



2011 ANNUAL REPORT





This is the third year I've had the privilege of occupying this space in the DC Water Annual Report. As Chairman of the Board of Directors, I preside over many meetings and review numerous contracts. If I had to choose a theme that lurks between the lines of the hours of discussion and pages of documents, it would be, simply, "Wow, what a year."

Fiscal Year 2011 was a year of changes in governance. The District of Columbia welcomed its sixth mayor, Vincent Gray. His City Administrator, Allen Lew, joined the Board along with five other new members from the District and Prince George's County. I would like to salute my colleague David Bardin, who retired from the Board after more than 10 years of diligent, purposeful service to DC Water.

As you will read in the pages that follow, DC Water broke ground this year on three projects of unprecedented scale. Our biosolids digester will generate clean, renewable electricity and reduce our carbon footprint. Enhanced nitrogen removal will further DC Water's exceptional track record of lowering nitrogen levels in the Potomac River and Chesapeake Bay Watershed. The Clean Rivers Project will reduce the amount of sewage entering the District's waterways during heavy rainstorms. These projects will have a dramatic impact on the environment, DC Water's operations, and our local economy – to the tune of \$4 billion in capital expenditures.

DC Water provides a service – water – that is fundamental to life and is the only public service that must be provided for our regional economy to exist. We employ more than 1,000 people, have an annual budget of nearly \$1 billion, and supply and treat more gallons of water every day than there are people in the United States.

DC Water manages your rate dollars exceptionally well. We were under budget for both operating costs and capital projects and generated an operating surplus of \$25 million in 2011. We issued \$300 million of Build America Bonds at 3.6 percent, the lowest interest rate ever for DC Water. We reduced overtime by 15 percent, saving ratepayers \$350,000. We locked in energy prices at the beginning of the year and re-negotiated several chemical contracts, saving ratepayers an additional \$8 million.

Beyond exceptional financial management, the Board of Directors challenged DC Water's management team to improve the quality of service our ratepayers receive. Ten years ago, fully 25 percent of the District's fire hydrants were out of service – today, less than 1 percent of hydrants are out of service. When there are service disruptions today, ratepayers are proactively contacted and can receive service updates via email, DC Water's web site, and even on Twitter. Most importantly, the quality of DC Water's water continues to be exceptional. Once again in 2011, DC Water exceeded all federal water quality standards by a wide margin.

I know that the entire board joins me in congratulating General Manager George Hawkins and everyone at DC Water for their exceptional performance in 2011. DC Water, today, is viewed as one of the most innovative, well-run water utilities in the world. It is our mission to provide our ratepayers with a great product and exceptional service at the lowest cost possible. DC Water did just that in 2011.

William M. Walker, Chairman
DC Water Board of Directors



DC Water breaks ground May 17, 2011 on major environmental projects at Blue Plains Advanced Wastewater Treatment Plant.

L-R

Dr. Ellen Gilinsky, Senior Policy Advisor, Office of Water, United States Environmental Protection Agency; Vincent C. Gray, Mayor, District of Columbia; George S. Hawkins, Esq., General Manager, DC Water; Walter F. Bailey, Assistant General Manager of Wastewater Treatment; William M. Walker, Chairman, DC Water Board of Directors; David Lake, Alternate Board Member, Montgomery County, Md.; James Patteson, Alternate Board Member, Fairfax County, Va.



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

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

Service Area: Providing more than 600,000 residents and 16.6 million annual visitors in the District of Columbia with retail water and wastewater (sewer) service, DC Water has a total service area of approximately 725 square miles. In addition, DC Water treats wastewater for approximately 1.6 million people in neighboring jurisdictions, including Montgomery and Prince George's Counties in Maryland and Fairfax and Loudoun Counties in Virginia.

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

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

Pumped and Treated Water Storage: During Fiscal Year 2011, DC Water pumped an average of 106 million gallons of water per day. In addition, DC Water stores 61 million gallons of treated water at its eight facilities. The Washington Aqueduct stores an additional 49 million gallons.

Water Distribution System: DC Water delivers water through 1,350 miles of interconnected pipes, four pumping stations, five reservoirs, three water tanks, 36,000 valves, and 9,089 fire hydrants.

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

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

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



"I just want to say that both DC Water (Water, Sewer) worked and conducted themselves in a very professional manner. They worked very well together to complete the necessary repairs to the water and sewer lines servicing my home."

Lawrence King, Ward 4

Financial Performance: In Fiscal Year 2011, all three leading credit rating agencies reaffirmed DC Water's "AA" credit rating. DC Water also received its 15th consecutive unqualified audit opinion of its financial statements.

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

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

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

"Our gratitude is immense. We are all looking forward to quieter sleeping nights. Mr. Hawkins, your immediate response has been fantastic."

dc GEORGE S. HAWKINS, GENERAL MANAGER

The word "change" captures my sense of DC Water after two years at the helm. Of course, I am incredibly proud of the aspects of our work that do not change much - delivering clean, safe water to our customers, then taking it back after use and cleansing it before returning it to the Potomac River. Our core work is fundamental to the welfare of every living organism in this region, and our team is unflinching in its dedication to this service.

Yet as much as our core purpose is firm, the manner in which we achieve this purpose is changing in almost every way. Consider our three pillars of change.

The first aspect of change is perception. It is our conviction that we are not just a critical utility but also one of the pre-eminent environmental enterprises of the region. We need our customers to understand what we do – and to link the charges on their bills to the work we are leading to cleanup our rivers and the Chesapeake Bay.

I am humbled that this effort was recognized in part when the Alliance for the Chesapeake Bay selected me to receive its 2011 Environmental Leadership Award. I am acutely aware that any award I win is only possible because of the fantastic people whom I have worked with over the years. And I am also delighted that the award is based significantly on the environmental accomplishments of DC Water.

A second change is to the stereotype that the water utility world is hide-bound and even stagnant. DC Water now shares the attributes of a firm in Silicon Valley. We are in a period of significant growth, largely driven by massive projects governed by federal law. We are expanding staff and facilities, redesigning our work-space, raising funds on capital markets, employing novel procurement and management practices – and ultimately implementing technology and techniques that are transforming our industry.

This trend is exemplified most dramatically by our biosolids management project. Building huge digesters will not only save the equivalent of nearly 54,000 tons of coal energy a day, but will also help demonstrate a new technology to help change wastewater plants into clean energy facilities anywhere in the world. This project is just the smallest of four massive capital programs together generating nearly \$4 billion of work in the next ten years.


The third component of change is how we serve our customers. As I mention to our team frequently, we have to be as attentive and aware of our customer needs as any private firm. From our aggressive use of Twitter and social media, to the deployment of the next generation of Automatic Meter Reading technology, we want every interaction with our customers to be friendly, helpful, and ultimately successful. Meeting customer service needs almost always drives change when we seek to resolve problems in our system.

Ultimately, these three aspects of change – in perception and understanding, business growth and efficiency, and improving service to the customer – support our core purpose. We commit to excellence and strive to be the best. You deserve nothing less.



George S. Hawkins
December 2011



**TEAM
BLUE** 





Eleven Principal and Eleven Alternate Board Members Govern DC Water.

The DC Water Board meets monthly at the Blue Plains Advanced Wastewater Treatment Facility. The Board Chairperson is appointed by the Mayor of the District of Columbia. Currently, the Board has eight standing committees:

- Environmental Quality and Sewerage Services, Robert Hoyt, Chair
- Water Quality and Water Services, Joseph Cotruvo, Chair
- Finance & Budget, Timothy Firestine, Chair
- Human Resources and Labor Relations, Anthony Griffin, Chair
- Audit, Bradford Seamon, Chair
- Strategic Planning, William Walker, Chair
- Governance, Alethia Nancoo, Chair
- DC Retail Water and Sewer Rates, Howard Gibbs, Chair



Alice Speck, Ward 1

"I wanted to alert you both that there has been a DC Water crew working in the 900 block of Florida Ave—really in front of 976 Florida Ave—since the beginning of this week fixing a water main leak. These gentlemen have been outstanding! Jack has been great at communicating what is going on, and really we (my husband and 3 year old Milo, and 1 year old Roman) have talked to each and every one of them. They have been both personable and professional."

dc BOARD OF DIRECTORS

EXECUTIVE TEAM

Principal Members

William M. Walker
Chairman
District of Columbia
*Walker & Dunlop, Inc.,
Chairman and Chief
Executive Officer*

David J. Bardin
District of Columbia
(through July 7, 2011)

Allen Lew
District of Columbia
City Administrator

F. Alexis H. Roberson
District of Columbia
*Opportunities
Industrialization Center,
President and CEO*

Alan J. Roth
District of Columbia
*United States Telecom
Association, Senior Executive
Vice President*

Alethia Nancoo
District of Columbia
Hogan Lovells US LLP, Partner

Adam Clampitt
District of Columbia
*Strategic Communications and
Public Relations Consultant*

Carla Reid
Prince George's County, MD
*Office of the County Executive
Deputy Chief Administrative
Officer*

Bradford Seamon
Prince George's County, MD
*Acting Chief Administrative
Officer*

Timothy L. Firestine
Montgomery County, MD
Chief Administrative Officer

Robert Hoyt
Montgomery County, MD
*Department of Environmental
Protection, Director*

Anthony H. Griffin
Fairfax County, VA
County Executive

Alternate Members

Howard C. Gibbs, PE
District of Columbia
Retired

Brenda Richardson
District of Columbia
*Office of Councilmember
Marion Barry, Deputy Chief
of Staff*

Howard Croft
District of Columbia
Retired

Joseph Cotruvo
District of Columbia
*Joseph Cotruvo & Associates,
LLC, President*

Samual Wynkoop
Prince George's County, MD
*Department of Environmental
Programs, Director*

Dawn Hawkins-Nixon
Prince George's County, MD
*Department of Environmental
Resources, Prince George's County
Government, Section Head*

Kathleen Boucher
Montgomery County, MD
*Montgomery County Government,
Assistant Chief Administrative
Officer*

David W. Lake
Montgomery County, MD
*Water and Wastewater Policy,
Montgomery County Government
Department of Environmental
Protection, Special Assistant*

James Patteson
Fairfax County, VA
*Department of Public Works and
Environmental Services,
Fairfax County Government,
Director*

George S. Hawkins
General Manager

Olu Adebo
Chief Financial Officer

Walter Bailey
Assistant General Manager,
Blue Plains

Leonard Benson
Chief Engineer

Christopher Carew
Chief of Staff

Randy Hayman
General Counsel

Alan Heymann
Chief, External Affairs

Charles Kiely
Assistant General Manager,
Consumer Services

Omer Siddiqui
Chief Information Officer

Katrina Wiggins
Assistant General Manager,
Support Services



dc **CUSTOMER SERVICE AND EXTERNAL AFFAIRS**

Reaching out to our customers where they are.

In Fiscal Year 2011, the Authority continued to connect with its customers in new and innovative ways.

General Manager Hawkins again took representatives from every department in the agency to every ward in the District, for his annual series of town hall meetings. Customers had the opportunity to learn about their water and sewer rates, to ask questions about their bills, and to raise any other concerns. This year, DC Water placed an automated phone call to all customers who had called in to report a problem, encouraging them to attend the town halls. Many were standing-room only.

The DC Water Twitter feed grew by hundreds of followers, especially during Hurricane Irene, when customers received up-to-the-minute information about the status of their water service. Customers continue to report outages and ask questions via Twitter.

The outreach team attended more than 125 meetings and events throughout the District, from ANC presentations about upcoming construction projects to providing water and information at the H Street Festival.

General Manager Hawkins and the DC Water staff were featured in numerous media outlets ranging from the *Washington Post* to *Engineering News Record*.

"Thank you for being in touch. I work in public relations myself, and I'm very happy to see how communicative your office is!"

Ashley Smith, Ward 6

The Office of External Affairs continued its aggressive media outreach program, which includes monitoring and responding to mentions of DC Water on community blogs.

DC Water also continued its efforts to promote and market tap water, which is a safe and inexpensive alternative to bottled water without the environmental harm. Fleet vehicles now carry prominent "Drink Tap" messaging, and the Authority embarked on its first-ever bus and newspaper box advertising the campaign in the summertime. The TapIt™ network, a group of businesses that allow customers to fill reusable bottles for free, grew to more than 120 locations.

Lending a helping hand.

DC Water continued its commitment to improving the quality of life for customers who are least able to pay, by providing relief through its Customer Assistance Program (CAP). In Fiscal Year 2011, a total of 6,025 customers received a discount on their bills for a total of \$1.38 million.

The second charitable program, Serving People by Lending a Supporting Hand (SPLASH), has grown because of the ease of contributing. Customers simply round up their water and sewer bills to the nearest whole dollar, and the proceeds help other customers pay their bills. In Fiscal Year 2011, DC Water received

contributions totaling more than \$100,000 and assisted more than 300 customers. The Greater Washington Urban League administers this program for the Authority.

DC Water has an ongoing commitment to community service and volunteerism. Throughout the year, employees participate in numerous community and charitable events. Joint Utility Discount Day, Bread for the Soul, DC Public Schools, Susan G. Komen Race for the Cure, Bike to Work Day and the District's Sixth Annual Nation's Triathlon were among some of the projects supported during the past year.

Serving customers better.

DC Water upgraded the technology in its customer service office and in the field, including a new call recording system to better evaluate the quality of service. The metering department is working with IBM to develop new uses of meter reading data to identify meters potentially in need of repair.

The Authority is also working with Itron, a meter technology company, to use sound wave technology to better detect leaks along water distribution mains. Both efforts will help reduce water losses and ensure that a higher percentage of the water reaches customers. The sound wave technology will help locate and repair main leaks with less disruption to surface streets.

Water and sewer authorities are tasked with a monumental responsibility—to provide life-sustaining water and sewer services on a 24/7/365 basis while protecting the environment, and doing it all with limited funding. The nation is facing mounting challenges with aging infrastructure in need of replacement and repair. Consider this: the average water main in the District is 77 years old, and sewer pipes are even older. Add in increasing environmental protections with very large pricetags, and the dilemmas facing water utilities are enormous. DC Water's Team Blue continues to face these challenges with determination, innovation and hard work. These are some of the major projects in 2011.

Construction begins on two massive environmental projects at Blue Plains.

The Authority broke ground on two massive environmental projects at the Blue Plains Advanced Wastewater Treatment Plant on May 17, 2011.

The first of these is the \$950 million *Enhanced Nutrient Removal Facilities*. When complete, this series of nitrification/denitrification tanks, pumps and other infrastructure will reduce the amount of nitrogen in Blue Plains' effluent to meet the new U.S. Environmental Protection Agency (EPA) and Chesapeake Bay Program goals of 4.7 million pounds per year or less by 2014. DC Water already meets the 2014 phosphorous goals.

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

Digester project using cutting-edge technology to generate power from methane.

The second large project is the construction of \$400 million digestion facilities on the Blue Plains campus. These vessels will process the sludge that is the solid end byproduct of wastewater treatment. Currently this product is hauled away and land-applied so the nutrients can be recycled. DC Water engineers wanted to harness renewable power by "pressure-cooking" the solids and using anaerobic digestion to unleash methane that is a power source. It will also reduce the volume of solids remaining after wastewater treatment, while creating a better class of biosolid.

The Authority's analysts estimate the facilities will generate 13 MW of renewable energy and may save the Authority as much as \$20 to \$30 million annually in energy costs and reduced hauling fees for recycling the biosolids through land application.

When the project is completed, DC Water will become the first in North America to use thermal hydrolysis for wastewater treatment.

Clean Rivers Project.

DC Water's *Clean Rivers Project* geared up for the beginning of construction in FY 2012. This will be the Authority's largest construction project ever, and the District's largest since Metro was built. The \$2.6 billion project aims to nearly eliminate combined sewer overflows (CSOs) to the Anacostia and Potomac rivers and Rock Creek, also improving the health of the Chesapeake Bay. The project is designed to reduce CSOs to the Anacostia by 98 percent and to all three waterways by 96 percent overall. DC Water has already reduced CSOs to the Anacostia River by 40 percent with improvements to the existing sewer system.

The tunneling portion consists of massive underground tunnels to store combined rainwater and sewage during rain events, releasing it to the Blue Plains Advanced Wastewater Treatment Plant for treatment after storms subside.

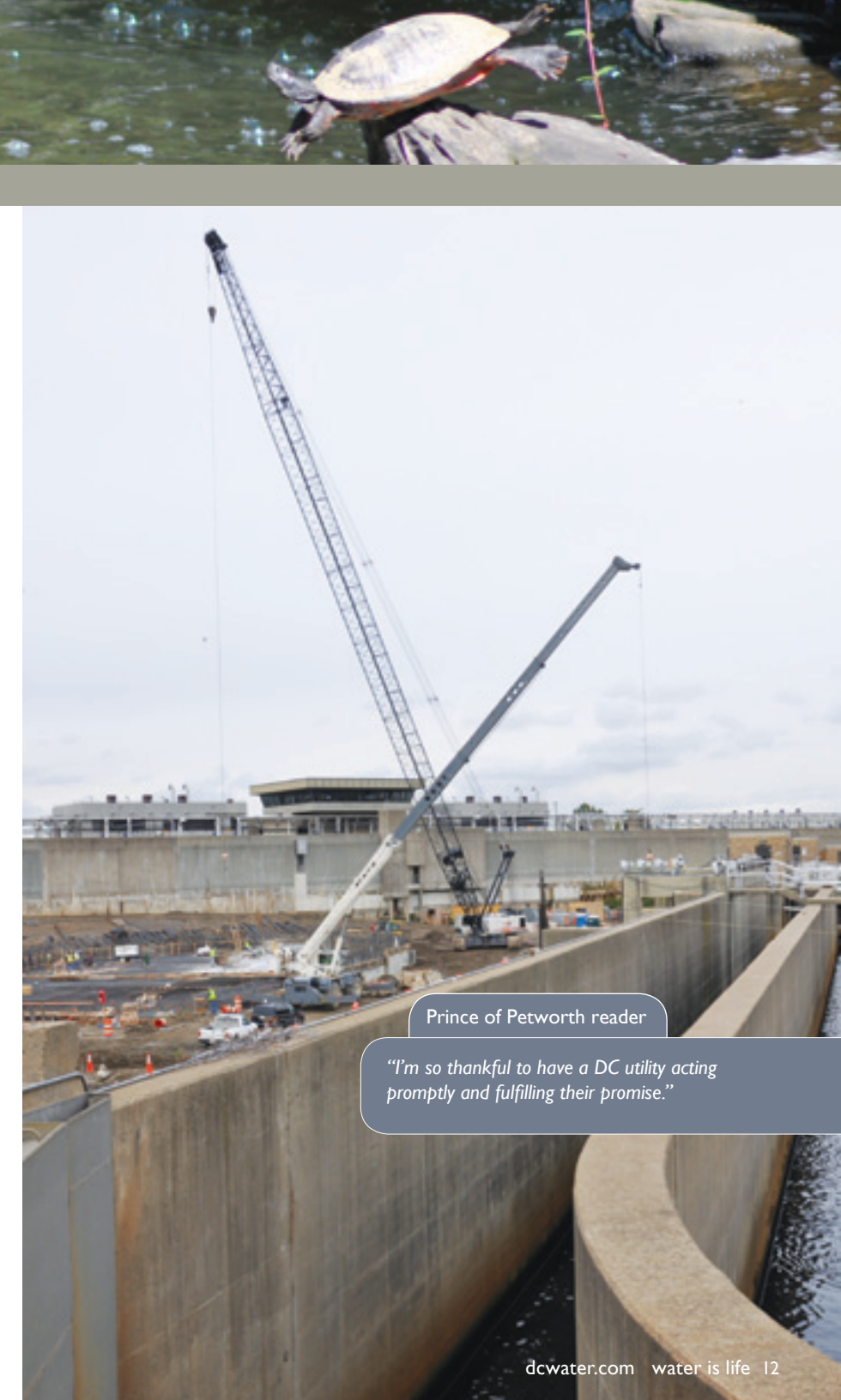
DC Water will begin construction on the first tunnel in the system in 2012, but is exploring green-development technologies that could reduce or eliminate future pieces of the project, create jobs and green the District. The Clean Rivers Project is a 20-year plan and is the result of a 2005 federal consent decree.

Operation Clean Air Making Headway

DC Water's \$14 million solution for odor control along the Potomac Interceptor, called *Operation Clean Air*, made significant progress in 2011. After securing more than 40 permits, the Authority continued construction on facilities at three Maryland sites and one District site. Once the Authority obtains the required permits for the two Virginia sites, construction may begin on those.

These six "scrubbing facilities" enable DC Water to remove most of the vents along the 50-mile interceptor sewer. The vents help convey the sewage through the gravity sewer, but also emit sewer gases that present odor problems above ground, especially for outdoor enthusiasts on the C&O Canal and those using MacArthur Boulevard and the Clara Barton Parkway.

The new buildings will create a vacuum effect so the wastewater continues to flow, and they will be fitted with large carbon filters to absorb the odors. DC Water and the communities along the interceptor have worked for more than a decade on this solution and the finish line is finally in sight. The Maryland sites are scheduled for completion in 2012 and the Virginia sites are slated for 2013.



Prince of Petworth reader

"I'm so thankful to have a DC utility acting promptly and fulfilling their promise."



dc ORGANIZATIONAL EFFECTIVENESS



Emily Chabel, Ward 1

"We have flushing toilets and working drains! Your wonderful crew fixed us and also fixed tree roots in the main line. There's still a hole in the back but it is well covered and I'm sure they'll be back when the weather improves. Thank you. DC Water came through with flying colors."

Production, performance and social responsibility are key elements in an agency's organizational effectiveness. DC Water has been diligently working to increase its effectiveness internally, externally and for the future. To that end, we accomplished several noteworthy milestones in FY2011. They are:

- Clean Rivers Project awarded the first of four major design-build tunnel contracts to Traylor / Skanska / Jay-Dee JV with designer Halcrow. The \$330.5 million contract is the largest ever awarded at DC Water.
- The Dale Carnegie Management Development Program provided a six-week training to 135 employees. The training was based on management interviews and a gap analysis of leadership competencies. A "foundation for success" program was developed specifically for union leadership – possibly the first-ever in Dale Carnegie's history – which was attended by 23 union representatives.
- Continued support of the District's fire hydrant program, and significant reduction in the number of out of service fire hydrants. More specifically,
 - Maximized internal resources more than ever.
 - Reduced number of defects reported by implementing more aggressive preventive maintenance.
- Saved 12 percent in construction management costs in fire hydrant replacement.
- Internal training allowed for flow tests, resulting in cost savings.
- Use of mobile laptops and fire hydrant software helped to develop more efficient routes and maximize the number of fire hydrants serviced.
- Enhanced Nitrogen Removal Project began construction at Blue Plains, realizing a permit milestone.
- Formed two new cross-functional teams to establish a comprehensive asset management program and renew the safety culture throughout DC Water.

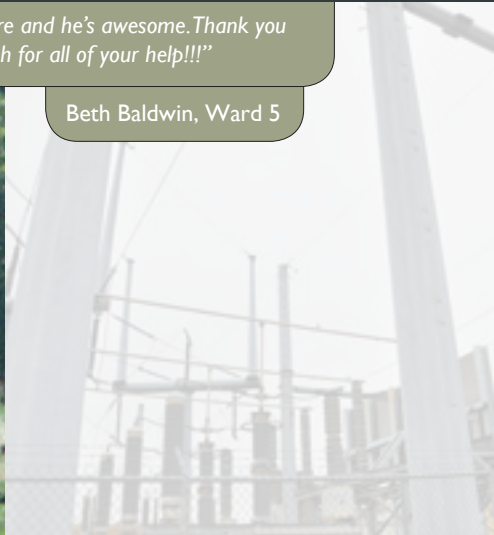
"Today I had a most pleasant experience with Mr. Clay Turner in trying to sort out an issue with my password. He was very professional, helpful, and extremely pleasant, so much so that I can honestly say I enjoyed paying my water bill!"

Marie-Claire Brown



"The fellow is here and he's awesome. Thank you so very, very much for all of your help!!!"

Beth Baldwin, Ward 5



Cycle of innovation to implementation.

Years of scientific inquiry precede major projects
DC Water continued to prove its status as a global leader in water sector science and technology. The Authority broke ground on two major wastewater treatment projects—Enhanced Nutrient Removal Facilities and a thermal hydrolysis/anaerobic digestion facility. Though to many observers the groundbreaking signaled a beginning of these projects, it was a culmination of years of scientific inquiry, research, planning, modeling and evaluation by the engineers and researchers at Blue Plains.

Another first for Blue Plains.

Anaerobic digestion in wastewater treatment has long been recognized for the reusable energy it produces. The challenge in pursuing the technology at Blue Plains had been to affordably build and maintain the necessary facilities in a limited area. DC Water investigated using thermal hydrolysis prior to anaerobic digestion, which reduces the volume and creates a better class of biosolid. The final facility plans are the result of the multi-year cycle of innovation to implementation and is a

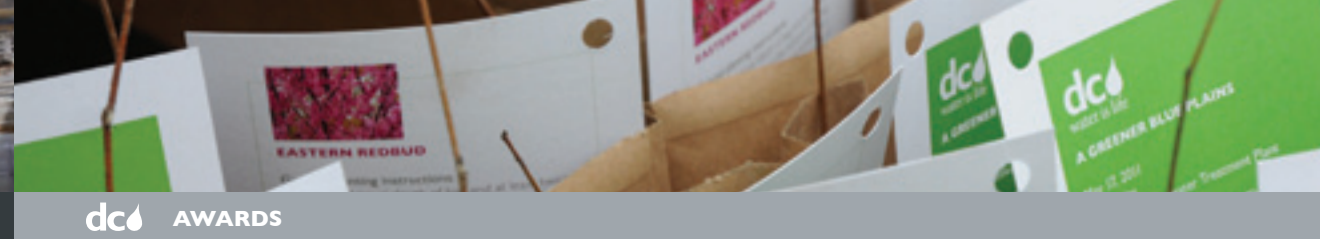
bold solution—Blue Plains is the first in North America to implement thermal hydrolysis. Wastewater treatment leaders across the country and around the world are closely watching this project for its feasibility in their own jurisdictions.

Renovation to research and monitoring laboratory.

In FY 2010, DC Water began construction on the research and monitoring laboratory facilities at Blue Plains, relocating the staff to a temporary on-site lab. The \$3.5 million project includes a complete renovation of the interior building and an addition to it. It is scheduled for completion in spring 2012. Blue Plains continues to sponsor master's and Ph.D. candidates doing their full-time investigation on DC Water science and technology projects.

Drinking water quality and distribution research.

Personnel in the Drinking Water Department, including staff and master's degree candidates, are active participants in Water Research Foundation research projects, in addition to performing in-house research.



Customer Service

2011 Ed Malemezian Utility Professional Best Practices Award
– *Utilimetrics*

Engineering and Technical Services

Innovation Award for Water and Wastewater for the Blue Plains Process Control System
– *Emerson Process Management – Power and Water Solutions*

External Affairs

2011 Hermes Creative Awards
– *Hermes Awards*

2010 MarCom Awards
– *MarCom Awards*

Finance

Certificate of Achievement for Excellence in Financial Reporting: Comprehensive Annual Financial Report (for fiscal year ended September 30, 2010)
– *Government Finance Officers Association*

General Manager

2010 Living Legend Award
– *Living Classrooms of the National Capital Region*

2011 Environmental Leadership Award
– *Alliance for the Chesapeake Bay*

Human Resources

2011 Recognition Award for Continued Support
– *Water and Wastewater Operators Association*

Information Technology

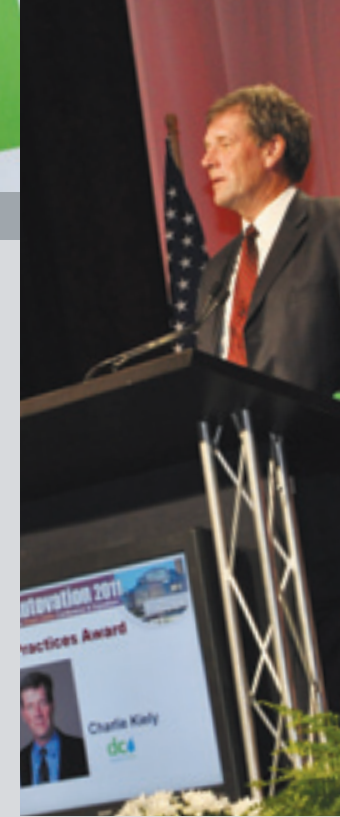
2011 CIO 100 Award
– *CIO Magazine*
Best Practices Award for Adopting Emerging and Innovative Technologies
– *Computerworld, the Storage Networking Industry Association and SNW*

Wastewater Treatment

Awarded a Patent for New Aerobic Digestion Process
– *U.S. Patent and Trademark Office*
2011 George Bradley Gascoigne Medal for Operational Problem Solving and Improvement
– *Water Environment Federation*
2011 Platinum Peak Performance Award
– *National Association of Clean Water Agencies*

Terry Salinger, Ward 4

"We have a large yard and garden. The summer heat and drought have necessitated that we water more than usual. Thank you for your concern and we appreciate these emails so that we do check for leaks, etc."





Financial Performance

DC Water ended Fiscal Year 2011 with strong financial performance. These results included strong liquidity and cash position, solid operating revenues with strong control over expenses, positive budget to actual results. The authority met or exceeded all financial targets and complied with Board policies and bond covenants. DC Water received its fifteenth consecutive unqualified audit opinion on its financial statements.

Other financial highlights for the year include:

- Successful launch of \$300 million in Build America taxable bonds. These bonds were issued at a total net interest rate of 3.6 percent, represented the lowest rate ever issued in the Authority's history for long-term bonds, and will save its ratepayers approximately \$2.7 million annually compared to issuance of traditional tax-exempt bonds.
- Achievement of senior debt service coverage rate of 319 percent and combined debt service coverage rate of 144 percent.
- The DC Water Board of Directors demonstrated its continued focus and commitment to fund the Authority's expansive CIP program.
- Construction commitments for utility plant construction substantially increased to \$1.04 billion compared to the Fiscal Year 2010 level of \$365.1 million, reflecting Board approval of several major contracts including the digester and Clean Rivers Projects.

"...spoke to the most informative and helpful person ever! never happened before with utilities, good job!"

Twitter

- Government Finance Officers Association (GFOA) once again awarded DC Water with a Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The Authority has received the certificate for every year of DC Water's existence and the award for the eleventh consecutive year.

Other financial metrics include the following:

Operating Revenues

Operating revenues increased by \$44.5 million to \$408.3 million. This result is primarily attributable to the retail water and sewer rate adopted by the Board.

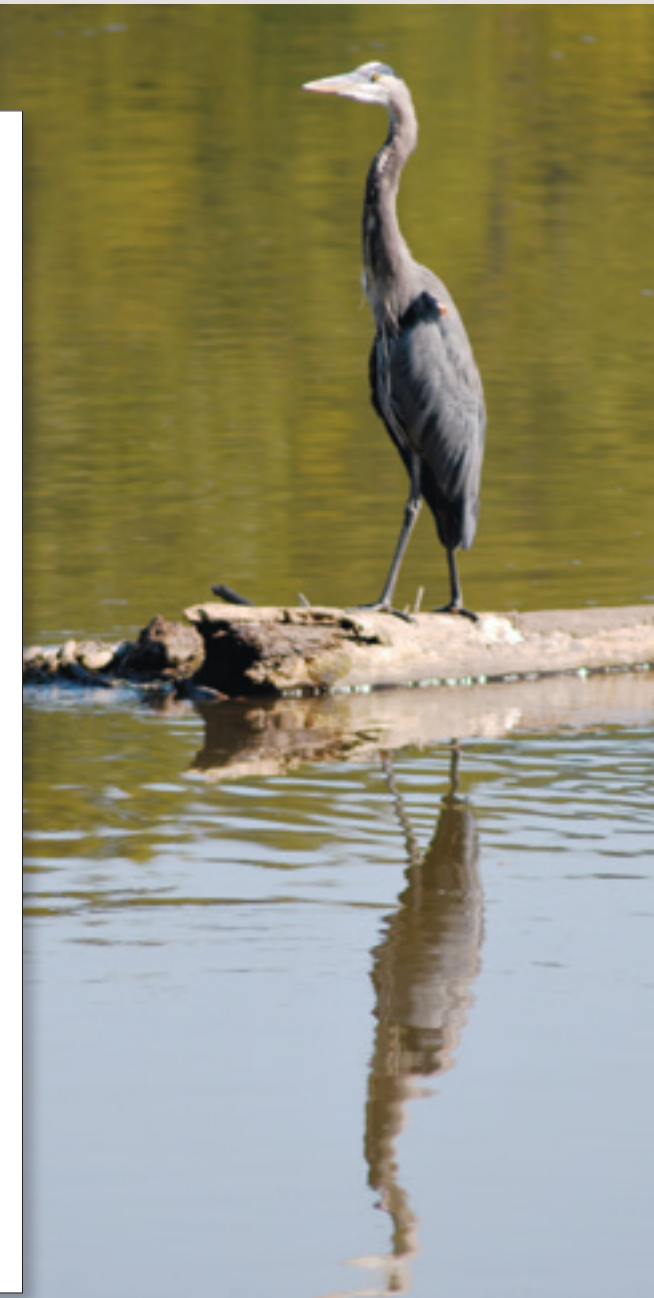
Operating Expenditures

Operating expenditures increased by \$10.6 million to \$319.3 million, primarily for increases in personnel, contractual services, and depreciation.

Capital Disbursements

In Fiscal Year 2011, acquisition of utility plant and purchased capacity totaled \$302.5 million, bringing the utilities investment in capital assets to \$3.1 billion.

Auditor's Report



– Statements of Net Assets / September 30, 2011 and 2010 (In thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 112,944	\$ 81,069
Investments	69,764	70,255
Customer receivables, net of allowance for doubtful accounts of \$14,350 in 2011 and \$11,975 in 2010	39,252	39,742
Due from Federal government	20,505	40,077
Due from other jurisdictions	16,202	8,531
Inventory	7,264	7,339
Prepaid assets	204	371
Total current assets	266,135	247,384
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	98,054	116,786
Investments	183,121	40,027
Total restricted cash equivalents and investments	281,175	156,813
Utility plant:		
In-service	3,547,829	3,365,892
Less accumulated depreciation	(981,030)	(916,505)
Net utility plant in service	2,566,799	2,449,387
Construction-in-progress	485,497	327,738
Net utility plant	3,052,296	2,777,125
Other noncurrent assets:		
Purchased capacity, net of accumulated amortization of \$60,543 in 2011 and \$55,591 in 2010	247,050	223,687
Unamortized bond issuance costs	17,430	15,716
Due from other jurisdictions, net of allowance for doubtful accounts of \$305 in 2011 and \$187 in 2010	6,639	7,990
Total other noncurrent assets	271,119	247,393
Total noncurrent assets	3,604,590	3,181,331
Total assets	3,870,725	3,428,715
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	119,850	88,684
Compensation payable	16,748	15,043
Accrued interest	39,945	32,289
Due to jurisdictions	8,500	6,500
Due to District government	1,563	382
Due to Storm Water Fund	417	132
Deferred revenue	33,568	25,354
Commercial paper notes payable	35,200	29,200
Current maturities of long-term debt	18,721	17,793
Total current liabilities	274,512	215,377
Noncurrent liabilities:		
Deferred revenue	918,787	852,010
Deferred revenue - combined sewer overflow	43,314	62,843
Other liabilities	31,720	20,568
Long-term debt, excluding current maturities	1,530,174	1,250,442
Total noncurrent liabilities	2,523,995	2,185,863
Total liabilities	2,798,507	2,401,240
Net Assets		
Invested in utility plant, net of related debt	946,868	880,934
Restricted for:		
Debt service	50,872	34,747
Capital projects	11,633	9,586
Unrestricted	62,845	102,208
Total net assets	\$ 1,072,218	\$ 1,027,475



– Statements of Revenues, Expenses and Change in Net Assets / Years Ended September 30, 2011 and 2010 (In thousands)

	2011	2010
Operating revenues:		
Water and wastewater user charges:		
Residential, commercial and multi-family customers	\$ 241,475	\$ 209,796
Federal government	43,033	37,845
District government and D.C. Housing Authority	25,123	21,947
Charges for wholesale wastewater treatment	90,414	87,505
Other	8,210	6,655
Total operating revenues	408,255	363,748
Operating expenses:		
Personnel services	93,240	88,210
Contractual services	68,286	66,747
Chemicals, supplies and small equipment	28,188	29,003
Utilities and rent	29,429	29,929
Depreciation and amortization	70,209	64,425
Water purchases	27,170	27,587
Other	2,769	2,750
Total operating expenses	319,291	308,651
Operating income	88,964	55,097
Non-operating revenues (expenses):		
Interest income	2,008	1,561
Payment in lieu of taxes and right of way fee	(21,990)	(20,474)
Interest expense and fiscal charges	(71,613)	(58,370)
Total non-operating revenues (expenses)	(91,595)	(77,283)
Change in net assets before Federal grants and contributions	(2,631)	(22,186)
Federal grants and contributions	47,374	30,403
Change in net assets	44,743	8,217
Net assets, beginning of year	1,027,475	1,019,258
Net assets, ending of year	\$ 1,072,218	\$ 1,027,475

Karine Kennedy, Ward 2

I have just received the greatest customer service I've had in a great while. Mr. McKenzie and Mr. McMullen. Very helpful, very patient and very knowledgeable.



– Statements of Cash Flows / Years Ended September 30, 2011 and 2010 (In thousands)

	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 401,510	\$ 346,029
Cash paid to suppliers for goods and services	(154,385)	(145,876)
Cash paid to employees for services	(91,535)	(86,483)
Net cash provided by operating activities	155,590	113,670
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds	297,580	—
Proceeds from other jurisdictions	82,856	87,097
Repayments of bond principal and notes payable to Federal and District governments	(17,792)	(14,273)
Acquisition of utility plant and purchased capacity	(302,536)	(270,526)
Payments of interest and fiscal charges	(74,715)	(68,224)
Contributions of capital from Federal government	27,485	36,126
Proceeds from issuance of commercial paper	6,000	—
Net cash provided by (used in) capital and related financing activities	18,878	(229,800)
Cash flows from non-capital financing activities:		
Transfers out (payment in lieu of taxes and right of way fee)	(20,618)	(20,474)
Net cash used by non-capital financing activities	(20,618)	(20,474)
Cash flows from investing activities:		
Cash received for interest	1,894	1,330
Investment purchases	(564,757)	(260,421)
Investment maturities	422,156	271,100
Net cash (used in) provided by investing activities	(140,707)	12,009
Net increase (decrease) in cash and cash equivalents	13,143	(124,595)
Cash and cash equivalents (including restricted) at beginning of year	197,855	322,450
Cash and cash equivalents (including restricted) at end of year	\$ 210,998	\$ 197,855
Operating income	\$ 88,964	\$ 55,097
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	70,209	64,425
Change in operating assets and liabilities:		
Decrease in customer and other receivables	183	275
Decrease in inventory	241	2,248
Increase in payables and accrued liabilities	5,729	8,770
Decrease in deferred revenue	(9,736)	(17,145)
Net cash provided by operating activities	\$ 155,590	\$ 113,670

Prince of Petworth reader

“thanks DC Water for checking it out and providing some background as well as advice on what to do next time.”



– Change in Net Assets / Fiscal Years 2002 – 2011 (In thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues										
Operating revenues:										
Residential, commercial and multi-family customers	\$ 148,134	\$ 147,870	\$ 159,165	\$ 166,045	\$ 174,159	\$ 182,327	\$ 183,553	\$ 191,543	\$ 209,796	\$ 241,475
Federal government	28,501	26,884	26,444	24,770	31,100	30,751	35,888	35,195	37,845	43,033
District government and DC Housing Authority	16,496	16,072	15,464	15,436	16,463	17,266	16,193	16,804	21,947	25,123
Charges for wholesale wastewater treatment	53,211	61,682	60,834	62,126	67,966	73,378	82,854	85,519	87,505	90,414
Other	2,387	3,287	2,427	4,366	3,845	2,735	3,846	3,337	6,655	8,210
Total Operating Revenues	248,729	255,795	264,334	272,743	293,533	306,457	322,334	332,398	363,748	408,255
Non-operating revenues:										
Interest income	6,825	3,090	3,472	12,612	16,091	20,239	13,573	2,285	1,561	2,008
Total Revenues	255,554	258,885	267,806	285,355	309,624	326,696	335,907	334,683	365,309	410,263
Expenses										
Operating expenses:										
Personnel services	62,162	64,091	62,449	64,038	66,942	70,956	75,838	82,248	88,210	93,240
Contractual services	59,166	63,065	61,491	54,156	49,970	52,116	55,127	61,277	66,747	68,286
Chemicals, supplies and small equipment	13,683	14,768	17,384	22,062	23,482	24,510	28,816	29,074	29,003	28,188
Utilities and rent	20,071	20,804	22,217	25,562	31,151	32,238	37,843	32,813	29,929	29,429
Depreciation and amortization	37,099	39,524	40,500	41,069	44,149	49,355	54,418	59,291	64,425	70,209
Water purchases	16,904	13,723	20,692	19,625	22,745	24,042	25,746	25,371	27,587	27,170
Other	-	-	3,955	3,679	4,218	4,452	3,603	3,236	2,750	2,769
Total operating expenses	209,085	215,975	228,688	230,191	242,657	257,669	281,391	293,310	308,651	319,291
Non-operating expenses:										
Interest expense and fiscal charges	16,339	17,816	26,060	25,415	20,881	30,524	39,342	51,431	58,370	71,613
Payment in lieu of taxes and right of way fee	15,247	15,513	15,778	16,307	16,923	17,514	17,525	19,183	20,474	21,990
Total non-operating expenses	31,586	33,329	41,838	41,722	37,804	48,038	56,867	70,614	78,844	93,603
Total expenses	240,671	249,304	270,526	271,913	280,461	305,707	338,258	363,924	387,495	412,894
Income before Federal grants and contributions	14,883	9,581	(2,720)	13,442	29,163	20,989	(2,351)	(29,241)	(22,186)	(2,631)
Federal grants and contributions	18,848	39,626	31,455	34,578	24,927	25,083	42,208	27,752	30,403	47,374
Change in net assets	33,731	49,207	28,735	48,020	54,090	46,072	39,857	(1,489)	8,217	44,743
Net assets, beginning of year	721,035	754,766	803,973	832,708	880,728	934,818	980,890	1,020,747	1,019,258	1,027,475
Net assets, end of year	\$ 754,766	\$ 803,973	\$ 832,708	\$ 880,728	\$ 934,818	\$ 980,890	\$ 1,020,747	\$ 1,019,258	\$ 1,027,475	\$ 1,072,218

Source: FY 2002 - 2011 Audited Statements of Revenues, Expenses and Change in Net Assets.

Robert Hildum, Ward 4

“James and Mark were efficient and friendly and went to work. In no time they took care of the blockage. I cannot tell you how much I appreciate these 3 individuals. They made me feel like I was talking to my neighbors and their help was no problem at all. I wanted to make sure that I expressed my gratitude to 3 really kind professional people who work for you.”

“If there is magic on the planet, it is contained in Water.”

- Loren Eiseley, *The Immense Journey*, 1957

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