of Default, the Provider shall have the right to:

(a) cause the Qualified Dealer to redeliver to the Trustee or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Trustee and make demand for the payment of its losses (calculated in accordance with Section 8.7) arising out of the Trustee's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Issuer with a copy to the Trustee, and (i) if the Termination Amount is a positive number, make demand upon the Issuer for the payment of the Termination Amount and (ii) if the Termination Amount is a negative number, pay the absolute value of such amount to the Issuer.

If a Termination Amount is payable pursuant to this Section 8.5(b), the party owing such amount shall promptly, but by no later than one Business Day after notice that such amount is due from the party to whom such Termination Amount is due, pay such amount, in immediately available funds, to or at the direction of the party to whom such Termination Amount is due. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Any amounts payable pursuant to Section 8.7 shall be payable upon demand as provided therein.

Section 8.6 Remedies Upon Occurrence of a Provider Event of Default. Upon the occurrence of a Provider Event of Default, the Issuer shall have the right to:

(a) immediately terminate this Agreement by giving notice thereof to the Provider with a copy to the Trustee, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one (1) Business Day after notice that such amount is due, pay the absolute value of such amount, in immediately available funds, to the Issuer and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one (1) Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Notwithstanding anything to the contrary in this Agreement, if the Provider fails to determine the Termination Amount within three Business Days of notice from the Issuer or the Trustee of the occurrence of a Provider Event of Default then the Issuer shall make such determination as if it were the Provider and the amount as so determined by the Issuer shall for purposes of this Section 8.6 be deemed the Termination Amount.

Section 8.7 Loss Amount if Failed or Late Purchase. If (i) the Trustee fails to apply any funds in the Debt Service Fund to purchase any Qualified Securities delivered by the Qualified Dealer in accordance with this Agreement, (ii) on any Delivery Date the amount in the Debt Service Fund available to purchase Qualified Securities is less than the Scheduled Deposit Amount or (iii) on any Subsequent Delivery Date the Available Debt Service Fund Amount available to purchase Qualified Securities is less than the Subsequent Available Amount, the Trustee, in the case of clause (i) or the Issuer in the case of clauses (ii) or (iii), shall pay to the Provider, as liquidated damages for its losses and not as a penalty, on demand by the Provider, the sum (the "Loss Amount") of (w) interest (at the Default Rate) on the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Subsequent Delivery Purchase Price thereof) of the Qualified Securities which the Qualified Dealer tendered for delivery to, but were not purchased by, the Trustee for each day from and including the delivery date thereof to but excluding the date on which such securities are resold to a third party or to the Trustee, (x) the excess, if any, of the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Subsequent Delivery Purchase Price thereof) of such

Qualified Securities over the amount received by the Qualified Dealer upon such resale of the securities (the “Shortfall Amount”), (y) interest at the Default Rate on the Shortfall Amount from and including the resale date to but excluding the date on which the Trustee or the Issuer, as applicable, compensates the Provider for its losses as described herein, and (z) any incidental costs and expenses including reasonable legal fees and expenses (“Incidental Expenses”) incurred by the Provider in connection with the Trustee’s failure to so purchase such Qualified Securities; provided that if the Provider elects not to cause the Qualified Dealer to redeliver the Qualified Securities to the Trustee or resell such Qualified Securities to a third party, the Provider’s damages shall be calculated as the sum of (x) the excess of the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Subsequent Delivery Purchase Price thereof) of the Qualified Securities which the Trustee failed to purchase over the Market Value thereof, (y) interest at the Default Rate on such excess from the date of attempted delivery to the Trustee in accordance with this Agreement to but excluding the date on which the Trustee or the Issuer, as applicable, compensates the Provider for its losses and (z) any Incidental Expenses. All calculations of default interest herein shall be calculated on the basis of daily compounding. Notwithstanding the foregoing, if the Provider does not on any date cause the delivery of Qualified Securities because the amount in the Debt Service Fund is less than the Scheduled Deposit Amount or the Subsequent Available Amount, as applicable, the Loss Amount shall equal the sum of (y) the amount, if any, by which the aggregate Purchase Price (or, if such Qualified Securities would be delivered pursuant to Section 2.2, the Subsequent Delivery Purchase Price thereof) of the Qualified Securities which the Provider could have caused to be delivered exceeds the market value thereof (as reasonably determined by the Provider as of the date such tender was to be made) and (z) interest on such amount at the Default Rate for each date from the date such securities could have been delivered to the next succeeding Bond Payment Date plus Incidental Expenses.

Section 8.8 Application of Excess Funds. The Issuer hereby directs the Trustee and the Trustee agrees that if at any time any amounts are due the Provider from the Issuer in connection with an Issuer Event of Default, the Trustee shall, upon demand from the Provider, and without further direction or instruction from the Issuer, apply any funds available under the Indenture which are not subject to the lien of the Indenture (including any funds which would otherwise be released to the Issuer) to the payment of such amounts.

Section 8.9 Limited Rights Against the Debt Service Fund. The Provider shall not have any right to any amounts held in the Debt Service Fund except as expressly provided herein upon the delivery of a Qualified Security in accordance with this Agreement.

Section 8.10 No Waiver; Remedies Cumulative. No failure or delay on the Provider’s part in exercising any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The Provider’s rights and remedies hereunder are cumulative and not exclusive of any rights or remedies provided by law, this Agreement or otherwise. None of the terms or provisions of this Agreement may be waived, modified or amended except in a writing duly signed by the Trustee, the Issuer and the Provider.

SECTION IX. THE TRUSTEE

Section 9.1 Direction to Trustee; Acceptance by Trustee. The Issuer hereby directs the Trustee, pursuant to Section ___ of the Indenture, to enter into this Agreement. By execution and delivery of this Agreement, the Trustee accepts its duties and obligations hereunder, as an addition to its duties and obligations as Trustee under the Indenture.

Section 9.2 Liability of the Trustee. The Trustee shall not be liable under this Agreement for any Termination Amount due to any person for any action taken or neglected to be taken in performing or attempting to perform its obligations hereunder or preserving or seeking to preserve the funds it maintains under the Indenture or to purchase the Qualified Securities tendered pursuant to this Agreement, except for actions arising from its negligence or willful misconduct or from its intentional or knowing non-performance of its obligations under this Agreement or for a breach of its covenant contained in Section 6.1(c) or for a breach of its representations or warranties under this Agreement.

Section 9.3 Payment of Trustee Fees. The Provider shall have no liability or responsibility for payment of the Trustee's fees or expenses for its services hereunder, including any such fees or expenses arising out of or in connection with the liquidation of the Qualified Securities as provided herein.

Section 9.4 Trustee Cooperation.

(a) The Trustee shall not act in contravention of its obligations hereunder or invest amounts in the Debt Service Fund in a manner inconsistent with or which otherwise interferes with this Agreement.

(b) The Trustee shall not make any payments or distributions from the Debt Service Fund other than payments or distributions (i) required by this Agreement, or (ii) to the extent not inconsistent with the terms of this Agreement, to make payments required by the Indenture.

Section 9.5 Successor Trustee. If the Trustee shall resign or be discharged from its duties and obligations under the Indenture, the Issuer shall appoint a successor Trustee pursuant to the terms of the Indenture; provided, however, the successor trustee shall be reasonably acceptable to the Provider. The Issuer agrees that if the Trustee fails for any reason to perform its duties to the Provider under this Agreement in accordance with the terms hereof, or is at any time Insolvent or breaches in any material respect its representations and warranties to the Provider hereunder, the Issuer shall promptly, upon request of the Provider, to the extent permitted by the Indenture, (i) remove the Trustee and (ii) appoint a successor Trustee acceptable to the Provider.

SECTION X. MISCELLANEOUS

Section 10.1 Notices and Delivery Instructions. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex or telecopy to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Provider:

Barclays Bank PLC
c/o Barclays Capital
Legal Department
745 7th Avenue
New York, NY 10019
Attn: General Counsel
Telephone: (212) 526-2606
Telecopy: (212) 548-9188

WIRE INSTRUCTIONS - CASH

Bank: Barclays Bank Plc, New York
ABA No.: 026-0025-74
A/C: Barclays Bank Plc London
Favour: Barclays Swaps & Options Group, New York
A/C No.: 050-01922-8

To the Trustee:

Wells Fargo Bank, N.A.
[address]

Attention:
Telephone:
Telecopy:

WIRE INSTRUCTIONS – CASH

DELIVERY INSTRUCTIONS-SECURITIES

To the Issuer:

District of Columbia Water and Sewer Authority
[address]

Attention:
Telephone:
Telecopy:
Issuer's Tax Payer I.D.#

Any notice, demand or other communication given in a manner prescribed in this Section shall be deemed to have been delivered on receipt.

Section 10.2 Binding Effect; Transfer.

(a) This Agreement shall be binding upon the Trustee, the Issuer and the Provider and upon their respective permitted successors and transferees.

(b) The Provider shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Issuer or the Trustee to any subsidiary or affiliate of the Provider, or to any office, branch, or subsidiary of any affiliate of the Provider by giving written notice to the Issuer and the Trustee of such transfer and the name of the transferee and (ii) with the Issuer's prior written consent (such consent not to be unreasonably withheld or delayed) and upon notice to the Trustee to any other person. Such transferee shall immediately assume the rights and obligations of the Provider hereunder and upon such transfer shall for all purposes become the Provider under this Agreement.

(c) Neither the Issuer nor the Trustee may transfer this Agreement without the prior written consent of the Provider and the other party.

Section 10.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

Section 10.4 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

Section 10.5 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto.

Section 10.6 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

Section 10.7 Termination. Unless earlier terminated pursuant to Sections 3.1, 4.1, 8.4, 8.5 or 8.6, this Agreement shall terminate on the later of the Termination Date and the date on which the Trustee and the Issuer have satisfied all of their obligations hereunder.

Section 10.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

Section 10.9 Delivery of Financial Statements. The Issuer agrees that it will deliver to the Provider its annual financial statements, promptly upon their availability.

Section 10.10 Submission to Jurisdiction. In furtherance of Section 6.1(h), the Provider, the Trustee and the Issuer each hereby irrevocably submits to the jurisdiction of the District of Columbia Superior Court or the United States District Court for the District of Columbia for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Provider, the Trustee or the Issuer, and the parties each hereby irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined by any such court and each of the Provider, the Trustee and the Issuer acknowledges that it is subject to suit in such courts with respect to enforcement of its obligations hereunder.

Section 10.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles; provided, however, the obligations of the Issuer hereunder shall be governed and construed in accordance with the law of the District of Columbia and applicable federal law.

Section 10.12 Waiver of Jury Trial. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any proceedings relating to this Agreement.

IN WITNESS WHEREOF, the Trustee, the Issuer and the Provider have caused this Debt Service Fund Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, N.A.

By: _____
Name:
Title:

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By: _____
Name:
Title:

BARCLAYS BANK PLC

By: _____
Name:
Title:

EXHIBIT A

[LETTERHEAD OF COUNSEL TO TRUSTEE]

[DATE]

District of Columbia Water and Sewer Authority
[address]

Barclays Bank PLC
[address]

Re: NAME OF BONDS

Ladies and Gentlemen:

We have acted as counsel to Wells Fargo Bank, N.A. (the "Trustee") in connection with the execution and delivery by the Trustee of the Debt Service Fund Agreement, dated as of _____ (the "Agreement"), by and among the Trustee, District of Columbia Water and Sewer Authority (the "Issuer") and Barclays Bank PLC. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Indenture.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the _____ (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

- (i) The Trustee has full legal right, power and authority to enter into the Agreement.
- (ii) The Agreement has been duly authorized, executed and delivered by the Trustee.

(iii) The stipulation of New York law as the governing law of the Agreement is enforceable under State law.

(iv) Assuming for purposes of the opinion expressed in this paragraph (iv) that the Agreement were governed by and construed in accordance with the law of the State, the Agreement is a legal, valid and binding obligation of the Trustee, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(v) The execution and delivery by the Trustee of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws, or the Indenture, or any other agreement, instrument, judgment, injunction or order applicable to it Indenture or any of its property.

(vi) The Indenture is a legal, valid and binding obligation of the Trustee, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT B

[LETTERHEAD OF COUNSEL TO THE PROVIDER]

[Form of Opinion of Counsel for Provider]

[To Follow.]

EXHIBIT C

[LETTERHEAD OF COUNSEL OF ISSUER]

[DATE]

Wells Fargo Bank, N.A.
[address]

Barclays Bank PLC
[address]

Re: [NAME OF BONDS]

Ladies and Gentlemen:

I have acted as counsel to the District of Columbia Water and Sewer Authority (the “Issuer”) in connection with its execution and delivery of the Debt Service Fund Agreement, dated as of [DATE] (the “Agreement”), by and among the Issuer, Wells Fargo Bank, N.A. (the “Trustee”) and Barclays Bank PLC (the “Provider”) and its execution and delivery of the Indenture (as defined in the Agreement). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement, the Act and the Indenture.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the laws of _____ (the “State”).

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Issuer has full legal right, power and authority to enter into the Agreement and the Indenture and to authorize and direct the Trustee, pursuant to the Agreement, to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer.

(iii) Each of the Agreement and the Indenture is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The Issuer's execution and delivery of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under the Indenture or the Act or any other agreement, law, instrument, judgment, injunction or order applicable to it or any of its property.

(v) All consents, authorizations and approvals requisite for the Issuer's execution, delivery and performance of this Agreement and the Indenture have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

(vi) Each Eligible Security is a Permitted Investment under the Indenture and a permitted investment under applicable law, including, without limiting the foregoing, the Act.

(vii) The stipulation of New York law as the governing law of the Agreement is enforceable under State law.

(viii) The Issuer is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to this Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(ix) The obligation of the Issuer to make deposits to the Debt Service Fund pursuant to Section ___ of the Indenture is secured by a pledge of Net Revenues (as defined in the Indenture).

I am furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT D

DEBT SERVICE FUND AGREEMENT
NOTICE OF DELIVERY

[Date of Notice]
[Qualified Dealer]

Security will be delivered by Qualified Dealer to:

[account information as provided in Section 10.1 of Debt Service Fund Agreement]

Date of Delivery:

Security	Interest (if any)	Maturity Date	CUSIP	Am't Due at Maturity ("Maturity Amount")
----------	----------------------	------------------	-------	---

Purchase Price :

Payment Instructions: to be paid as follows:

[Account Information]

EXHIBIT E

ELIGIBLE SECURITIES

(i) direct obligations of the United States of America (including obligations issued or held, in book-entry only form on the books of the Department of the Treasury of the United States of America and including certificates or other instruments evidencing ownership interests in such direct obligations of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America;

(ii) obligations issued or guaranteed by Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Banks, Government National Mortgage Association, Federal National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories by Fitch, S&P and Moody's if in any such case the timely payment of principal and interest on such obligations is backed by the full faith and credit of the United States of America;

(iii) obligations, the interest on which is exempt from federal income taxation, and which, if rated by the Rating Agencies, are rated by Fitch, Moody's and S&P in one of the two highest rating categories of such rating agencies; and

(iv) Federally tax-exempt bonds which are not subject to the AMT for individuals and subject to a put option at par at least semi-annually and rated at least "double-A" by Moody's, S&P or Fitch, and in the highest short-term rating category by such rating agency.

EXHIBIT F

Delivery Date*	<u>Bond Payment</u> <u>Date*</u>	Scheduled Deposit <u>Amount (USD)</u>
-------------------	-------------------------------------	--

* If any Delivery Date or Bond Payment Date specified above is not a Business Day, such date will be the immediately succeeding Business Day; provided, however, that with respect to any date specified as a Bond Payment Date, the determination of whether such date is a Business Day shall be made without giving effect to clauses (c), (d) and (e) of the definition of Business Day.

FINANCE & BUDGET COMMITTEE

PROPOSED REVISION AND ADDITION TO THE DEBT POLICY AND GUIDELINES

ACTION ITEM D: Approval of Resolution Authorizing the Revision and Addition to the Debt Policy and Guidelines

Presented and Adopted: October 1, 2015

Subject: Approval of the 2015 Amended Debt Policy and Guidelines
and Extendable Municipal Commercial Paper (EMCP) Policy

#15-_____
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 (“Authority”), at its meeting on October 1, 2015, by a vote of _____ (___) in favor and _____ (___) opposed, decided to approve the following action:

WHEREAS, pursuant to Resolution No. 12-123, adopted on December 6, 2012, the Board approved Debt Policy and Guidelines for the Authority that established guidelines for the issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt; and

WHEREAS, pursuant to Resolution No. 14-36, adopted on June 5, 2014, the Board approved certain amendments to the Authority’s Debt Policy and Guidelines; and

WHEREAS, the Board wishes to adopt further amendments to the Authority’s Debt Policy and Guidelines to, among things, reflect the Authority’s new Extendable Municipal Commercial Paper (EMCP) program; and

WHEREAS, in additional to the amended Debt Policy and Guidelines, the Board also wishes to adopt a more specific policy that sets-forth the methodologies and procedures that the Authority will undertake in structuring and utilizing its new EMCP program (the “EMCP Policy”); and

WHEREAS, the Finance and Budget Committee met on September 10, 2015 to review the amended Debt Policy and Guidelines and the EMCP Policy, and recommended that the Board adopt the attached amended Debt Policy and Guidelines and EMCP Policy.

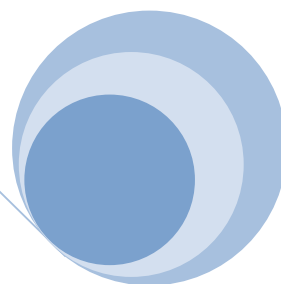
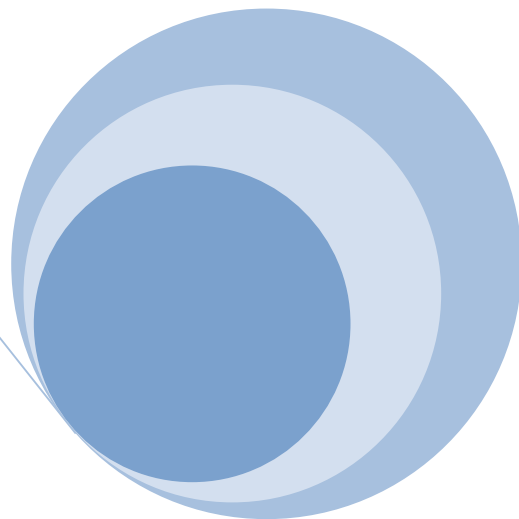
NOW, THEREFORE, BE IT RESOLVED,

1. The Board hereby approves the amendments to the “Debt Policy Objectives,” “Responsible Parties” and “Guidelines for a Debt Transaction” sections of the Debt Policy and Guidelines as shown in the Debt Policy and Guidelines for the Authority dated as of October 1, 2015 attached at Exhibit A and authorizes the General Manager to implement the amended Debt Policy and Guidelines.

2. The Board hereby approves the EMCP Policy for the Authority attached at Exhibit B and authorizes the General Manager to implement the EMCP Policy.

3. This resolution is effective immediately.

Secretary to the Board of Directors



DC Water Debt Policy and Guidelines

Chief Financial Officer

As of: October 1, 2015

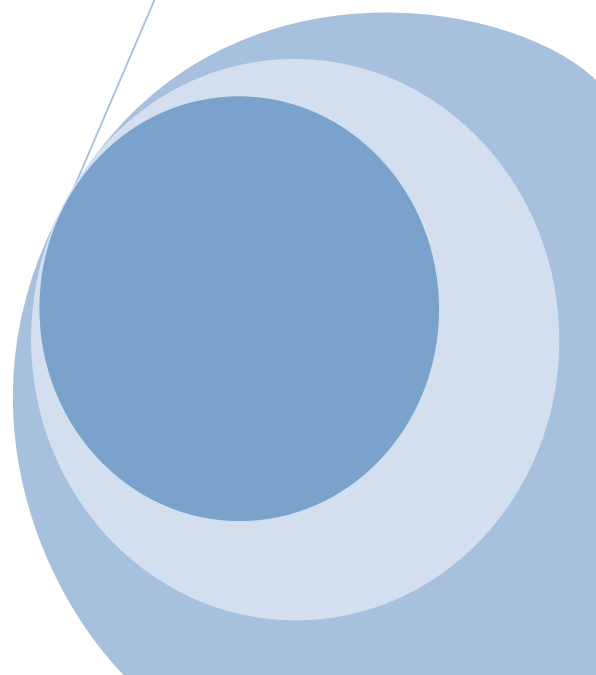


TABLE OF CONTENTS

Section	Topic	Page
I	Introduction	1
II	Purpose	1
III	Scope	1
IV	Debt Policy Objectives	2
V	Use of Debt	3
VI	Responsible Parties	3
VII	Financing Team	4
VIII	Guidelines for a Debt Transaction	5
IX	Documentation	10
X	Marketing	11
XI	Pricing the Transaction	12
XII	Post Pricing and Closing Activities	12
XIII	Investment of proceeds, Post issuance Compliance and Monitoring, Other	13

SECTION I: INTRODUCTION

The District of Columbia Water and Sewer Authority (“DC Water”) is an independent Authority of the District of Columbia (the “District”). DC Water was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the “Council”) entitled the “Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996” (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the “Act”), and an act of the United States Congress entitled the “District of Columbia Water and Sewer Authority Act of 1996” (Public Law 104-184) (the “Federal Act”). The same legislation (§§ 34-2201.01) that created DC Water in 1996 also delegated to DC Water the authority to issue debt.

SECTION II: PURPOSE

The purpose of DC Water’s Debt Policy and Guidelines (the “Debt Policy”) is to provide DC Water officials and staff a comprehensive guide to DC Water’s issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. The advantages of adopting and adhering to a clear, concise and comprehensive debt policy are:

- Enhancing the quality of decisions
- Documenting the decision-making process
- Identifying objectives clearly to facilitate staff implementation
- Demonstrating a commitment to Long-Term financial planning objectives that result in a sound financial position
- Enhancing the positive assessment of credit quality by the bond Rating Agencies in order to maintain and improve DC Water’s high credit ratings
- Integrating the Debt Policy with the operating and capital budgets, the multi-year Capital Improvement Program (CIP), Multi-Year Financial Plan and other financial policies

The financial policies outlined in this document, in most cases, impose higher standards than the legal requirements contained in DC Water’s Master Indenture of Trust dated as of April 1, 1998 as amended and supplemented from time to time (the “Indenture”) and other legal requirements.

SECTION III: SCOPE

This Debt Policy applies to all debt issued by DC Water and debt issued on behalf of DC Water.

*See Glossary for definitions for terms capitalized in the document.

SECTION IV: DEBT POLICY OBJECTIVES

DC Water's Debt Policy objectives are:

1. **Compliance:** Ensure compliance with all laws, legal agreements, contracts, best practices and adopted policies related to debt issuance and management, including:
 - Enabling Legislation, Master Indenture of Trust and Supplemental Indentures
 - Policies adopted by DC Water's Board of Directors (the "Board")
 - Government Finance Officers Association (GFOA) Best Practices
 - Federal, State and local laws and regulations, as applicable
2. **Efficiency:** Promote cooperation and coordination with all stakeholders in the financing and delivery of services by:
 - Seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances.
 - Establishing criteria to determine use of financing sources (Long and Short-Term debt, Pay-As-You-Go (PAYGO) financing, grants and other Alternative Forms of Financing).
 - Evaluating debt issuance options including the amount and type of debt.
 - Minimizing the use of unplanned, Short-Term cash flow borrowings by maintaining adequate working capital and authorizing the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.
3. **Effectiveness:** Promote sound financial management to maximize and best utilize future debt capacity by:
 - Maximizing administrative and operating flexibility.
 - Minimizing Legal and Financial Risk to current and future budgets.
 - Protecting DC Water's credit ratings in order to maintain access, on the best available terms, to local, regional and national credit markets.
 - Maintaining an appropriate level of operating cash reserves to meet both expected and unexpected cash flow needs, including amounts sufficient to address potential short maturities or put redemptions of DC Water's various debt instruments
 - Maintaining reasonable and justifiable levels of rates and fees that address the current and future needs of stakeholders.
 - Improving the quality of decisions and parameters for justification on debt structure.
4. **Accountability and Transparency:** Ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood, and that the Debt Policy is implemented in accordance with the following tenets:

- Providing the Board and all of DC Water’s stakeholders with the required information, in sufficient detail and with ample time, to allow for assessment and guidance.
- Addressing and mitigating debt portfolio risks to DC Water’s Short and Long-Term operations. For example, if DC Water has SIFMA-Index Floating Rate Notes outstanding, the Board will review potential options and provide feedback to address a mandatory tender of the bonds approximately 9 months prior to the mandatory tender date. Similarly, for DC Water’s Extendable Municipal Commercial Paper Program (EMCP), the Board will be apprised of the program’s status and the potential for the need to address a redemption or extension of the EMCP.
- Avoiding conflicts of interest.
- Fully disclosing all proposed and actual costs in a timely manner, to include the selection of and payment for professional services associated with the issuance of debt.
- Reviewing the debt financing decision, implementation, and maintenance plans with the Board.
- Timely providing all disclosures required by law.

SECTION V: USE OF DEBT

Debt is a financing tool which should be used judiciously. Generally, DC Water will issue debt for two purposes:

1. Finance the costs associated with the CIP.
2. Refund existing debt to obtain Debt Service savings and/or restructure certain terms of existing debt, (See the attached checklist, “Refunding Guidelines”).

SECTION VI: RESPONSIBLE PARTIES

Several DC Water officials and staff, District officials and outside advisors are critical in the debt issuance process. This includes but is not limited to:

- DC Water’s Board is responsible for authorizing all debt (including Refunding Bonds, notes or other obligations) issuance via a Board resolution. The Board is also responsible for approving the Debt Policy and any material changes to it.
- DC Water’s Board Chairman, General Manager and/or the Chief Financial Officer, by delegation through a Board resolution, are responsible for executing all documents related to debt issuance.
- DC Water’s Chief Financial Officer (the “CFO”), through the Office of Treasury and Debt Management, is responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this Debt Policy.

- DC Water’s General Counsel is responsible for providing an opinion on certain legal matters associated with the debt transaction.
- Bond Counsel will be retained by DC Water to issue an opinion as to the legality and tax status of all debt obligations. DC Water also may seek the advice of Bond Counsel on other types of financing and on any other questions involving local, state or federal law. Bond Counsel is also responsible for the preparation of the resolution authorizing issuance of obligations, certain bond and Closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by the Authority.
- Disclosure Counsel will be retained by DC Water to assist with development of the Official Statement and Continuing Disclosure agreements. Disclosure Counsel will advise DC Water on matters pertaining to Continuing Disclosure needs and requirements. Disclosure Counsel will also provide a Due Diligence Opinion (“Rule 10(b)(5) opinion”) at Closing to DC Water. Disclosure Counsel may also be Bond Counsel.
- Financial Advisor(s) will be retained by DC Water to provide DC Water with a comprehensive analysis of options available to DC Water. The Financial Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts.
- Feasibility Consultant(s) will be retained by DC Water, as required by the Master Indenture, to provide a necessary engineering feasibility report as well as a financial feasibility opinion. The engineering feasibility report will have findings and recommendations regarding the maintenance of DC Water’s system and the adequacy of the CIP. The financial feasibility opinion addresses DC Water’s ability to effectively execute its mission, operate its system to provide uninterrupted service, maintain regulatory compliance and finance and implement the current CIP within the parameters established in the indenture as well as Board policies. In addition, for debt associated with the Clean Rivers Project, DC Water will evaluate the need to have a feasibility consultant review the program in order to provide a “Green Bond” opinion on the debt. All reports can be incorporated into the bond offering documents, as necessary.

SECTION VII: FINANCING TEAM

DC Water must assemble a Financing Team that will provide advice and support for the best execution of each debt financing. The following applies to members of the Financing Team:

1. May consist of multiple parties with distinct responsibilities and is generally comprised of both DC Water staff and outside professional consultants. These outside professional consultants include the Financial Advisor; Bond, Disclosure and Tax Counsel; feasibility consultant; Independent Consulting Engineer; Underwriters; Underwriter’s Counsel; printer; Trustee; Verification Agent; escrow agent; and others as deemed necessary by the CFO.
2. DC Water will select the members of the Financing Team through a competitive process. However, DC Water may also directly engage consultants on a case-by-case basis, if it is determined to be in the best interest of DC Water.

3. DC Water requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of DC Water’s financial plans, and be free from any conflicts of interest.
4. All Financing Team Members will be required to provide full and complete disclosure, relative to agreements with other Financing Team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm’s ability to provide independent advice which is solely in the Authority’s best interests or which could reasonably be perceived as a conflict of interest.

VIII: GUIDELINES FOR A DEBT TRANSACTION

The following section discusses several of the decisions that must be made for each debt issuance. Each and every debt transaction is unique. DC Water’s Chief Financial Officer, when making these decisions, will confer with the Financial Advisors and other members of the Financing Team to evaluate the relative costs and benefits of each decision individually and collectively. DC Water’s Chief Financial Officer will review these options with the Board and provide a recommendation on the preferred option, to be specified in the Board’s resolution, authorizing that Series of debt. The following areas must be addressed to successfully close a transaction:

1. **Debt Capacity Limits:** DC Water’s is authorized to issue additional debt only to the extent that it can satisfy the Debt Service Coverage (annual net revenues as a percent of annual Debt Service) requirements established in the Indenture and certain Board policies as set forth below:

Debt Security Level	Debt Service Coverage Requirements		
	Master Indenture	Board Resolution	Management Practice
Senior	120%	140%	140%
Subordinate	100%	100%	100%
Combined	Not Applicable	Not Applicable	120%

2. **Size of the Bond Transaction:** DC Water shall use a variety of tools for determining the size of the debt issuance. The CIP is the primary driver of funding requirements. Debt will be issued to fund that portion of the CIP which will not be financed through other sources such as PAYGO, wholesale customer contributions and grants. Additional factors that may impact the size of the bond transaction include the amount of Costs of Issuance/Underwriter’s Discount, the use of a Debt Service Reserve Fund and/or Capitalized Interest for the transaction.
 - **Costs of Issuance/Underwriter’s Discount:** Costs of Issuance are those fees and expenses incurred by DC Water during, or associated with, the sale of debt. Underwriter’s Discount represents the fees and expenses of the Underwriters payable

by DC Water. These costs are typically funded through the issuance of Additional Bonds and are capped by the Board via the Authorizing Resolution.

All the agreed upon Costs of Issuance/Underwriter's Discount, will be communicated to all parties by the Chief Financial Officer prior to the sale date.

- **Debt Service Reserve Fund (the "DSRF"):** DC Water may consider providing a DSRF as market conditions dictate. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bond's Debt Service. The DSRF is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a Letter of Credit or a Surety Bond.
 - **Capitalized Interest:** DC Water may choose to issue bonds to pay interest on all or a portion of that bond issue for a specified time after issuance and during the construction period.
3. **Timing of the Debt Issuance:** The scheduling and timing of the sale of debt will be determined by:
- **Multi-Year Financial Plan and CIP Needs:** Represent the primary drivers of the timing of the bond transaction.
 - **Refunding Timeline:** When economic conditions are advantageous and/or other considerations demand, DC Water may refund existing debt. The nature of the Refunding – Current Refunding or Advance Refunding – will impact the timing of the Refunding transaction. See the Attached checklist, "Refunding Guidelines". Additionally, see DC Water's "Multi-Modal (SIFMA Index) Bonds Policy" and the attached checklist, "Timing and Considerations for Variable Rate Debt".
 - **Market Access and Conditions:** DC Water, with advice of its Finance Team, prefers to issue debt in favorable market conditions. However, in the event of debt market stress, it might be difficult to issue debt in a cost effective manner. If this situation arises, DC Water may choose to initially fund project costs with cash on hand and to reimburse these expenditures from a future debt financing. Likewise, certain variable rate debt, such as SIFMA notes and EMCP, have a "put" feature or short maturity date and requires the Finance Team to be aware of market access conditions as that redemption date approaches.
4. **Method of Sale:** The method of sale determines the process by which debt will be sold, the purchasers of the debt, and how the purchase price will be established. There are three primary options for each debt transaction:
- **Negotiated Sale:** DC Water can sell its bonds to the Underwriter(s) selected by DC Water at a price to be determined pursuant to negotiation. Bonds with complex security structures (e.g. revenue bonds), certain structural characteristics (e.g. Variable Rate bonds), and/or certain credit ratings (e.g. lower) frequently achieve best Pricing execution via a Negotiated Sale process.
 - **Competitive Sale:** DC Water can sell its bonds to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official

Notice of Sale. Competitive Sales lend themselves most readily to very highly rated, simple security structures (e.g. general obligation bonds).

- **Private Placement:** From time to time, DC Water may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings or other benefit to DC Water relative to other methods of debt issuance.
5. **Security Provisions:** DC Water's Bond Indenture pledges the net operating revenues (generally, the revenues net of operating expenses) to secure the debt obligations that DC Water issues under the Bond Indenture. In connection with each particular bond issue, DC Water must determine whether to issue the proposed bonds with a Senior or Subordinate pledge of net revenues. In addition, DC Water also has the ability to use a third lien, when appropriate and approved by the Board.
6. **Debt Structure:** In addition to making the decisions detailed previously, DC Water must also make several significant structural choices regarding the proposed bonds. These structural decisions directly impact the associated Debt Service and, consequently, the Multi-Year Financial Plan, DC Water's operations and ratepayers. These structural decisions address:
- **Term:** When determining the final maturity of proposed bonds, DC Water will primarily consider the useful life of the assets being financed, the depreciation schedule relating to the financed assets and the time period ratepayers have beneficial use of these assets. Other factors that DC Water will consider when determining the term of a bond issuance are the absolute level of interest rates, the relative level of interest rates, applicable rating agency criteria, and the marketability of the bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed so DC Water must make a decision regarding the use of Long-Term or Short-Term debt:
 - Long-Term Debt is generally structured where the Amortization of the debt approaches the expected useful life of a long-lived asset. Long-term debt may be issued as fixed or variable rate debt. Long-term debt is defined as debt with a final maturity greater than or equal to 15 years.

For capital projects that have been identified as part of the DC Clean Rivers Projects (DCCR), the final maturity will be further informed by a technical memorandum from DC Water's Department of Engineering and Technical Services (DETS) establishing the minimum service life of the assets associated with DCCR, as well as by a second opinion obtained from an independent engineering review that confirms the estimated useful life of the assets. In any case, the maximum maturity of long-term debt associated with DCCR may not exceed the lesser of the useful life of the assets being financed or 100 years. Further, the weighted average maturity of all the outstanding debt associated with DCCR may not exceed 60 years.

- Short-Term Debt may take several forms, including variable rate demand bonds, commercial paper (both traditional CP and Extendable Municipal CP), and bond anticipation notes with either fixed or variable Rates. DC Water will consider using Short-Term debt to finance shorter-term assets, obtain lower interest costs, and/or provide interim financing for certain projects. Short term debt is defined as debt with a final maturity of less than 15 years.
- **Fixed versus Variable Rate:** When determining the balance between Fixed and Variable Rate debt, the goal is to provide DC Water with a balanced debt portfolio that manages the desire for the certainty of known quantity of future Debt Service payments provided by Fixed Rate debt versus the historically lower interest costs provided by Variable Rate debt. The Fixed and/or Variable Rate decision will be influenced and guided by several factors:
 - Market Conditions: In certain market conditions, Variable Rate issuance may provide DC Water with a material cost advantage.
 - Cash and Investment Balances: The amount of cash and short term assets DC Water has on hand provides a “natural hedge” for Variable Rate debt. While changes in interest rates impact both assets and liabilities, the change is in opposite directions. For example, an increase in interest rates results in increased Debt Service on Variable Rate debt. However, this increased Debt Service is offset by the increased interest earnings on the short term investments.
 - Credit Considerations: In general, Rating Agencies prefer a prudent balance between Fixed and Variable Rate debt. This preference is to insulate issuers from sudden, sharp increases in interest rates and Debt Service costs. In general, Rating Agencies prefer the percentage of variable-rate debt outstanding shall not exceed 20-25%. For calculation purposes, this ratio will exclude both Variable Rate debt which has been converted through a hedging transaction to synthetically Fixed Rate debt and debt that is “naturally hedged” by cash and investment balances.
 - Target Variable Rate Percentage: Given the historical cost advantage of variable rate debt compared to fixed rate debt, DC Water will have a target of net variable rate debt comprising 20-25% of the total debt portfolio. DC Water will plan for the prudent use of its variable rate debt component while considering market alternatives and the risk profile of the overall debt portfolio when adding additional variable rate debt.
- **Debt Service Payments (Level, Wrapped or Loaded):** DC Water has to determine the Amortization Schedule of the bonds. This is a significant decision that will directly influence the amount of Debt Service required each year and, as a result, will have a significant impact on the amount of revenue which must be raised each year. DC Water will have a balanced approach when determining debt service structures. In general, there are three primary options available:
 - Level Debt Service: Creates equal annual Debt Service payments (i.e., principal plus interest) over the life of the issued bonds. The debt will be structured while

still matching Debt Service to the useful life of the financed facilities (discussed previously).

- **Wrapped Debt Service:** Conforms the Debt Service on the new debt to DC Water’s existing Debt Service burden, projected cash flows and other circumstances to create an overall Debt Service schedule that meets the objectives and parameters of DC Water.
 - **Loaded Debt Service:** Creates a principal maturity structure to achieve a desired goal for DC Water. Generally, principal can be either “front-loaded” or “back-loaded”.
- **Serial versus Term Bonds:** To achieve desired Debt Service levels while balancing the Marketability of the bonds, DC Water may issue a combination of Serial and Term Bonds and can, if appropriate, incorporate Sinking Funds.
 - **Redemption Provisions:** In some circumstances, DC Water may redeem (repurchase bonds from the bond holder) outstanding debt prior to its stated maturity. The most common redemption provisions are:
 - **Optional Redemption (Call option):** Allows DC Water the ability, at its option and subject to certain conditions, to re-purchase selected bonds prior to their stated maturity. Pursuant to the Act, all bonds issued by DC Water shall be callable not more than 11 years from the date of the issuance of the respective bond.
 - **Mandatory Redemption:** Requires DC Water to re-purchase outstanding debt prior to its stated maturity according to a Sinking Fund schedule established in the authorizing documents. Usually, Mandatory Redemption provisions allow issuer’s to structure the annual Debt Service to match projected repayment sources. In other instances, a Mandatory Redemption can be triggered by the occurrence of certain one-time or extraordinary events.
 - **Couponing of Bonds:** The Coupons associated with bonds compared to the Yield determine if the bonds will sell at a Premium, Discount or at Par. DC Water will consider the relative benefits and costs of Couponing each maturity based on specific structuring requirements, prevailing market conditions and the Marketability of the bonds.
7. **Credit Enhancement:** DC Water may consider the use of credit enhancement such as letter-of-credit or bond insurance in order to reduce the cost of borrowing. For variable rate debt transactions that require credit enhancement (such as Variable Rate Demand Bonds), DC Water will consider credit enhancement products such as a Standby Bond Purchase Agreement or a Letter of Credit, that are typically required by investors. DC Water will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, DC Water will consider a diversity of credit enhancement providers.

- a. Liquidity Considerations: For certain variable rate issuance, DC Water may consider utilizing products that do not require a traditional bank letter of credit or standby bond purchase agreement facility (such as Extendable Municipal Commercial Paper). DC Water will limit the amount of such products to a maximum of \$100 million or an amount approved by the Board.

8. Derivative Instruments: DC Water recognizes that, in certain circumstances, a derivatives transaction (e.g., Swaps, Swaptions and interest rate collars) can manage risk exposures and produce a lower cost of financing. However, each Derivative instrument can raise complex risk and credit issues. DC Water's over-arching goals for a derivatives transaction address the following:

- DC Water shall not enter into a derivatives transaction for the purpose of speculation.
- When compared to conventional market transactions, DC Water will achieve more savings or more flexibility in meeting its overall financial objectives.
- Achieve diversification of a bond offering or achieve a debt management goal through the Derivative instrument.
- Reduce or hedge exposure (to changes in interest rates, commodity prices, etc) in relation to the overall asset/liability portfolio management of DC Water.
- Take advantage of market opportunities to produce a lower net cost of borrowing with respect to debt obligations.

By recommendation of the CFO, the Board is responsible for the approval to execute a derivatives transaction. The authorizing derivatives resolution will approve the derivatives transaction and its details, including notional amount, security, payment, risks and other conditions relating to the transaction. In the Authorizing Resolution, DC Water must state the goals of the derivatives transaction and each resolution will identify the appropriate official to execute and make changes, within limits, to the derivatives transaction being considered.

DC Water must receive an evaluation from its Financial Advisor(s) stating that the proposed Derivative transaction is in DC Water's best interest. DC Water must also receive an opinion from Bond Counsel that the approved Derivative transaction is a legal and valid obligation of DC Water. Actions approved by the Board must comply with applicable law and not violate existing Indenture and other contracts.

IX: DOCUMENTATION

The completion of a debt transaction requires the Financing Team to develop, review, and adopt/execute several documents. While not exhaustive, the following represents the key documents in a debt transaction:

1. **Authorizing Resolution:** A document, approved by the Board, that authorizes DC Water to issue the bonds subject to several financial and other parameters as set forth in Authorizing Resolution as well as the Indenture and other Board Resolutions. Bond Counsel is the primary drafter of this document.
2. **Supplemental Indenture:** A document, approved by the Board, that amends the terms of the Indenture to incorporate the provisions of the additional debt being issued. Bond Counsel is the primary drafter of this document.
3. **Official Statement:** The offering document that is used to disclose details about the transaction as well as DC Water's financial and operating information. The document, in preliminary form (the Preliminary Official Statement), is used to assist in marketing the transaction Investors prior to Pricing. Disclosure Counsel is the primary drafter of this document.
4. **Bond Purchase Agreement (BPA):** The contract between the Underwriter and DC Water sets forth the final terms, prices and conditions upon which the Underwriter purchases a new issue of municipal securities in a Negotiated Sale. Underwriter's Counsel is the primary drafter of this document.

X: MARKETING

The goals of a marketing plan are to achieve the lowest cost of finance for a transaction and to have a diversified investor base. This is achieved by clearly developing and delivering the requisite message and information to key DC Water stakeholders, Investors and the Rating Agencies. Marketing involves different channels of communication:

1. **Investors:** Retail, Professional Retail and Institutional Investors purchase DC Water's bonds. While both classes of investors rely on the formal credit ratings, Institutional investors generally do an independent review and approval of DC Water's credit before making an investment decision. Information is critical for these investor classes and, in addition to providing a Preliminary Official Statement to the Underwriters, DC Water will endeavor to maintain timely financial and operational data on the DC Water's web site and Investor Relations web page. DC Water can target these investors through different channels:
 - **Retail Investors.** Retail marketing plans typically include print and online advertising and radio ads. Retail proxies (investment managers, trust departments, etc.) also can be reached via internet road show.
 - **Professional Retail Investors.** Professional Retail investors (money managers and bank trust departments that manage money on behalf of wealthy clients and often aggregate individual orders in a given transaction) have emerged recently and can have an important influence on the pricing of a transaction. Typically, marketing to Professional Retail is accomplished in the same way as marketing to Institutional Investors.
 - **Institutional Investors.** To reach these investors, DC Water can conduct an Institutional investor outreach program for each transaction. This program might include face-to-face meetings, calls with investors (individually or in groups) or an Internet-based presentation (e.g., NetRoadShow). All of these can inform investors

and brokers of the upcoming sale and provide other salient updates. In addition; print, radio and internet advertising is also an available marketing channel. DC Water can also engage Institutional Investors throughout the year to keep them informed of DC Water's current financial and operational position and the status of the CIP.

At the end of each sale, certain metrics will be used to assess the most suitable and successful means of marketing the new issue of bonds to investors. This information will inform the next transaction and improve future marketing efforts.

- 2. Rating Agencies:** The Rating Agencies evaluate the credit quality of DC Water by measuring the probability of the timely repayment of principal and interest on the bonds. To help achieve the lowest cost of debt, DC Water will strive to achieve the highest, most cost-effective credit Ratings. DC Water's debt management activities will be conducted to maintain its strong credit Ratings, consistent with DC Water's financing objectives. Generally, DC Water obtains at least one credit rating for each debt issuance.

XI. PRICING THE TRANSACTION

Pricing represents the process by which DC Water, with assistance from the Financial Advisor(s) and Underwriters, determines the interest rates and prices at which the new issue will be offered to the public. The goal of Pricing is to sell the bonds to a wide variety of investors at the lowest rate through the development of:

- 1. Syndicate Policies:** Syndicate policies describe the Priority of Orders, designation policy, definition of "Retail Order", and Underwriters' Liability governing the upcoming sale.
- 2. Priority of Orders:** The agreed upon Priority of Orders will establish the sequence in which Orders are honored or "filled" during the allocation process.
- 3. Designation Policies:** Establishes the rules that will govern the allocation of the takedown or sales commission among the Underwriting Syndicate in the case of a Net Designated order.

XII: POST-PRICING AND CLOSING ACTIVITIES

Immediately following the Pricing of the bond transaction, several events occur:

- 1. Bond Purchase Agreement:** DC Water and the Senior Manager are the signatories to the BPA. Prior to signing the BPA, the Senior Manager will review the orders and allocations of the Bonds with DC Water. The purpose of this review is to ensure an equitable distribution of the bonds across investor classes and Underwriters.
- 2. Posting the Official Statement:** The Official Statement is required to be delivered to investors within business 7 days of signing the BPA.
- 3. Closing and Bond Transcript:** Typically 1-2 weeks after Pricing, the transaction is Closed. This is the formal signing of all of the required legal documentation for the bond transaction. Once all Closing documents are executed, DC Water will deliver the securities in exchange for the Purchase Price of the bonds from the Underwriter. The Purchase Price will be wired to the designated accounts in the pre-determined amounts to

achieve the purpose of the transaction as detailed in the Closing memorandum. Closing involves the participation of DC Water, Bond Counsel, Disclosure Counsel, the Underwriter(s), Underwriter's Counsel, the Trustee and the Financial Advisor. Subsequent to Closing, Bond Counsel will deliver the Closing transcript. The Closing transcript includes all of the legal and financial documents, including Bond Counsel's opinion and other legal opinions (e.g. Disclosure Counsel's Rule 10(b)(5) Opinion), associated with the transaction. DC Water will incorporate the Closing transcript into their official records.

4. **Evaluation:** Determining the efficiency and effectiveness of the transaction and the performance of the Finance Team is an important activity. DC Water, through both formal and informal means, will review the bond transaction purpose, process and timing and compare this to the goals that were established for the transaction. The performance of all members of the Finance Team will be reviewed and evaluated for future reference. In addition, the Financial Advisor will provide a written report to DC Water of the transaction and how the Pricing of the bonds compared to similar transactions concurrently in the market. This comparison will illustrate the borrowing costs of DC Water's new issue compared to similarly-rated entities. A review of investor's orders and allotments will also be provided.
5. **Reports:** The CFO, the Financial Advisor and Underwriter will provide the evaluation to the Board. This will be done no later than 30 days after the transaction and will also address market conditions, Pricing results, investor response and a review of the Cost of Issuance and Underwriter's Discount (and applicable expenses) associated with the transaction.

XIII. INVESTMENT OF PROCEEDS, POST ISSUANCE COMPLIANCE AND MONITORING, OTHER COMPLIANCE REQUIREMENTS

The Treasury and Debt Management department under the CFO is responsible for the investment of proceeds, as well as all post issuance and compliance activities.

1. **Investment of Bond Proceeds.** The Treasury and Debt Management department, after receipt of Bond proceeds, will invest the funds based on the Bond Indenture, DC Water's Investment Policy and Federal regulations.
2. **Project Compliance (See attached "Use of Proceeds Checklist" and "Private Use Checklist")**
 - **Arbitrage:** DC Water does not pay federal income tax and generally DC Water's bond holders do not pay federal income tax on interest earned from bonds issued by DC Water. With the investment of Bond proceeds, the treatment of interest earned on the permitted investments during this period is governed by IRS Arbitrage rules designed to eliminate any Arbitrage incentive to:
 - Issue more bonds than needed,
 - Issue bonds earlier than needed, and
 - Leave bonds outstanding longer than needed

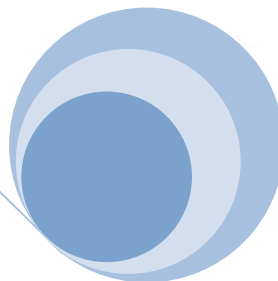
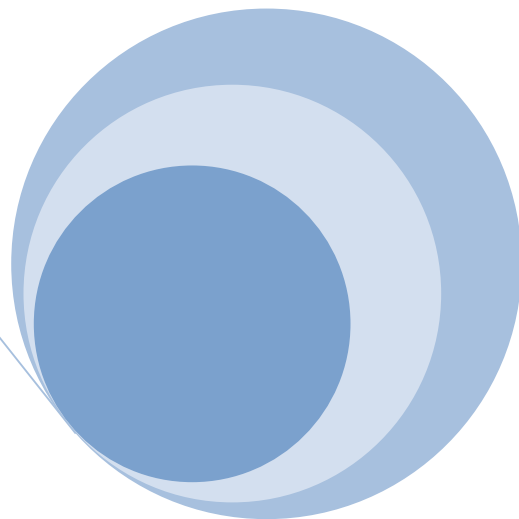
To accomplish the purpose of the bond issuance, DC Water must follow IRS rules governing the Yield restriction (when you may legally earn the Arbitrage Yield from investing bond proceeds) and Arbitrage rebate (when you must return the invested earnings above the Arbitrage Yield back to the IRS). The following guidelines apply:

- The Tax Certificate for the transaction provides the relevant information.
 - DC Water may retain the services of a qualified Arbitrage rebate agent to calculate any Arbitrage due to the IRS on outstanding bond issuances with proceeds remaining.
 - Arbitrage consultant selected by a RFP or RFQ will be used to determine compliance and rebates (see attached flowcharts).
- **Annual Review:** DC Water will review expenditures and reimbursements to determine if any private business use in facilities that were constructed using tax-exempt debt, except as specifically disclosed prior to sale of debt or as subsequently opined by nationally recognized Bond Counsel, do not impact the tax-exempt status of the debt.
 - **Bond Proceeds:** DC Water will track Bond proceeds, ensuring expenditures are within the legally allowable construction period and other parameters to comply with legal requirements.
 - **Document Retention:** DC Water will retain documents related to the debt issue for the life of an issue or the life of the Refunding of the issue plus three years.
3. **Continuing Disclosure Compliance.** The Official Statement and the Continuing Disclosure Agreement for the transaction will detail what information is required to be disclosed and on what timeline. To meet these disclosure requirements:
- DC Water will use a Dissemination / Disclosure Agent whom shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(12).
 - Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA).
 - Treasury and Debt staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
 - Disclosure Counsel shall be consulted to determine compliance and updates in Continuing Disclosure.
 - Compliance status shall be reported annually to the Board at a public meeting.
4. **Refunding Opportunities Monitoring**
- The CFO through the Office of Treasury and Debt Management staff and in conjunction with the Financial Advisor(s), will periodically monitor Refunding opportunities.
 - As Refunding opportunities are more further defined and achieve financial targets, this information shall be reported to the Board.

- See the Attached checklist, “Refunding Guidelines.”

5. Municipal Advisor Rule Compliance.

- The Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as mandated by the Dodd-Frank Wall Street Reform Act, are expected to issue the procedures and requirements associated with the registration and conduct of Municipal Advisors (“MA Rules”) by July 1, 2014. The MA Rules will generally impose additional requirements for financial advisors to municipal entities, including DC Water’s Municipal Advisors. The MA Rules will also impact the way and manner in which DC Water relates and receives information and recommendations from municipal bond underwriters, to include underwriters already approved in DC Water’s Underwriting Pool. DC Water will continue to monitor the implementation of the MA Rules and implement changes as necessary.



DC Water Debt Policy and Guidelines

Chief Financial Officer

As of: October 1, 2015

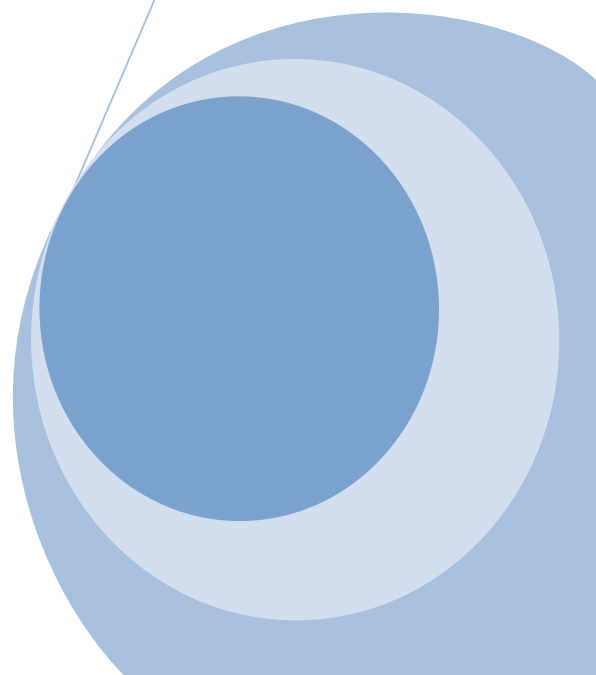


TABLE OF CONTENTS

Section	Topic	Page
I	Introduction	1
II	Purpose	1
III	Scope	1
IV	Debt Policy Objectives	2
V	Use of Debt	3
VI	Responsible Parties	3
VII	Financing Team	4
VIII	Guidelines for a Debt Transaction	5
IX	Documentation	10
X	Marketing	11
XI	Pricing the Transaction	12
XII	Post Pricing and Closing Activities	12
XIII	Investment of proceeds, Post issuance Compliance and Monitoring, Other	13

SECTION I: INTRODUCTION

The District of Columbia Water and Sewer Authority (“DC Water”) is an independent Authority of the District of Columbia (the “District”). DC Water was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the “Council”) entitled the “Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996” (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the “Act”), and an act of the United States Congress entitled the “District of Columbia Water and Sewer Authority Act of 1996” (Public Law 104-184) (the “Federal Act”). The same legislation (§§ 34-2201.01) that created DC Water in 1996 also delegated to DC Water the authority to issue debt.

SECTION II: PURPOSE

The purpose of DC Water’s Debt Policy and Guidelines (the “Debt Policy”) is to provide DC Water officials and staff a comprehensive guide to DC Water’s issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. The advantages of adopting and adhering to a clear, concise and comprehensive debt policy are:

- Enhancing the quality of decisions
- Documenting the decision-making process
- Identifying objectives clearly to facilitate staff implementation
- Demonstrating a commitment to Long-Term financial planning objectives that result in a sound financial position
- Enhancing the positive assessment of credit quality by the bond Rating Agencies in order to maintain and improve DC Water’s high credit ratings
- Integrating the Debt Policy with the operating and capital budgets, the multi-year Capital Improvement Program (CIP), Multi-Year Financial Plan and other financial policies

The financial policies outlined in this document, in most cases, impose higher standards than the legal requirements contained in DC Water’s Master Indenture of Trust dated as of April 1, 1998 as amended and supplemented from time to time (the “Indenture”) and other legal requirements.

SECTION III: SCOPE

This Debt Policy applies to all debt issued by DC Water and debt issued on behalf of DC Water.

*See Glossary for definitions for terms capitalized in the document.

SECTION IV: DEBT POLICY OBJECTIVES

DC Water's Debt Policy objectives are:

1. **Compliance:** Ensure compliance with all laws, legal agreements, contracts, best practices and adopted policies related to debt issuance and management, including:
 - Enabling Legislation, Master Indenture of Trust and Supplemental Indentures
 - Policies adopted by DC Water's Board of Directors (the "Board")
 - Government Finance Officers Association (GFOA) Best Practices
 - Federal, State and local laws and regulations, as applicable
2. **Efficiency:** Promote cooperation and coordination with all stakeholders in the financing and delivery of services by:
 - Seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances.
 - Establishing criteria to determine use of financing sources (Long and Short-Term debt, Pay-As-You-Go (PAYGO) financing, grants and other Alternative Forms of Financing).
 - Evaluating debt issuance options including the amount and type of debt.
 - Minimizing the use of unplanned, Short-Term cash flow borrowings by maintaining adequate working capital and authorizing the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.
3. **Effectiveness:** Promote sound financial management to maximize and best utilize future debt capacity by:
 - Maximizing administrative and operating flexibility.
 - Minimizing Legal and Financial Risk to current and future budgets.
 - Protecting DC Water's credit ratings in order to maintain access, on the best available terms, to local, regional and national credit markets.
 - Maintaining an appropriate level of operating cash reserves to meet both expected and unexpected cash flow needs, including amounts sufficient to address potential short maturities or put redemptions of DC Water's various debt instruments
 - Maintaining reasonable and justifiable levels of rates and fees that address the current and future needs of stakeholders.
 - Improving the quality of decisions and parameters for justification on debt structure.
4. **Accountability and Transparency:** Ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood, and that the Debt Policy is implemented in accordance with the following tenets:

- Providing the Board and all of DC Water’s stakeholders with the required information, in sufficient detail and with ample time, to allow for assessment and guidance.
- Addressing and mitigating debt portfolio risks to DC Water’s Short and Long-Term operations. For example, if DC Water has SIFMA-Index Floating Rate Notes outstanding, the Board will review potential options and provide feedback to address a mandatory tender of the bonds approximately 9 months prior to the mandatory tender date. Similarly, for DC Water’s Extendable Municipal Commercial Paper Program (EMCP), the Board will be apprised of the program’s status and the potential for the need to address a redemption or extension of the EMCP.
- Avoiding conflicts of interest.
- Fully disclosing all proposed and actual costs in a timely manner, to include the selection of and payment for professional services associated with the issuance of debt.
- Reviewing the debt financing decision, implementation, and maintenance plans with the Board.
- Timely providing all disclosures required by law.

SECTION V: USE OF DEBT

Debt is a financing tool which should be used judiciously. Generally, DC Water will issue debt for two purposes:

1. Finance the costs associated with the CIP.
2. Refund existing debt to obtain Debt Service savings and/or restructure certain terms of existing debt, (See the attached checklist, “Refunding Guidelines”).

SECTION VI: RESPONSIBLE PARTIES

Several DC Water officials and staff, District officials and outside advisors are critical in the debt issuance process. This includes but is not limited to:

- DC Water’s Board is responsible for authorizing all debt (including Refunding Bonds, notes or other obligations) issuance via a Board resolution. The Board is also responsible for approving the Debt Policy and any material changes to it.
- DC Water’s Board Chairman, General Manager and/or the Chief Financial Officer, by delegation through a Board resolution, are responsible for executing all documents related to debt issuance.
- DC Water’s Chief Financial Officer (the “CFO”), through the Office of Treasury and Debt Management, is responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this Debt Policy.

- DC Water’s General Counsel is responsible for providing an opinion on certain legal matters associated with the debt transaction.
- Bond Counsel will be retained by DC Water to issue an opinion as to the legality and tax status of all debt obligations. DC Water also may seek the advice of Bond Counsel on other types of financing and on any other questions involving local, state or federal law. Bond Counsel is also is responsible for the preparation of the resolution authorizing issuance of obligations, certain bond and Closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by the Authority.
- Disclosure Counsel will be retained by DC Water to assist with development of the Official Statement and Continuing Disclosure agreements. Disclosure Counsel will advise DC Water on matters pertaining to Continuing Disclosure needs and requirements. Disclosure Counsel will also provide a Due Diligence Opinion (“Rule 10(b)(5) opinion”) at Closing to DC Water. Disclosure Counsel may also be Bond Counsel.
- Financial Advisor(s) will be retained by DC Water to provide DC Water with a comprehensive analysis of options available to DC Water. The Financial Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts.
- Feasibility Consultant(s) will be retained by DC Water, as required by the Master Indenture, to provide a necessary engineering feasibility report as well as a financial feasibility opinion. The engineering feasibility report will have findings and recommendations regarding the maintenance of DC Water’s system and the adequacy of the CIP. The financial feasibility opinion addresses DC Water’s ability to effectively execute its mission, operate its system to provide uninterrupted service, maintain regulatory compliance and finance and implement the current CIP within the parameters established in the indenture as well as Board policies. In addition, for debt associated with the Clean Rivers Project, DC Water will evaluate the need to have a feasibility consultant review the program in order to provide a “Green Bond” opinion on the debt. All reports can be incorporated into the bond offering documents, as necessary.

SECTION VII: FINANCING TEAM

DC Water must assemble a Financing Team that will provide advice and support for the best execution of each debt financing. The following applies to members of the Financing Team:

1. May consist of multiple parties with distinct responsibilities and is generally comprised of both DC Water staff and outside professional consultants. These outside professional consultants include the Financial Advisor; Bond, Disclosure and Tax Counsel; feasibility consultant; Independent Consulting Engineer; Underwriters; Underwriter’s Counsel; printer; Trustee; Verification Agent; escrow agent; and others as deemed necessary by the CFO.
2. DC Water will select the members of the Financing Team through a competitive process. However, DC Water may also directly engage consultants on a case-by-case basis, if it is determined to be in the best interest of DC Water.

3. DC Water requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of DC Water’s financial plans, and be free from any conflicts of interest.
4. All Financing Team Members will be required to provide full and complete disclosure, relative to agreements with other Financing Team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm’s ability to provide independent advice which is solely in the Authority’s best interests or which could reasonably be perceived as a conflict of interest.

VIII: GUIDELINES FOR A DEBT TRANSACTION

The following section discusses several of the decisions that must be made for each debt issuance. Each and every debt transaction is unique. DC Water’s Chief Financial Officer, when making these decisions, will confer with the Financial Advisors and other members of the Financing Team to evaluate the relative costs and benefits of each decision individually and collectively. DC Water’s Chief Financial Officer will review these options with the Board and provide a recommendation on the preferred option, to be specified in the Board’s resolution, authorizing that Series of debt. The following areas must be addressed to successfully close a transaction:

1. **Debt Capacity Limits:** DC Water’s is authorized to issue additional debt only to the extent that it can satisfy the Debt Service Coverage (annual net revenues as a percent of annual Debt Service) requirements established in the Indenture and certain Board policies as set forth below:

Debt Service Coverage Requirements			
Debt Security Level	Master Indenture	Board Resolution	Management Practice
Senior	120%	140%	140%
Subordinate	100%	100%	100%
Combined	Not Applicable	Not Applicable	120%

2. **Size of the Bond Transaction:** DC Water shall use a variety of tools for determining the size of the debt issuance. The CIP is the primary driver of funding requirements. Debt will be issued to fund that portion of the CIP which will not be financed through other sources such as PAYGO, wholesale customer contributions and grants. Additional factors that may impact the size of the bond transaction include the amount of Costs of Issuance/Underwriter’s Discount, the use of a Debt Service Reserve Fund and/or Capitalized Interest for the transaction.
 - **Costs of Issuance/Underwriter’s Discount:** Costs of Issuance are those fees and expenses incurred by DC Water during, or associated with, the sale of debt. Underwriter’s Discount represents the fees and expenses of the Underwriters payable

by DC Water. These costs are typically funded through the issuance of Additional Bonds and are capped by the Board via the Authorizing Resolution.

All the agreed upon Costs of Issuance/Underwriter's Discount, will be communicated to all parties by the Chief Financial Officer prior to the sale date.

- **Debt Service Reserve Fund (the "DSRF"):** DC Water may consider providing a DSRF as market conditions dictate. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bond's Debt Service. The DSRF is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a Letter of Credit or a Surety Bond.
 - **Capitalized Interest:** DC Water may choose to issue bonds to pay interest on all or a portion of that bond issue for a specified time after issuance and during the construction period.
3. **Timing of the Debt Issuance:** The scheduling and timing of the sale of debt will be determined by:
- **Multi-Year Financial Plan and CIP Needs:** Represent the primary drivers of the timing of the bond transaction.
 - **Refunding Timeline:** When economic conditions are advantageous and/or other considerations demand, DC Water may refund existing debt. The nature of the Refunding – Current Refunding or Advance Refunding – will impact the timing of the Refunding transaction. See the Attached checklist, "Refunding Guidelines". Additionally, see DC Water's "Multi-Modal (SIFMA Index) Bonds Policy" and the attached checklist, "Timing and Considerations for Variable Rate Debt".
 - **Market Access and Conditions:** DC Water, with advice of its Finance Team, prefers to issue debt in favorable market conditions. However, in the event of debt market stress, it might be difficult to issue debt in a cost effective manner. If this situation arises, DC Water may choose to initially fund project costs with cash on hand and to reimburse these expenditures from a future debt financing. Likewise, certain variable rate debt, such as SIFMA notes and EMCP, have a "put" feature or short maturity date and requires the Finance Team to be aware of market access conditions as that redemption date approaches.
4. **Method of Sale:** The method of sale determines the process by which debt will be sold, the purchasers of the debt, and how the purchase price will be established. There are three primary options for each debt transaction:
- **Negotiated Sale:** DC Water can sell its bonds to the Underwriter(s) selected by DC Water at a price to be determined pursuant to negotiation. Bonds with complex security structures (e.g. revenue bonds), certain structural characteristics (e.g. Variable Rate bonds), and/or certain credit ratings (e.g. lower) frequently achieve best Pricing execution via a Negotiated Sale process.
 - **Competitive Sale:** DC Water can sell its bonds to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official

Notice of Sale. Competitive Sales lend themselves most readily to very highly rated, simple security structures (e.g. general obligation bonds).

- **Private Placement:** From time to time, DC Water may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings or other benefit to DC Water relative to other methods of debt issuance.
5. **Security Provisions:** DC Water's Bond Indenture pledges the net operating revenues (generally, the revenues net of operating expenses) to secure the debt obligations that DC Water issues under the Bond Indenture. In connection with each particular bond issue, DC Water must determine whether to issue the proposed bonds with a Senior or Subordinate pledge of net revenues. In addition, DC Water also has the ability to use a third lien, when appropriate and approved by the Board.
6. **Debt Structure:** In addition to making the decisions detailed previously, DC Water must also make several significant structural choices regarding the proposed bonds. These structural decisions directly impact the associated Debt Service and, consequently, the Multi-Year Financial Plan, DC Water's operations and ratepayers. These structural decisions address:
- **Term:** When determining the final maturity of proposed bonds, DC Water will primarily consider the useful life of the assets being financed, the depreciation schedule relating to the financed assets and the time period ratepayers have beneficial use of these assets. Other factors that DC Water will consider when determining the term of a bond issuance are the absolute level of interest rates, the relative level of interest rates, applicable rating agency criteria, and the marketability of the bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed so DC Water must make a decision regarding the use of Long-Term or Short-Term debt:
 - Long-Term Debt is generally structured where the Amortization of the debt approaches the expected useful life of a long-lived asset. Long-term debt may be issued as fixed or variable rate debt. Long-term debt is defined as debt with a final maturity greater than or equal to 15 years.

For capital projects that have been identified as part of the DC Clean Rivers Projects (DCCR), the final maturity will be further informed by a technical memorandum from DC Water's Department of Engineering and Technical Services (DETS) establishing the minimum service life of the assets associated with DCCR, as well as by a second opinion obtained from an independent engineering review that confirms the estimated useful life of the assets. In any case, the maximum maturity of long-term debt associated with DCCR may not exceed the lesser of the useful life of the assets being financed or 100 years. Further, the weighted average maturity of all the outstanding debt associated with DCCR may not exceed 60 years.

- Short-Term Debt may take several forms, including variable rate demand bonds, commercial paper (both traditional CP and Extendable Municipal CP), and bond anticipation notes with either fixed or variable Rates. DC Water will consider using Short-Term debt to finance shorter-term assets, obtain lower interest costs, and/or provide interim financing for certain projects. Short term debt is defined as debt with a final maturity of less than 15 years.
- **Fixed versus Variable Rate:** When determining the balance between Fixed and Variable Rate debt, the goal is to provide DC Water with a balanced debt portfolio that manages the desire for the certainty of known quantity of future Debt Service payments provided by Fixed Rate debt versus the historically lower interest costs provided by Variable Rate debt. The Fixed and/or Variable Rate decision will be influenced and guided by several factors:
 - Market Conditions: In certain market conditions, Variable Rate issuance may provide DC Water with a material cost advantage.
 - Cash and Investment Balances: The amount of cash and short term assets DC Water has on hand provides a “natural hedge” for Variable Rate debt. While changes in interest rates impact both assets and liabilities, the change is in opposite directions. For example, an increase in interest rates results in increased Debt Service on Variable Rate debt. However, this increased Debt Service is offset by the increased interest earnings on the short term investments.
 - Credit Considerations: In general, Rating Agencies prefer a prudent balance between Fixed and Variable Rate debt. This preference is to insulate issuers from sudden, sharp increases in interest rates and Debt Service costs. In general, Rating Agencies prefer the percentage of variable-rate debt outstanding shall not exceed 20-25%. For calculation purposes, this ratio will exclude both Variable Rate debt which has been converted through a hedging transaction to synthetically Fixed Rate debt and debt that is “naturally hedged” by cash and investment balances.
 - Target Variable Rate Percentage: Given the historical cost advantage of variable rate debt compared to fixed rate debt, DC Water will have a target of net variable rate debt comprising 20-25% of the total debt portfolio. DC Water will plan for the prudent use of its variable rate debt component while considering market alternatives and the risk profile of the overall debt portfolio when adding additional variable rate debt.
- **Debt Service Payments (Level, Wrapped or Loaded):** DC Water has to determine the Amortization Schedule of the bonds. This is a significant decision that will directly influence the amount of Debt Service required each year and, as a result, will have a significant impact on the amount of revenue which must be raised each year. DC Water will have a balanced approach when determining debt service structures. In general, there are three primary options available:
 - Level Debt Service: Creates equal annual Debt Service payments (i.e., principal plus interest) over the life of the issued bonds. The debt will be structured while

still matching Debt Service to the useful life of the financed facilities (discussed previously).

- **Wrapped Debt Service:** Conforms the Debt Service on the new debt to DC Water’s existing Debt Service burden, projected cash flows and other circumstances to create an overall Debt Service schedule that meets the objectives and parameters of DC Water.
 - **Loaded Debt Service:** Creates a principal maturity structure to achieve a desired goal for DC Water. Generally, principal can be either “front-loaded” or “back-loaded”.
- **Serial versus Term Bonds:** To achieve desired Debt Service levels while balancing the Marketability of the bonds, DC Water may issue a combination of Serial and Term Bonds and can, if appropriate, incorporate Sinking Funds.
 - **Redemption Provisions:** In some circumstances, DC Water may redeem (repurchase bonds from the bond holder) outstanding debt prior to its stated maturity. The most common redemption provisions are:
 - **Optional Redemption (Call option):** Allows DC Water the ability, at its option and subject to certain conditions, to re-purchase selected bonds prior to their stated maturity. Pursuant to the Act, all bonds issued by DC Water shall be callable not more than 11 years from the date of the issuance of the respective bond.
 - **Mandatory Redemption:** Requires DC Water to re-purchase outstanding debt prior to its stated maturity according to a Sinking Fund schedule established in the authorizing documents. Usually, Mandatory Redemption provisions allow issuer’s to structure the annual Debt Service to match projected repayment sources. In other instances, a Mandatory Redemption can be triggered by the occurrence of certain one-time or extraordinary events.
 - **Couponing of Bonds:** The Coupons associated with bonds compared to the Yield determine if the bonds will sell at a Premium, Discount or at Par. DC Water will consider the relative benefits and costs of Couponing each maturity based on specific structuring requirements, prevailing market conditions and the Marketability of the bonds.
7. **Credit Enhancement:** DC Water may consider the use of credit enhancement such as letter-of-credit or bond insurance in order to reduce the cost of borrowing. For variable rate debt transactions that require credit enhancement (such as Variable Rate Demand Bonds), DC Water will consider credit enhancement products such as a Standby Bond Purchase Agreement or a Letter of Credit, that are typically required by investors. DC Water will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, DC Water will consider a diversity of credit enhancement providers.

a. Liquidity Considerations: For certain variable rate issuance, DC Water may consider utilizing products that do not require a traditional bank letter of credit or standby bond purchase agreement facility (such as Extendable Municipal Commercial Paper). DC Water will limit the amount of such products to a maximum of \$100 million or an amount approved by the Board.

8. Derivative Instruments: DC Water recognizes that, in certain circumstances, a derivatives transaction (e.g., Swaps, Swaptions and interest rate collars) can manage risk exposures and produce a lower cost of financing. However, each Derivative instrument can raise complex risk and credit issues. DC Water's over-arching goals for a derivatives transaction address the following:

- DC Water shall not enter into a derivatives transaction for the purpose of speculation.
- When compared to conventional market transactions, DC Water will achieve more savings or more flexibility in meeting its overall financial objectives.
- Achieve diversification of a bond offering or achieve a debt management goal through the Derivative instrument.
- Reduce or hedge exposure (to changes in interest rates, commodity prices, etc) in relation to the overall asset/liability portfolio management of DC Water.
- Take advantage of market opportunities to produce a lower net cost of borrowing with respect to debt obligations.

By recommendation of the CFO, the Board is responsible for the approval to execute a derivatives transaction. The authorizing derivatives resolution will approve the derivatives transaction and its details, including notional amount, security, payment, risks and other conditions relating to the transaction. In the Authorizing Resolution, DC Water must state the goals of the derivatives transaction and each resolution will identify the appropriate official to execute and make changes, within limits, to the derivatives transaction being considered.

DC Water must receive an evaluation from its Financial Advisor(s) stating that the proposed Derivative transaction is in DC Water's best interest. DC Water must also receive an opinion from Bond Counsel that the approved Derivative transaction is a legal and valid obligation of DC Water. Actions approved by the Board must comply with applicable law and not violate existing Indenture and other contracts.

IX: DOCUMENTATION

The completion of a debt transaction requires the Financing Team to develop, review, and adopt/execute several documents. While not exhaustive, the following represents the key documents in a debt transaction:

1. **Authorizing Resolution:** A document, approved by the Board, that authorizes DC Water to issue the bonds subject to several financial and other parameters as set forth in Authorizing Resolution as well as the Indenture and other Board Resolutions. Bond Counsel is the primary drafter of this document.
2. **Supplemental Indenture:** A document, approved by the Board, that amends the terms of the Indenture to incorporate the provisions of the additional debt being issued. Bond Counsel is the primary drafter of this document.
3. **Official Statement:** The offering document that is used to disclose details about the transaction as well as DC Water's financial and operating information. The document, in preliminary form (the Preliminary Official Statement), is used to assist in marketing the transaction Investors prior to Pricing. Disclosure Counsel is the primary drafter of this document.
4. **Bond Purchase Agreement (BPA):** The contract between the Underwriter and DC Water sets forth the final terms, prices and conditions upon which the Underwriter purchases a new issue of municipal securities in a Negotiated Sale. Underwriter's Counsel is the primary drafter of this document.

X: MARKETING

The goals of a marketing plan are to achieve the lowest cost of finance for a transaction and to have a diversified investor base. This is achieved by clearly developing and delivering the requisite message and information to key DC Water stakeholders, Investors and the Rating Agencies. Marketing involves different channels of communication:

1. **Investors:** Retail, Professional Retail and Institutional Investors purchase DC Water's bonds. While both classes of investors rely on the formal credit ratings, Institutional investors generally do an independent review and approval of DC Water's credit before making an investment decision. Information is critical for these investor classes and, in addition to providing a Preliminary Official Statement to the Underwriters, DC Water will endeavor to maintain timely financial and operational data on the DC Water's web site and Investor Relations web page. DC Water can target these investors through different channels:
 - **Retail Investors.** Retail marketing plans typically include print and online advertising and radio ads. Retail proxies (investment managers, trust departments, etc.) also can be reached via internet road show.
 - **Professional Retail Investors.** Professional Retail investors (money managers and bank trust departments that manage money on behalf of wealthy clients and often aggregate individual orders in a given transaction) have emerged recently and can have an important influence on the pricing of a transaction. Typically, marketing to Professional Retail is accomplished in the same way as marketing to Institutional Investors.
 - **Institutional Investors.** To reach these investors, DC Water can conduct an Institutional investor outreach program for each transaction. This program might include face-to-face meetings, calls with investors (individually or in groups) or an Internet-based presentation (e.g., NetRoadShow). All of these can inform investors

and brokers of the upcoming sale and provide other salient updates. In addition; print, radio and internet advertising is also an available marketing channel. DC Water can also engage Institutional Investors throughout the year to keep them informed of DC Water's current financial and operational position and the status of the CIP.

At the end of each sale, certain metrics will be used to assess the most suitable and successful means of marketing the new issue of bonds to investors. This information will inform the next transaction and improve future marketing efforts.

- 2. Rating Agencies:** The Rating Agencies evaluate the credit quality of DC Water by measuring the probability of the timely repayment of principal and interest on the bonds. To help achieve the lowest cost of debt, DC Water will strive to achieve the highest, most cost-effective credit Ratings. DC Water's debt management activities will be conducted to maintain its strong credit Ratings, consistent with DC Water's financing objectives. Generally, DC Water obtains at least one credit rating for each debt issuance.

XI. PRICING THE TRANSACTION

Pricing represents the process by which DC Water, with assistance from the Financial Advisor(s) and Underwriters, determines the interest rates and prices at which the new issue will be offered to the public. The goal of Pricing is to sell the bonds to a wide variety of investors at the lowest rate through the development of:

- 1. Syndicate Policies:** Syndicate policies describe the Priority of Orders, designation policy, definition of "Retail Order", and Underwriters' Liability governing the upcoming sale.
- 2. Priority of Orders:** The agreed upon Priority of Orders will establish the sequence in which Orders are honored or "filled" during the allocation process.
- 3. Designation Policies:** Establishes the rules that will govern the allocation of the takedown or sales commission among the Underwriting Syndicate in the case of a Net Designated order.

XII: POST-PRICING AND CLOSING ACTIVITIES

Immediately following the Pricing of the bond transaction, several events occur:

- 1. Bond Purchase Agreement:** DC Water and the Senior Manager are the signatories to the BPA. Prior to signing the BPA, the Senior Manager will review the orders and allocations of the Bonds with DC Water. The purpose of this review is to ensure an equitable distribution of the bonds across investor classes and Underwriters.
- 2. Posting the Official Statement:** The Official Statement is required to be delivered to investors within business 7 days of signing the BPA.
- 3. Closing and Bond Transcript:** Typically 1-2 weeks after Pricing, the transaction is Closed. This is the formal signing of all of the required legal documentation for the bond transaction. Once all Closing documents are executed, DC Water will deliver the securities in exchange for the Purchase Price of the bonds from the Underwriter. The Purchase Price will be wired to the designated accounts in the pre-determined amounts to

achieve the purpose of the transaction as detailed in the Closing memorandum. Closing involves the participation of DC Water, Bond Counsel, Disclosure Counsel, the Underwriter(s), Underwriter's Counsel, the Trustee and the Financial Advisor. Subsequent to Closing, Bond Counsel will deliver the Closing transcript. The Closing transcript includes all of the legal and financial documents, including Bond Counsel's opinion and other legal opinions (e.g. Disclosure Counsel's Rule 10(b)(5) Opinion), associated with the transaction. DC Water will incorporate the Closing transcript into their official records.

4. **Evaluation:** Determining the efficiency and effectiveness of the transaction and the performance of the Finance Team is an important activity. DC Water, through both formal and informal means, will review the bond transaction purpose, process and timing and compare this to the goals that were established for the transaction. The performance of all members of the Finance Team will be reviewed and evaluated for future reference. In addition, the Financial Advisor will provide a written report to DC Water of the transaction and how the Pricing of the bonds compared to similar transactions concurrently in the market. This comparison will illustrate the borrowing costs of DC Water's new issue compared to similarly-rated entities. A review of investor's orders and allotments will also be provided.
5. **Reports:** The CFO, the Financial Advisor and Underwriter will provide the evaluation to the Board. This will be done no later than 30 days after the transaction and will also address market conditions, Pricing results, investor response and a review of the Cost of Issuance and Underwriter's Discount (and applicable expenses) associated with the transaction.

XIII. INVESTMENT OF PROCEEDS, POST ISSUANCE COMPLIANCE AND MONITORING, OTHER COMPLIANCE REQUIREMENTS

The Treasury and Debt Management department under the CFO is responsible for the investment of proceeds, as well as all post issuance and compliance activities.

1. **Investment of Bond Proceeds.** The Treasury and Debt Management department, after receipt of Bond proceeds, will invest the funds based on the Bond Indenture, DC Water's Investment Policy and Federal regulations.
2. **Project Compliance (See attached "Use of Proceeds Checklist" and "Private Use Checklist")**
 - **Arbitrage:** DC Water does not pay federal income tax and generally DC Water's bond holders do not pay federal income tax on interest earned from bonds issued by DC Water. With the investment of Bond proceeds, the treatment of interest earned on the permitted investments during this period is governed by IRS Arbitrage rules designed to eliminate any Arbitrage incentive to:
 - Issue more bonds than needed,
 - Issue bonds earlier than needed, and
 - Leave bonds outstanding longer than needed

To accomplish the purpose of the bond issuance, DC Water must follow IRS rules governing the Yield restriction (when you may legally earn the Arbitrage Yield from investing bond proceeds) and Arbitrage rebate (when you must return the invested earnings above the Arbitrage Yield back to the IRS). The following guidelines apply:

- The Tax Certificate for the transaction provides the relevant information.
 - DC Water may retain the services of a qualified Arbitrage rebate agent to calculate any Arbitrage due to the IRS on outstanding bond issuances with proceeds remaining.
 - Arbitrage consultant selected by a RFP or RFQ will be used to determine compliance and rebates (see attached flowcharts).
- **Annual Review:** DC Water will review expenditures and reimbursements to determine if any private business use in facilities that were constructed using tax-exempt debt, except as specifically disclosed prior to sale of debt or as subsequently opined by nationally recognized Bond Counsel, do not impact the tax-exempt status of the debt.
 - **Bond Proceeds:** DC Water will track Bond proceeds, ensuring expenditures are within the legally allowable construction period and other parameters to comply with legal requirements.
 - **Document Retention:** DC Water will retain documents related to the debt issue for the life of an issue or the life of the Refunding of the issue plus three years.
3. **Continuing Disclosure Compliance.** The Official Statement and the Continuing Disclosure Agreement for the transaction will detail what information is required to be disclosed and on what timeline. To meet these disclosure requirements:
- DC Water will use a Dissemination / Disclosure Agent whom shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(12).
 - Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA).
 - Treasury and Debt staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
 - Disclosure Counsel shall be consulted to determine compliance and updates in Continuing Disclosure.
 - Compliance status shall be reported annually to the Board at a public meeting.
4. **Refunding Opportunities Monitoring**
- The CFO through the Office of Treasury and Debt Management staff and in conjunction with the Financial Advisor(s), will periodically monitor Refunding opportunities.
 - As Refunding opportunities are more further defined and achieve financial targets, this information shall be reported to the Board.

- See the Attached checklist, “Refunding Guidelines.”

5. Municipal Advisor Rule Compliance.

- The Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as mandated by the Dodd-Frank Wall Street Reform Act, are expected to issue the procedures and requirements associated with the registration and conduct of Municipal Advisors (“MA Rules”) by July 1, 2014. The MA Rules will generally impose additional requirements for financial advisors to municipal entities, including DC Water’s Municipal Advisors. The MA Rules will also impact the way and manner in which DC Water relates and receives information and recommendations from municipal bond underwriters, to include underwriters already approved in DC Water’s Underwriting Pool. DC Water will continue to monitor the implementation of the MA Rules and implement changes as necessary.

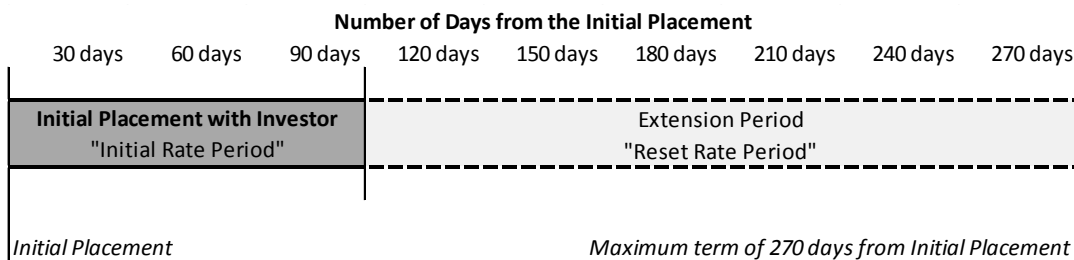
**DC Water
Extendable Municipal Commercial Paper Program Policy**

This policy sets-forth the methodologies and procedures that DC Water will undertake in structuring and utilizing Extendable Municipal Commercial Paper (EMCP).

The purpose of this policy is to ensure the successful remarketing or refunding of EMCP. Additionally, this policy provides a process to address any liquidity risk to the Authority of the short maturity date feature of EMCP.

General Characteristics and Mechanics of EMCP Compared to Commercial Paper (CP) are:

- Establishing the EMCP program provides diversification of the variable rate products available to address DC Water’s Interim Financing needs. EMCP can also be a lower cost financing vehicle given there is no additional cost associated for a credit facility. Additionally, the EMCP program can reduce the reliance on bank-supported financing products.
- EMCP, as with traditional CP, has a maximum maturity from its initial placement with an investor of 270 days.
- The EMCP is placed with an investor for an Initial Rate Period, at a market-based rate determined by the EMCP dealer with the concurrence and approval of DC Water.
- EMCP, as with traditional CP, typically relies on market liquidity provided by investors to “roll” the commercial paper at the end of each placement period. That is, the proceeds from the new investor are used, along with interest payment proceeds from DC Water, to pay off the original investor.
- In the event of a market dislocation where the EMCP dealer cannot identify a new investor, there is a provision with EMCP that allows DC Water to extend the maturity date of the outstanding EMCP beyond the Initial Rate Period to a maximum of 270 days from the date of the original issuance. If the EMCP is extended, the *existing* investors continue to hold the EMCP and the EMCP rate resets to a higher “penalty rate” (the “Reset Rate”) established by a pre-determined formula. The Reset Rate is intended to provide additional incentive to redeem the extended EMCP as soon as possible. The EMCP is callable at any time during the Reset Rate Period. Graphically, this is depicted below:



- If, at the end of the Reset Rate Period (270 days from the initial placement), the EMCP cannot be remarketed to a new investor, DC Water will be required to provide the total proceeds to the existing investor. Typically, proceeds are from the proceeds of other CP (backed with bank credit facilities), long term bonds, lines of credit, or available cash reserves.
- EMCP ratings are directly tied to the short-term ratings of DC Water, which reflect a combination of DC Water's long-term credit quality, ability to withstand short-term market events and market access. Conversely, traditional CP is backed by a bank-provided credit facility and in the event of a failed remarketing, this credit facility could be used to provide the proceeds to address the failed remarketing. Therefore, for traditional CP, the short-term ratings are based on the underlying credit ratings of the bank providing the credit facility.

Guidelines for the EMCP Program:

1. The **maximum authorized amount of the EMCP program will not exceed \$100 million** or an amount approved by the Board.
2. Given the maximum maturity of the EMCP is 270 days, the **Initial Rate Period will not exceed 90 days**. This allows DC Water up to 180 days (6 months) to address the maturity of the EMCP in the event the EMCP dealer cannot identify a new investor after the Initial Rate Period.
3. Given the potential for DC Water to fund the repayment of outstanding EMCP at the final maturity (in the event of an unremarketed maturity), **DC Water acknowledges the importance of maintaining timely market access**. For prudence, DC Water will **maintain sufficient cash reserves and traditional commercial paper capacity** to fully redeem any outstanding EMCP.
4. DC Water, in conjunction with the EMCP dealer, will **monitor market conditions during the Reset Rate Period to determine if the EMCP can be rolled** to a new investor.
5. DC Water, in conjunction with its Financial Advisors, will **determine an appropriate financing vehicle** to address a potential need to redeem the EMCP at the end of the Reset Rate Period. Options include:
 - a. Available cash reserves
 - b. Available capacity in DC Water's traditional commercial paper program, or proceeds from another credit facility
 - c. Capital markets, long-term debt transaction.
6. This policy will include a **form of Authorizing Resolution and Supplemental Resolution** to address a potential bond transaction to fix-out the EMCP.
7. **Reset Rate will not exceed the maximum rate (12% per annum)** authorized by DC Water's Board.

General Timing for the EMCP Program in Event of Extension/Potential Unremarketed Maturity:

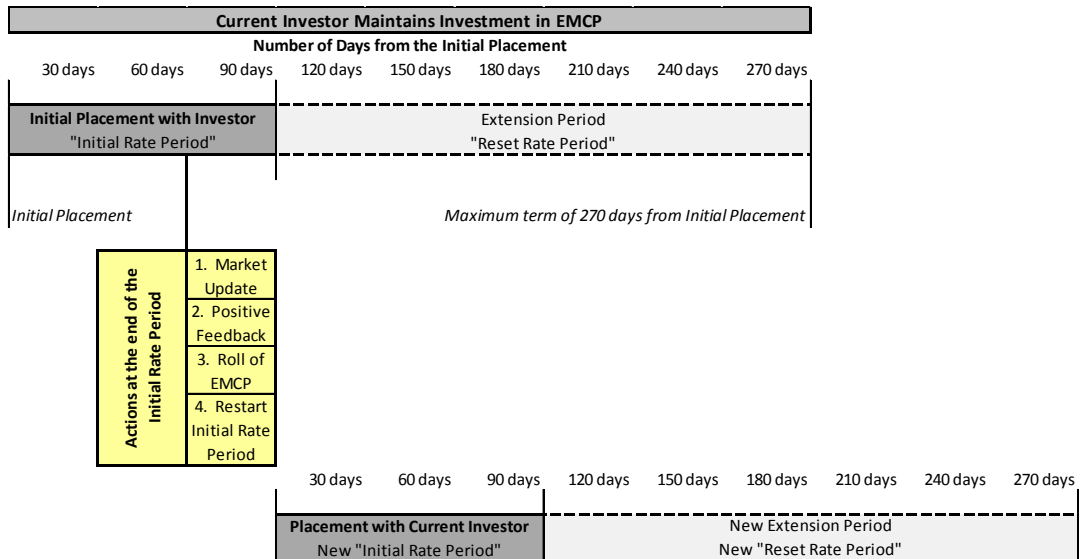
1. As long as there is EMCP outstanding, no less than two weeks prior to the end of the Initial Rate Period for any tranche of EMCP, the EMCP dealer and DC Water will have a market update call. At this market update, DC Water will detail whether the EMCP

should be rolled or if DC Water intends to redeem the EMCP. If electing to roll the EMCP, the EMCP dealer will provide thoughts on EMCP market tone and trends.

Specifically, the update will focus on three potential outcomes at the end of the Initial Rate Period and the following actions required:

- a. **Current Investor will maintain current position, with a new negotiated rate for the EMCP and a new Initial Rate Period. DC Water will:**
 - i. Monitor market conditions, with the assistance of the EMCP dealer, in the days leading to the end of the Initial Rate Period
 - ii. Discuss and define parameters of roll of the EMCP (new rate and new minimum Initial Rate Period) with the EMCP dealer
 - iii. Approve new rate and Initial Rate Period for roll of EMCP

Graphically, this is depicted below:

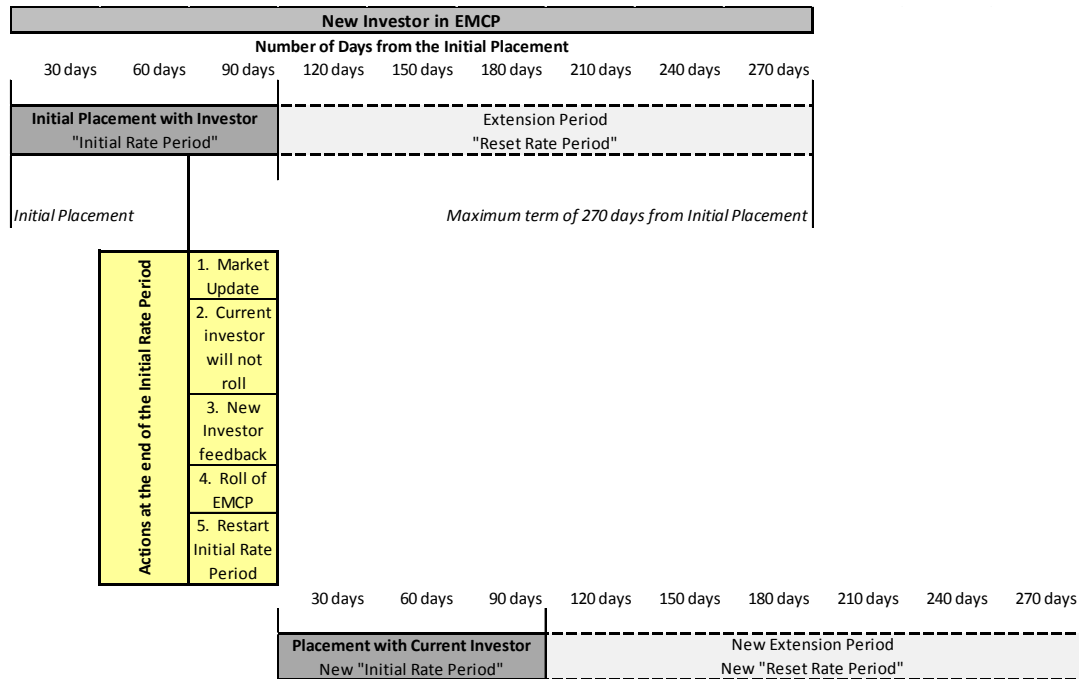


- b. **Current Investor will no longer hold the EMCP but market conditions are favorable for a new investor and a successful roll of the EMCP, DC Water will:**

- i. Monitor market conditions, with the assistance of the EMCP dealer, in the days leading to the end of the Initial Rate Period.
- ii. Discuss and define parameters of roll of the EMCP (new rate and new minimum Initial Rate Period) with the EMCP dealer
- iii. Approve new rate and Initial Rate Period for roll of EMCP

Graphically, this is depicted below:

Finance and Budget Committee - 4. Action Items



c. **Current Investor will no longer hold the EMCP and market conditions are not favorable for a new investor. Therefore, there is the potential for the EMCP to enter the extension period (Reset Rate Period).**

- i. Inform the Finance & Budget Committee of the potential for an extension or “failed remarketing” of the EMCP based on market update.
- ii. Determine financing vehicle to address redemption of EMCP (cash reserves, traditional CP, bond transaction).
- iii. Inform the Finance & Budget Committee of an extension of the EMCP at the end of the Initial Rate Period, if not remarketed (or otherwise redeemed by DC Water).
- iv. Receive weekly updates from the EMCP dealer on remarketing efforts after the failed remarketing.
- v. Review with the financing team the options for addressing the Extension Period:
 1. Cash Reserves: Review balances and potential impacts on working capital requirements and operations
 2. Capacity in Commercial Paper or other available credit facilities and potential impacts.
 3. If a Bond transaction is the preferred vehicle for refinancing, submit, no later than 1 week after the failed remarketing, the necessary Authorizing Resolution and Supplemental Indenture (Exhibit A and B) in the event that poor EMCP market conditions are expected to continue for the duration of the Reset Rate Period.

Finance and Budget Committee - 4. Action Items

- a. Proceed with the activities required with a bond transaction, as depicted in the timeline below:

Failed Remarketing: Fixed Rate Transaction							
Months from end of Initial Rate Period							
	+ 1 month	+ 2 month	+ 3 month	+ 4 month	+ 5 month	+ 6 month	
Critical Activities for Bond Transaction	Inform Finance & Budget						
	Inform Board						
	Submit Authorizing Res. And Sup. Indenture						
	Select Senior Underwriter and Banking Team						
	Kick-off transaction						
	Distribute Docs Version #1						
			Distribute Docs Version #2				
			Rating Agency Meetings				
			Finalize Documents				
			Receive Ratings				
			Approval (Finance & Budget)				
				Approval (Board)			
				Market transaction			
				Price Transaction			
				Close Transaction			
			Redeem EMCP				
					90 day cushion until end of Reset Rate Period		



D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
FINANCE & BUDGET
OCTOBER COMMITTEE MEETING

Thursday, October 22, 2015; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
September 2015 Financial Report	Chief Financial Officer
Agenda for November Committee Meeting	Chairman
Adjournment	Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm