



Executive Budget Summary

Approved FY 2018 • Adopted December 1, 2016

(Fiscal year starting October 1)

Matthew T. Brown, Chairman of the Board

George S. Hawkins, CEO and General Manager

Mark T. Kim, Chief Financial Officer

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY



Green infrastructure project, Bloomingdale

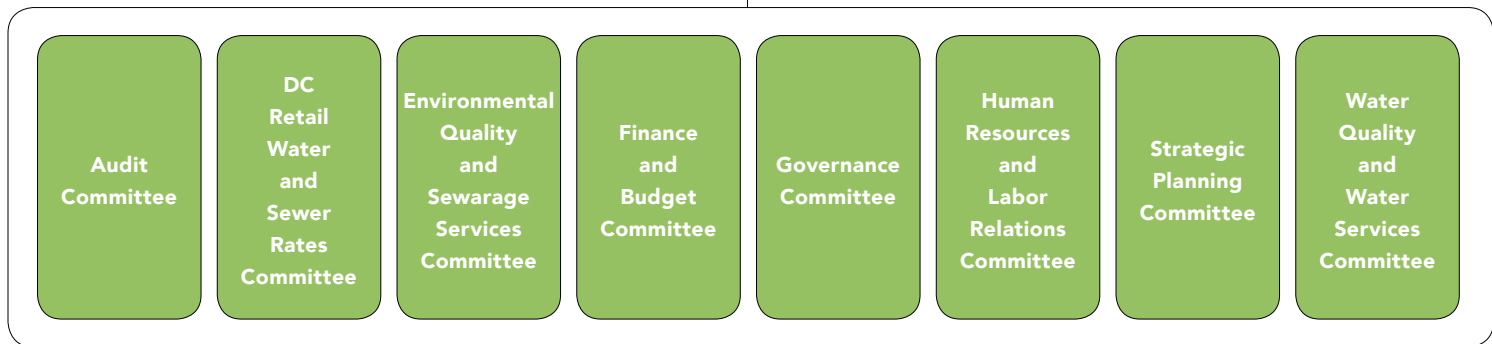


DC water is an independent authority of the District of Columbia, established under District of Columbia and Federal law; governed by an 11-member Board of Directors.

It provides clean drinking water to residents of the District of Columbia and wastewater and stormwater conveyance, and treatment services to both residents of the District of Columbia and wholesale customers in Maryland and Virginia.

This standalone document is intended for our diverse stakeholders. Additional Information can be found in the detail copies of our approved budget book available online at dcwater.com.

DC Water’s Board of Directors and the Executive Management Team collaborated to assess key industry trends and the greatest challenges, and to identify the critical factors important to DC Water’s long term success. This led to the adoption of DC Water’s Blue Horizon 2020 strategic plan, adopted by the Board of Directors in March 2013 and revised in FY 2015.



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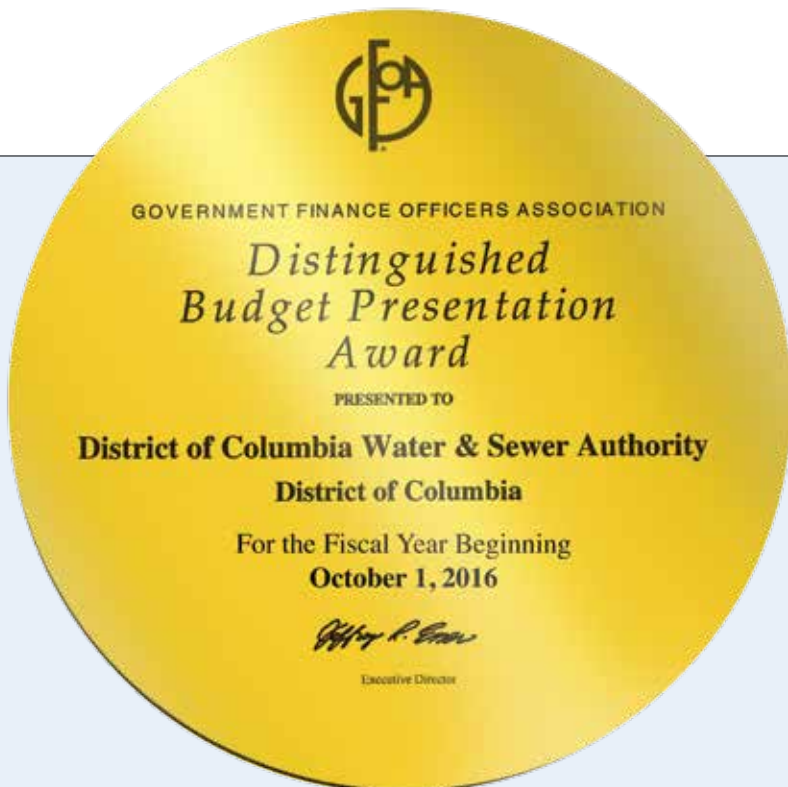
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The Strategic Plan provides the framework for the formulation, prioritization and monitoring of the (operating and capital) budgets and financial planning process. Below are the strategic plan goals.

Strategic Plan (Blue Horizon 2020 Goals)

1. Develop, Maintain, and Recruit a High Performing Workforce
2. Collaborate Locally, Regionally, Nationally and Internationally
3. Increase Board Focus on Strategic Direction
4. Enhance Customer and Public Confidence, Communications and Perception
5. Promote Financial Sustainability and Responsible Resource Allocation
6. Assure Safety and Security
7. Maximize Water Quality Treatment, Compliance and Efficiency
8. Optimally Manage Infrastructure
9. Enhance Operating Excellence through Innovation, Sustainability, and Adoption of Best Practices



DC Water providing water at Adam's Morgan Day



The year ahead again presents significant firsts for DC Water. We are entering the second year of a budget within the parameters of the Board-adopted multi-year rate proposal. The budget underscores our strategic approach and our discipline to adhere to it. We will be operating within funding requirements defined a year ago, which validates the budget development process and the confidence we have in this Authority as we continue to evolve using innovations and technology to improve operational results.

The strategic focus of DC Water entails a number of undertakings. First, we exist to serve the community. Our service include building a strong Minority and Women-owned Business Enterprise (MWBE) program and recently launched a local hiring program. The latter, called *DC Water Works*, is aimed at increasing employment for those in the region through identification and in some cases, skills training or certification.

Our green infrastructure (GI) projects can provide some of these opportunities, as well as numerous additional benefits for the environment. GI will help prevent flooding and combined sewer overflows by capturing stormwater runoff before it can enter the sewer system, keeping pollutants out of our local waterways. This will also green the District, reduce the heat island effect and can potentially raise property values. Our recent consent decree modification to include GI also allows a longer timeframe, thus reducing the immediate impact to ratepayers.

Another top priority at DC Water is managing its enormous capital and operations and maintenance budgets while balancing affordability for our customers. Recognizing that more than one-fourth of the population in the District lives

below the poverty line, we are constantly seeking relief for our ratepayers and this year will be instituting the second expansion of our Customer Assistance Program in recent years. This expansion will give credits for the Clean Rivers Impervious Area Charge, the fastest-growing charge on our water and sewer bills. Our staff researched this measure thoroughly before our Board approved the expansion. We are not yet done as we continue to evaluate the rate structure for all our customers.

Operational efficiencies and innovation have been key drivers to the leveling off of O&M costs. In the most recent year, we commissioned our wastewater-to-energy project, generating electricity through anaerobic digestion, offsetting one-third of our energy needs at Blue Plains, and reducing costs for hauling biosolids. We are evaluating a large-scale solar project to produce some of the Plant's energy needs and are also exploring co-digestion.

Additionally, DC Water is at the forefront of research of the innovative practice using Anammox bacteria in the wastewater treatment process to drive down costs for aeration and carbon, since the bacteria need far less oxygen and carbon food sources.

Each year, I am impressed with the creativity and performance of what I like to call the "Superbowl of Water" team members who will no doubt continue to bring to fruition, innovation that contributes to high performance, a reliable system and a rate structure with the least customer burden possible.

I am enormously proud of DC Water's Board-adopted Fiscal Year 2018 budget. This is the second consecutive year that our core O&M (operations and maintenance) costs have decreased, representing a trend that benefits the Authority and our ratepayers. The operating and capital budgets are aligned with the Authority's Strategic Plan with a continued focus on sound financial management and, more importantly, lowering costs through innovation.

Like with all other utilities, DC Water faces daunting financial challenges. The cost of meeting largely unfunded regulatory mandates continues to drive our capital spending, as reflected by the fact that 37 cents of every capital dollar that we spend is to address these mandates. Aging infrastructure is another challenge and we are developing asset management solutions as a strategic and effective way to redeploy our limited capital by reprioritizing our projects using a risk-based approach.

Some notable financial accomplishments include:

- A relentless focus on affordability** – As noted by our CEO & General Manager, we expanded our Customer Assistance Program (CAP) to provide a credit of 50 percent towards the Clean Rivers Impervious Area Charge, which funds the largest regulatory mandate in DC Water's history and represents the fastest growing portion of our average residential customer's bill
- Achieving credit rating upgrades** – During FY 2016, Standard and Poor's Investors Service (S&P) upgraded DC Water's credit rating to the coveted "AAA" for our senior lien revenue bonds, marking the first time in history that we have achieved the highest rating by a rating agency. S&P highlighted DC Water's "exceptional management practices, very good transparency and disclosure, [and] a detailed CIP that identifies funding sources and well-delineated policies" as the basis for its upgrade. Moody's Investors Service subsequently also upgraded DC Water's credit rating to "Aa1" for our senior lien revenue bonds
- Pioneering novel financial solutions** – We continue to lead the industry with groundbreaking municipal bond offerings such as green bonds, century bonds (bonds with a 100 year maturity), and most recently the nation's first Environmental Impact Bond (EIB). The defining characteristic of the EIB is that the total rate of return on the bond is tied to project performance, specifically the effectiveness of green infrastructure in managing stormwater runoff. This novel financing transfers project risk to the investors and won *The Bond Buyer's* Non-traditional Deal of the Year Award



In closing, while our accomplishments have been notable, there is still much work to be done. I look forward to working with Team Blue as we continue to blaze the trail in creating the utility of the future.

Mark T. Kim

DC WATER FINANCIAL INFORMATION (\$ Millions)

Bond Rating: AAA/Aa1/AA	FY 2017	FY 2018
Revenue (Cash Receipts)	\$595.4	\$617.2
Operating Budget	\$535.8	\$561.9
Capital Disbursements Budget	\$507.0	\$387.3

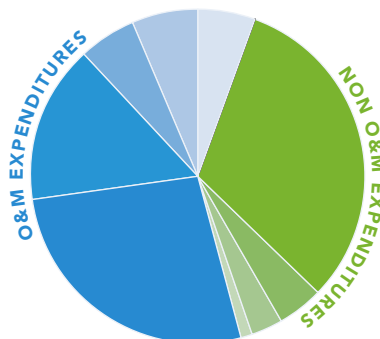
A Budget that focuses on: Sustainability and Affordability

The approved budget focuses on controlling both operating and capital expenditures while maintaining the Authority's high level of customer service. It provides the necessary resources to balance the need to maintain DC Water's critical infrastructure with rates that are reasonable, fair and affordable.

The following charts highlight the FY 2017/2018 operating and capital budgets. Detailed descriptions can be found in the budget book available online at dcwater.com

Operating Expenditures (\$ Thousands)

FY 2017



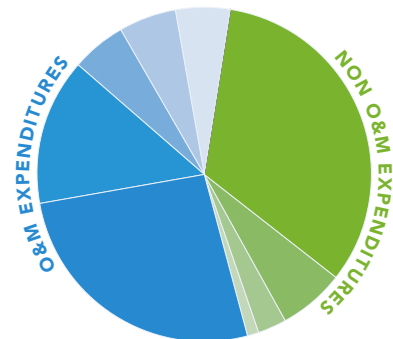
O&M EXPENDITURES

- \$144,761 - Personnel Services
- \$82,760 - Contractual Services
- \$29,278 - Water Purchases
- \$34,709 - Chemicals and Supplies
- \$28,670 - Utilities
- \$1,230 - Small Equipment

NON O&M OPERATING EXPENDITURES

- \$169,346 - Debt Service
- \$24,014 - Cash Financed Capital Improvements
- \$15,957 - Payment in Lieu of Taxes
- \$5,100 - Right of Way Fees

FY 2018



O&M EXPENDITURES

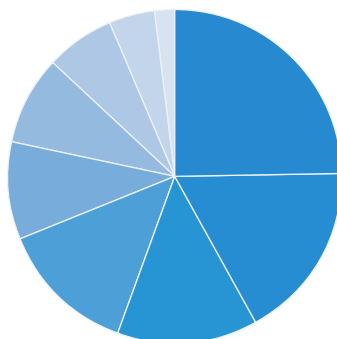
- \$149,193 - Personnel Services
- \$79,354 - Contractual Services
- \$30,156 - Water Purchases
- \$30,658 - Chemicals and Supplies
- \$29,399 - Utilities
- \$1,071 - Small Equipment

NON O&M OPERATING EXPENDITURES

- \$185,480 - Debt Service
- \$35,260 - Cash Financed Capital Improvements
- \$16,276 - Payment in Lieu of Taxes
- \$5,100 - Right of Way Fees

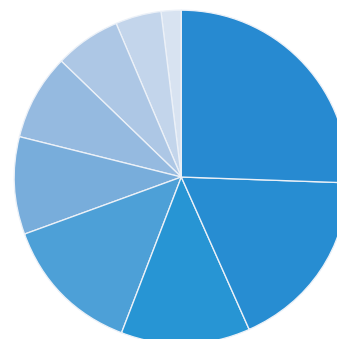
Operating Revenues (\$ Thousands)

FY 2017



- \$147,587 - Commercial
- \$102,308 - Residential
- \$81,468 - Wholesale
- \$79,093 - Multi-family
- \$57,540 - Federal Government
- \$51,080 - Other Revenues
- \$39,717 - Water System Replacement Fee
- \$25,877 - Municipal & Housing
- \$10,776 - Metering Fee

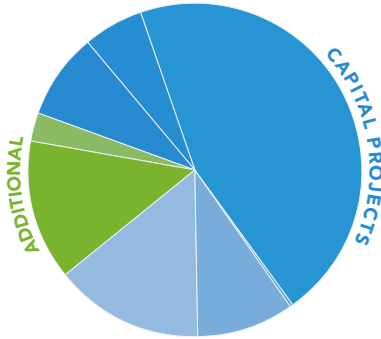
FY 2018



- \$159,147 - Commercial
- \$109,793 - Residential
- \$76,028 - Wholesale
- \$84,099 - Multi-family
- \$58,494 - Federal Government
- \$51,214 - Other Revenues
- \$39,717 - Water System Replacement Fee
- \$27,891 - Municipal & Housing
- \$10,776 - Metering Fee

Capital Improvement Program (\$ Thousands)

FY 2017



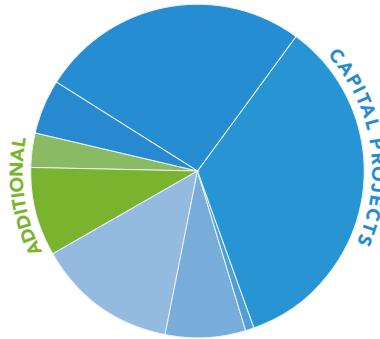
CAPITAL PROJECTS

- \$34,150 - Non Process Facilities
- \$123,789 - Wastewater Treatment
- \$184,387 - Combined Sewer Overflow
- \$1,706 - Stormwater
- \$38,302 - Sanitary Sewer
- \$58,819 - Water

ADDITIONAL CAPITAL PROGRAMS

- \$54,949 - Capital Equipment
- \$10,896 - Washington Aqueduct

FY 2018



CAPITAL PROJECTS

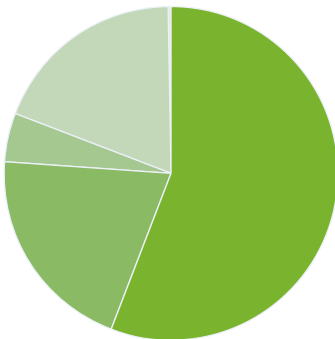
- \$20,030 - Non Process Facilities
- \$98,423 - Wastewater Treatment
- \$130,475 - Combined Sewer Overflow
- \$2,682 - Stormwater
- \$39,294 - Sanitary Sewer
- \$51,738 - Water

ADDITIONAL CAPITAL PROGRAMS

- \$32,897 - Capital Equipment
- \$11,768 - Washington Aqueduct

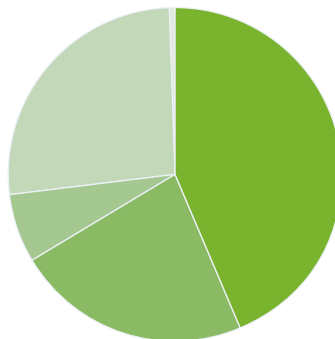
Capital Revenues (\$ Thousands)

FY 2017



- \$300,000 - Debt Financing & Proceeds from Commercial Paper/Extendable Municipal Commercial Paper/Treasury Notes
- \$107,732 - Wholesale Capital Payments
- \$25,013 - EPA Grants & CSO Appropriations
- \$100,633 - Pay-Go Financing
- \$1,283 - Interest Income on Bond Proceeds

FY 2018



- \$154,938 - Debt Financing & Proceeds from Commercial Paper/Extendable Municipal Commercial Paper/Treasury Notes
- \$80,043 - Wholesale Capital Payments
- \$23,093 - EPA Grants & CSO Appropriations
- \$95,514 - Pay-Go Financing
- \$1,365 - Interest Income on Bond Proceeds

Blue Plains



Performance Measures

The DC Water Blue Horizon 2020 Strategic Plan serves as a blueprint for achieving a vision to be a world-class water utility. By laying out a course of action, Blue Horizon represents a disciplined process for making fundamental decisions and shaping DC Water’s future, including the appropriate allocation of funding. To achieve the goals in the plan, the Authority is embracing a culture premised on strategy and performance.

DC Water is paving the way to realizing its vision through the development of performance management at the organizational, business unit and individual levels. By implementing a performance management program based on the goals outlined in Blue Horizon 2020, DC Water will set priorities and appropriately allocate resources to sustain and improve services. Ultimately, strategy will drive organizational performance, be used to assess and improve business unit processes and inform individual performance goals.

To effectively implement performance management, DC Water is developing cascading strategies, goals and metrics beginning at the organizational level. This level involves engaging the DC Water Board of Directors and Executive Team who are responsible for focusing on the Authority’s strategies. Together, these two groups developed a Strategy Map to communicate four key organizational strategy perspectives based on the goals outlined in Blue Horizon 2020 – workforce, finance, operations and customer.

The Strategy Map will serve as the foundation for the development of strategic outcome metrics aligned with the four key strategy perspectives. These metrics will

The Path to a World-Class Water Utility



represent a holistic view of how DC Water is performing at the organization level as directed by the Board of Directions and Blue Horizon 2020.

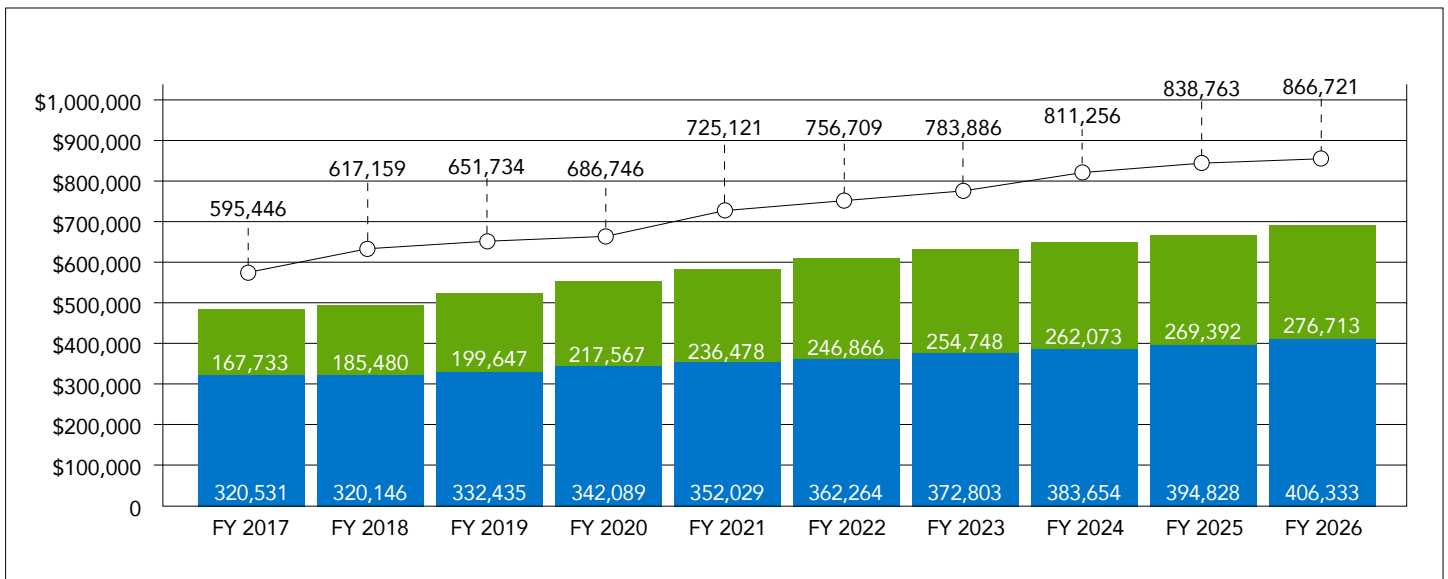
Blue Horizon 2020 instructs DC Water to participate in national and international benchmarking surveys. While performance management ensures DC Water is accomplishing enterprise strategies, benchmarking studies enable the Authority to define its performance compared to peer utilities. Essentially, performance management is an internal compass and benchmarking serves as an external compass to guide DC Water in achieving its vision of becoming a world-class water utility.



Ten-Year Financial Plan

DC Water's ten-year financial plan provides a strong financial framework to support implementation of the Board strategic plan, policies, priorities and guidance in several key financial areas. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. Given DC Water's substantial borrowing needs over the next ten years, adherence to these Board policies is crucial in order to cost-effectively access the capital markets and retain our credibility with customers and regulators. The ten-year financial plan encompasses annual projected revenue requirements, operating expenditures, debt service costs, coverage ratios for indenture requirements, and sufficiency liquidity to meet all the Authority's financial obligations.

FY 2017 - FY 2026 FINANCIAL PLAN (\$ Thousands)



■ O&M Expenses ■ Debt Service ○ Operating Revenues

Detailed description of the ten year Financial Plan is available within the Approved FY 2018 budget book online at dcwater.com.



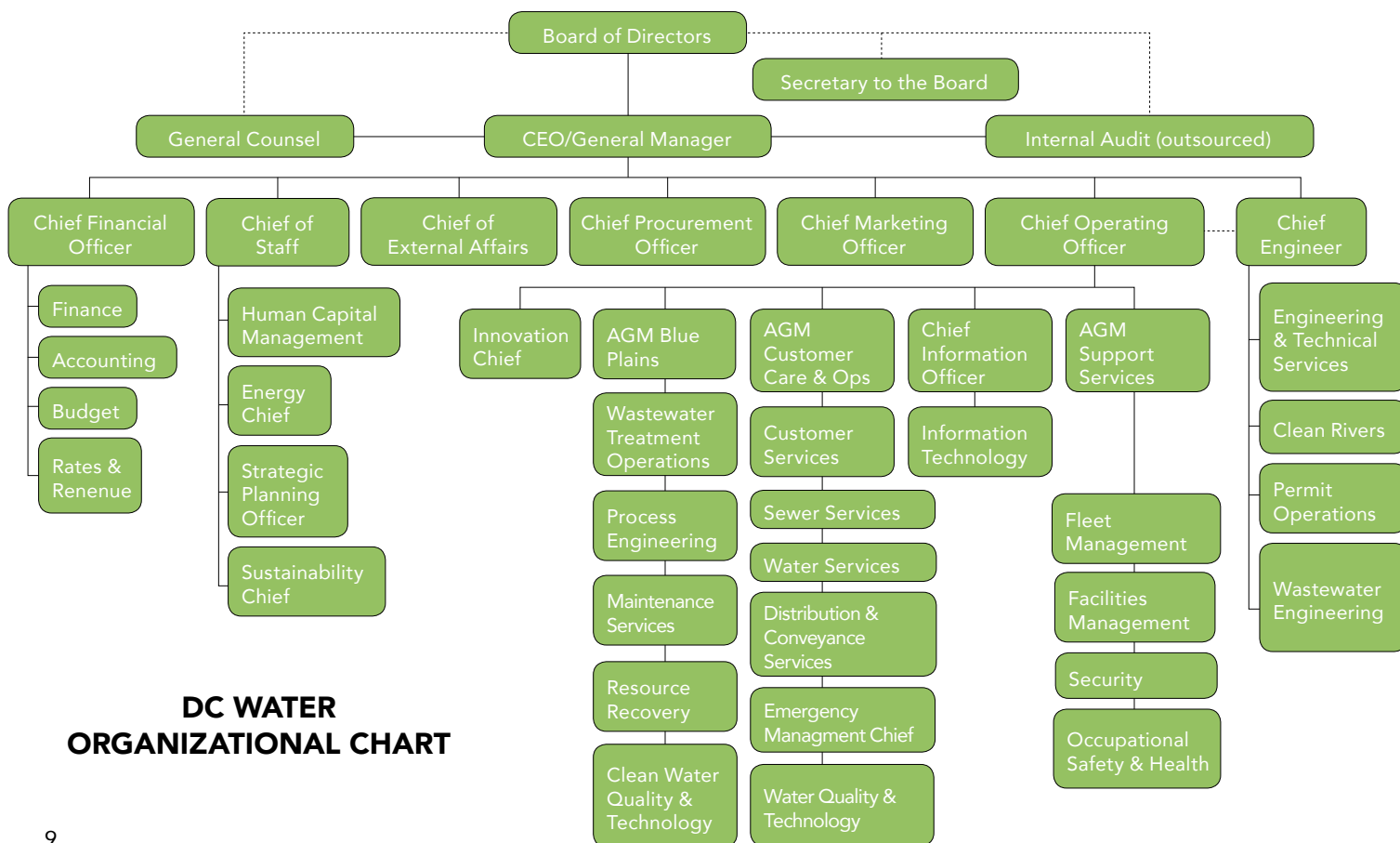
DC Water’s annual operating budgets provide the resources necessary to sustain a multi-billion dollar water treatment and distribution and sewage collection and treatment system. The Authority continues to deliver clean water, collect and treat the sewage before returning clean water to the local waterways and repair main and sewer breaks as needed. DC Water’s FY 2018 approved budget reflects management’s focus on controlling operating expenditures while maintaining our high level of customer service. The adopted budget strategy incorporates two core focus areas: financial sustainability and customer affordability.

COMPARATIVE OPERATING BUDGETS BY CATEGORY (\$ Thousands)

	FY 2017 Approved	FY 2018 Approved
Personnel Services	\$144,761	\$149,193
Contractual Services	82,760	79,354
Water Purchases	29,278	30,156
Chemicals and Supplies	34,709	30,658
Utilities	28,670	29,399
Small Equipment	1,230	1,071
Subtotal O&M Expenditures	\$321,408	\$319,831
Debt Service	169,346	185,480
Cash Financed Capital Improvements	24,014	35,260
Payment in Lieu of Taxes	15,957	16,276
Right of Way Fees	5,100	5,100
Total Operating Expenditures	\$535,825	\$561,947

The approved FY 2018 budget totals \$561.9 million, an increase of \$26.4 million or approximately 5 percent above the FY 2017 budget, which is due entirely to debt service and pay-go requirements necessary to finance the Authority’s Capital Improvement Program (CIP). However, the core operations and maintenance (O&M) portion of the budget decreased by approximately \$1.6 million, and is attributable to materialized savings from various capital investments, including the Digester and Combined Heat and Power (CHP) projects. These projects resulted in decreases in electricity, chemicals, and biosolids hauling costs.

Detailed descriptions of the approved FY 2017 and FY 2018 operating budgets are available online at dcwater.com.



DC WATER ORGANIZATIONAL CHART

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

OPERATING EXPENDITURES BY DEPARTMENT (\$ Thousands)

	FY 2017 APPROVED	FY 2018 APPROVED
BLUE PLAINS	\$109,515	\$101,917
Wastewater Treatment - Operations	80,466	74,686
Maintenance Services	21,057	19,558
Wastewater Treatment - Process Engineering	7,991	7,673
CHIEF ENGINEER	\$30,394	\$32,018
DC Clean Rivers	3,023	2,995
Engineering & Technical Services	25,126	26,728
Permit Operations	2,244	2,295
CHIEF FINANCIAL OFFICER	\$14,391	\$15,299
Finance, Accounting & Budget	14,391	15,299
CUSTOMER CARE & OPEARTIONS	\$106,767	\$106,180
Customer Services	18,679	19,281
Sewer Services	15,077	14,315
Water Services	22,936	24,094
Distribution & Conveyance System	50,075	48,490
INDEPENDENT OFFICES	\$37,300	\$40,480
Board Secretary	625	599
External Affairs	2,272	2,531
General Counsel	5,823	7,332
General Manager	4,373	4,138
Information Technology	11,045	11,315
Internal Audit	890	907
Procurement	4,450	5,672
Human Capital Management	7,823	7,986
SUPPORT SERVICES	\$23,041	\$23,936
Assistant General Manager - Support Services	527	513
Fleet Management	5,456	5,321
Occupational Safety & Health	1,691	1,871
Facilities Management	8,490	8,695
Security	6,877	7,536
SUBTOTAL O&M EXPENDITURES	\$321,408	\$319,831
Debt Service	169,346	185,480
Cash Financed Capital Improvements	24,014	35,260
Payment in Lieu of Taxes	15,957	16,276
Right of Way Fees	5,100	5,100
TOTAL OPERATING EXPENDITURES	\$535,825	\$561,947
Personnel Services charged to Capital Projects	(21,934)	(21,061)
TOTAL NET OPERATING EXPENDITURES	\$513,891	\$540,886
FULL TIME APPROVED POSITIONS	1,260	1,260



East side pumping station green roof

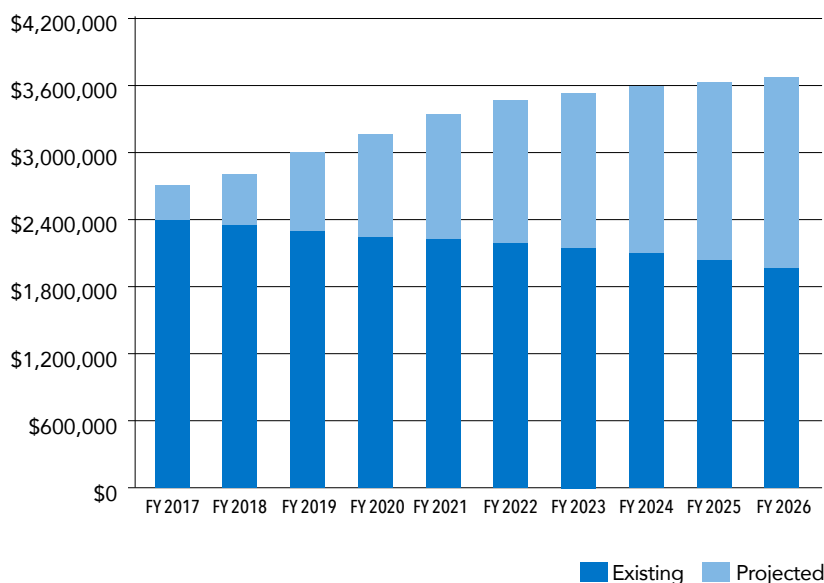
The cost of financing DC Water’s ten-year \$3.75 billion CIP (cash disbursement basis) continues to be the fastest growing line item of the operating budget. Debt management consists of managing funds borrowed through revenue bonds, commercial paper, and other short-term notes. Currently, debt financing represents approximately 40 percent of the funding in the ten-year financial plan and 33 percent of the FY 2018 operating budget. The Authority’s long term debt, including current maturities total \$2.78 billion as of the end of FY 2016.

During fiscal year 2016, DC Water refunded approximately \$390 million of its existing debt (Series 2016A). This refunding resulted in almost \$3 million in present value savings to the Authority. The Authority also issued a \$25 million Environmental Impact Bond (EIB, Series 2016B), an industry first, to construct green infrastructure designed to mimic natural processes to absorb and slow surges of stormwater during periods of heavy rainfall. This practice will help to reduce the incidence and volume of combined sewer overflows (CSOs) that pollute the District’s waterways. CSO reduction has become an increasingly urgent environmental challenge as a result of climate change, which has increased the frequency and severity of intense rainfall events.

DC Water’s strong financial performance and its success in achieving and maintaining strong bond ratings has been primarily due to the annual development of and adherence to a ten-year strategic financial plan. DC Water’s credit ratings on its senior lien bonds remain strong at AAA, Aa1, and AA ratings by Standard and Poor’s Ratings Services, Moody’s Investors Service and Fitch Ratings, respectively. These notable results are due to the Authority’s solid financing team and strong financial performance, diligent planning and market favorability.

Furthermore, as new issuances are planned, internet road shows for domestic and international investors are provided, giving pertinent information on the Authority’s strong management, capital improvement activities and financial forecasts. DC Water provides information for current and future investors on its website, dcwater.com.

FY 2017 - FY 2026 DEBT OUTSTANDING (\$ Thousands)



Capital Improvement Program (CIP)

The approved ten-year Capital Improvement Program (CIP) provides a framework for the development, prioritization, implementation and measurement of the capital projects undertaken. DC Water's FY 2017 - FY 2026 CIP budget increased by \$91.0 million over the FY 2016 - FY 2025 CIP due mainly to additional projects at the Blue Plains Wastewater Treatment Facility.

The FY 2017 and FY 2018 capital budgets total \$507.0 million and \$387.3 million, respectively (cash disbursement basis), while the ten-year disbursement plan totals \$3.75 billion and lifetime budget is \$10.95 billion (total commitments for projects that are active during the ten-year CIP).

Detailed description of major CIP changes and program details can be found in Section V – Capital Improvement Program of the budget book and online at dcwater.com.

FY 2017 – FY 2026 CAPITAL IMPROVEMENT PROGRAM (\$ Thousands)

FY 2017 Revised	FY 2018 Approved	Service Area	Ten-Year Disbursement Plan	Total Lifetime Budget
\$34,150	\$20,030	Non Process Facilities	\$85,486	\$139,789
123,789	98,423	Wastewater Treatment	844,706	3,551,615
184,387	130,475	Combined Sewer Overflow	1,340,146	3,153,028
1,706	2,682	Stormwater	23,055	83,991
38,302	39,294	Sanitary Sewer	513,517	1,448,589
58,819	51,738	Water	639,387	1,892,803
\$441,153	\$342,642	Capital Projects	\$3,446,297	\$10,269,817
54,949	32,897	Capital Equipment	193,119	193,119
10,896	11,768	Washington Aqueduct	112,207	112,207
\$65,845	\$44,665	Additional Capital Programs	\$305,326	\$305,326
		Labor		374,276
\$506,998	\$387,306	Total Capital Budgets	\$3,751,623	\$10,949,419

MEASURE OF PRIORITY (\$ Thousands)

	Mandates Agreements, Regulatory standards, Court orders, Issues and Permits requirements, Stipulated Agreements, Etc.	Health and Safety Required to address Public Safety	Board Policy Undertaken as a result of the Board's commitment to outside agencies	Potential Failure Related to Facilities in danger of failing, or critical to meeting permit requirements	High Profile / Good Neighbor Address Public Concern	Good Engineering / High Payback Need to fulfill Mission and upgrade Facilities	Good Engineering / Lower Payback Lower priority projects	Total
FY 2017	\$243,565	\$7,195	\$28,221	\$28,664	\$5,413	\$133,394	\$60,547	\$506,998
FY 2018	174,430	8,742	28,375	30,790	6,683	84,523	53,763	387,306
FY 2019	124,062	8,609	35,933	52,702	4,420	99,932	69,186	394,843
FY 2020	153,863	15,374	26,815	61,809	88	126,079	43,179	427,208
FY 2021	178,331	7,148	24,580	21,522	43	105,695	41,223	378,542
FY 2022	118,340	1,158	29,807	29,680	154	102,558	54,027	335,725
FY 2023	100,877	3,109	33,884	40,478	323	93,125	49,571	321,367
FY 2024	75,001	301	36,540	32,851	2,212	98,581	69,981	315,467
FY 2025	68,394	363	39,864	30,639	391	101,125	61,811	302,588
FY 2026	147,050	291	34,911	33,040	-	99,391	66,895	381,579
TOTAL	\$1,383,913	\$52,291	\$318,930	\$362,176	\$19,726	\$1,044,404	\$570,183	\$3,751,623
% of Total	36.9%	1.4%	8.5%	9.7%	0.5%	27.8%	15.2%	100%



The Walter F. Bailey Bioenergy Facility



Hydrant replacement



Blue Plains Tunnel

Operational Impact of Major Capital Investments

DC Water’s Capital Improvement Program (CIP) includes operational impacts of significant capital investments on several large projects such as the Biosolids Management Program, DC Clean Rivers and Blue Plains Total Nitrogen Program. Below is a list of pertinent information on current and future operational impacts for these non-routine capital investments.

Biosolids Management Program: The Walter F. Bailey Bioenergy Facility, which is now operational, significantly reduces DC Water’s carbon footprint. The innovative CAMBI® thermal hydrolysis process uses intense heat and pressure to treat wastewater solids producing a much cleaner biosolid and onsite generation of up to one-third of Blue Plains’ electricity needs. This process has resulted in operational efficiencies in electricity, biosolids hauling and chemicals costs.

DC Clean Rivers: This project aims to nearly eliminate combined sewer overflows to the Anacostia and Potomac Rivers and Rock Creek, while improving the health of

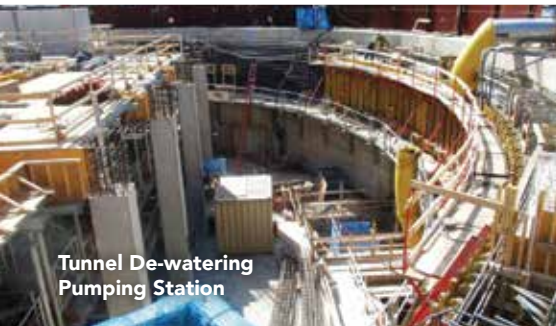
the Chesapeake Bay. This ongoing project is currently employing green infrastructure initiatives that will divert enriched water to the Blue Plains Advanced Wastewater Treatment Plant (AWWTP) for cleaning and processing. The tunnels have been completed between Blue Plains and Main & O Pumping Stations. The Anacostia River Tunnel is over 80 percent complete and the First Street Tunnel, which will alleviate Flooding in the Bloomingdale neighborhood, is complete.

Water Services: During FY 2016, the Authority’s performance in the Water Service Area exceeded the DC Water Board’s goal of renewing 1 percent of the small diameter water pipes. Other major replacements and upgrades to reservoirs and pumping stations will result in increased operational flexibility and reduction in long term maintenance costs.

Automated Meter Reading Replacement Program: This program aims to replace approximately 90,000 small water meters throughout the city. The program started in FY 2016



Rendering of new headquarters



Tunnel De-watering Pumping Station



Enhanced Nitrogen Removal Facility



Water meter

and is expected to be completed within the next two years. Data received from the water meters will better serve DC Water customers by providing timely and accurate meter reads for billing information.

Tunnel De-watering Pumping Station (TDPS)/Enhanced Clarification Facility (ECF): This facility will de-water the new tunnels being constructed by the DC Clean Rivers program. It will evacuate the stormwater gathered by the tunnels. The TDPS will deliver the stormwater to the ECF, for treatment, anticipated to be completed by the end of FY 2018.

New Administrative Headquarters Building: This facility will anchor DC Water’s new publicly-accessible campus along the Anacostia River. By relocating nonessential personnel from the Blue Plains campus, the Authority will preserve all valuable remaining space at Blue Plains AWWTP for future process improvements. This new building will be LEED® Platinum Class A certified, and incorporate environmentally sustainable features that will be used to

capture rainfall onsite for irrigation and non-potable water needs inside the facility. Additionally, alternative energy will be supplied by an innovative sewer heat recovery system that will lower operating costs. This project is anticipated to avoid renovation and expansion, including construction of a parking garage, at Blue Plains AWWTP.

Filtrate Treatment Facility: Also known as Centrate Treatment Facility, it is part of the Total Nitrogen Removal Wet Weather plan. The project assists in nitrogen removal from the water processed at Blue Plains AWWTP. This new facility uses six sequencing batch reactors to treat a nitrogen-rich stream from the Final Dewatering Facility’s belt filter presses. The de-ammonification process represents a major breakthrough in nitrogen removal, which lowers the use of methanol. It also has approximately 60 percent lower energy demand than the mainstream treatment and lowers greenhouse gas (GHG) emissions.



Operating Revenues

To provide continuous delivery of water and wastewater services, it is vital that DC water has a consistent revenue stream to cover operating and maintenance (O&M) costs, debt service, and other liquidity requirements. DC Water has a diverse customer base and receives revenues from a variety of sources. Retail rates are charges for water, sewer and other services to DC Water's customers. Wholesale revenues are received from suburban water and sewer authorities for their share of the O&M costs of the Blue Plains Advanced Wastewater Treatment Plan.

Based on the analysis of the peak demand of different customer classes as well as affordability considerations, DC Water adopted several changes to its existing retail rate structure in FY 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, which discount core consumption. The Board approved establishing class-based water volumetric rates for Residential, Multi-family and Non-residential customers effective October 1, 2015.

Starting FY 2016, DC Water modified its existing rate structure and implemented a new meter-based **Water System Replacement Fee (WSRF)** in order to recover the cost of the 1 percent renewal and replacement program for water service lines. It is anticipated that the new

The FY 2017 revised revenue budget totals \$595.4 million and is projected to increase to \$617.2 million in FY 2018

FY 2017 - FY 2018 OPERATING REVENUES (\$ Thousands)

	FY 2017 Revised	FY 2018 Approved
Residential	\$102,308	\$109,793
Commercial	147,587	159,147
Multi-family	79,093	84,099
Federal Government	57,540	58,494
Municipal & Housing	25,877	27,891
Water System Replacement Fee (WSRF)	39,717	39,717
Metering Fee	10,776	10,776
Wholesale	81,468	76,028
Other Revenue	51,080	51,214
Total	\$595,446	\$617,159

Water System Replacement Fee (WSRF) will generate approximately \$39.7 million per year from fiscal years 2017 through 2026. The fee is based upon meter size and average flow. DC Water's low income CAP customers receive a 100 percent credit for this fee.

DC Water's Board approved a new **System Availability Fee (SAF)** to be effective January 1, 2018. SAF is a one-time fee assessed to a property owner of any premises, building or structure to recover the cost of system capacity serving all metered water service and sanitary sewer connections and renovation or redevelopment projects



Clean Rivers Impervious Area Charge (CRIAC)

The CRIAC is a separate sewer service fee established in FY 2009 to recover the \$2.6 billion cost of implementing the DC Clean Rivers Project (the District's CSO-Long Term Control Program). The proposed monthly CRIAC ranges from \$25.18 per ERU (Equivalent Residential Unit) in FY 2018 to \$44.40 per ERU in FY 2026. The twenty year federal mandated CRIAC project is primarily driven by anticipated debt service costs to support the \$2.6 billion CSO Long Term Control Plan and is based on the amount of impervious surface on each individual property which impacts wet weather runoff that must be treated at the Blue Plains Wastewater Treatment Plant. The ten-year plan assumes no external funding beyond the special Congressional appropriation. DC Water has received \$224.8 million as of September 30, 2016.

FY 2017 - FY 2018 RETAIL RATES AND FEES

	Units	FY 2017 Approved	FY 2018 Approved	FY 2018 Increase/Decrease	
				\$	%
DC Water Retail Rates – Water					
• Residential 0-4 Ccf (Lifeline) ²	Ccf	\$3.23	\$3.39	\$0.16	5.0%
• Residential – > 4 Ccf ²	Ccf	\$4.06	\$4.26	\$0.20	5.0%
• Multi-family / DC Housing ²	Ccf	\$3.62	\$3.80	\$0.18	5.0%
• Non-Residential	Ccf	\$4.19	\$4.40	\$0.21	5.0%
DC Water Retail Rates – Sewer	Ccf	\$5.71	\$6.00	\$0.29	5.0%
DC Water Clean Rivers IAC	ERU	\$22.24	\$25.18	\$2.94	13.2%
DC Water Customer Metering Fee	5/8"	\$3.86	\$3.86	\$0.00	0.0%
DC Water System Replacement Fee ¹	5/8"	\$6.30	\$6.30	\$0.00	0.0%
District of Columbia PILOT Fee	Ccf	\$0.48	\$0.49	\$0.01	2.0%
District of Columbia Right-of-Way Fee	Ccf	\$0.17	\$0.18	\$0.01	1.0%
District of Columbia Stormwater Fee	ERU	\$2.67	\$2.67	\$0.00	0.0%

(1) DC WATER WSRF of \$6.30 effective October 1, 2015

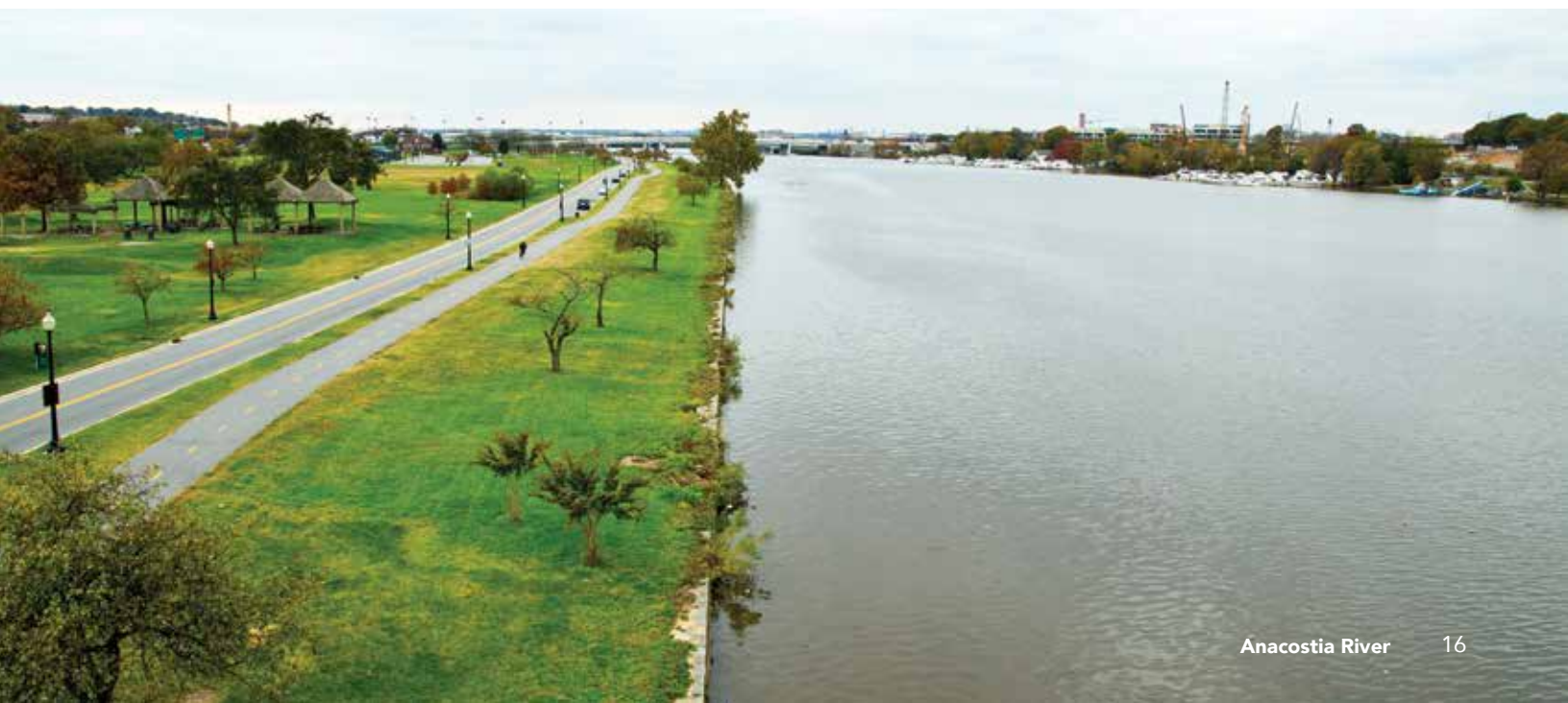
(2) Approved Class-Based rates

that require an upsized meter service connection to the District's potable water system. The fee is assessed based on the peak water demand, excluding fire demand, for new meter water service connection and renovation or redevelopment projects that increase the peak water demand and associated SAF meter size for the property.

Multi-Year Rate Proposal: DC Water moved to a multi-

year rate proposal in FY 2016 covering the period FY 2017 and FY 2018. The Board approved the multi-year rate increases of 5 percent in each of fiscal years 2017 and 2018. The benefits of multi-year rates include:

- Greater revenue certainty
- Increased budget discipline
- Better alignment between revenues and expenditures



Customer Affordability

In the District of Columbia, one-fourth of the residents live below the poverty line, thus rate affordability is of utmost concern in the planning process. DC Water seeks to balance its operating and financial needs with consideration to the financial impact upon its customers. EPA guidelines suggest that fees and charges should be within 4 percent of the median household income to be considered affordable (2 percent for water and 2 percent for sewer). Using the last available census data (2013), DC Water's rates are well under that target and they are comparable with similar water and wastewater utilities.

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

Customer Assistance Program ("CAP"): The Authority implemented the CAP in 2001 providing a discount of 4 Ccf per month of water service for single family residential homeowners that meet income eligibility guidelines. In

FY 2004, the Authority expanded the CAP to include tenants who meet the financial eligibility requirements and whose primary residence is separately metered by the Authority. In January 2009, the Authority further expanded the CAP to provide a discount of 4 Ccf per month of sewer services to eligible customers. In FY 2011, the discount was expanded to the first 4 Ccf associated with the PILOT/ROW fee in addition to the current discount provided on water and sewer services. In FY 2016, the CAP discount was expanded to include a 100 percent credit/discount for the Water System Replacement Fee (WSRF). In FY 2016, CAP assisted over 4,379 customers and provided 808,797 in discounts to low-income customers.

In FY 2017, Management recommended, and the Board approved, expansion of the Customer Assistant Program (CAP) to low-income customers to include Clean Rivers Impervious Surface Area Charge (CRIAC) credit in their monthly bills. The CRIAC credit, is anticipated to be implemented during FY 2017.

Serving People by Lending a Supporting Hand ("S.P.L.A.S.H"):

The SPLASH program was implemented in FY 2001. Through the SPLASH program, DC Water offers assistance to families in need so that they can maintain critical water and sewer services until they get back on their feet. The program is administered by the Greater Washington Urban League. Every dollar received by DC Water is distributed to eligible customers. In FY 2016, SPLASH assisted 309 households and provided 101,098 in contributions to low-income customers.

Regional Demographics

At DC Water, identifying and understanding customer requirements are a strategic component of our planning process. Therefore, we must be sensitive to the local economy in terms of sociopolitical and macro-economic trends. DC Water's retail customers include 'Residential, Commercial and Multifamily', (which is the largest base), 'Federal Government', 'DC Government', and the 'DC Housing Authority'. There are nearly 672,000 residents in the District of Columbia living in approximately 306,000 households and merely 134,000 customers with the responsibility to pay for the majority of operations, maintenance and replacement of the water and sewer infrastructure throughout Washington, DC. Compared to the additional 1.6 million living throughout the DC Water service area and using a small portion of the wastewater collection and a larger portion of the treatment facilities, there are fewer customers to share the burden of the aging infrastructure assets serving the residents, visitors and governmental entities in Washington DC. The FY 2018 budget incorporates trends and statistics impacting DC and the region.



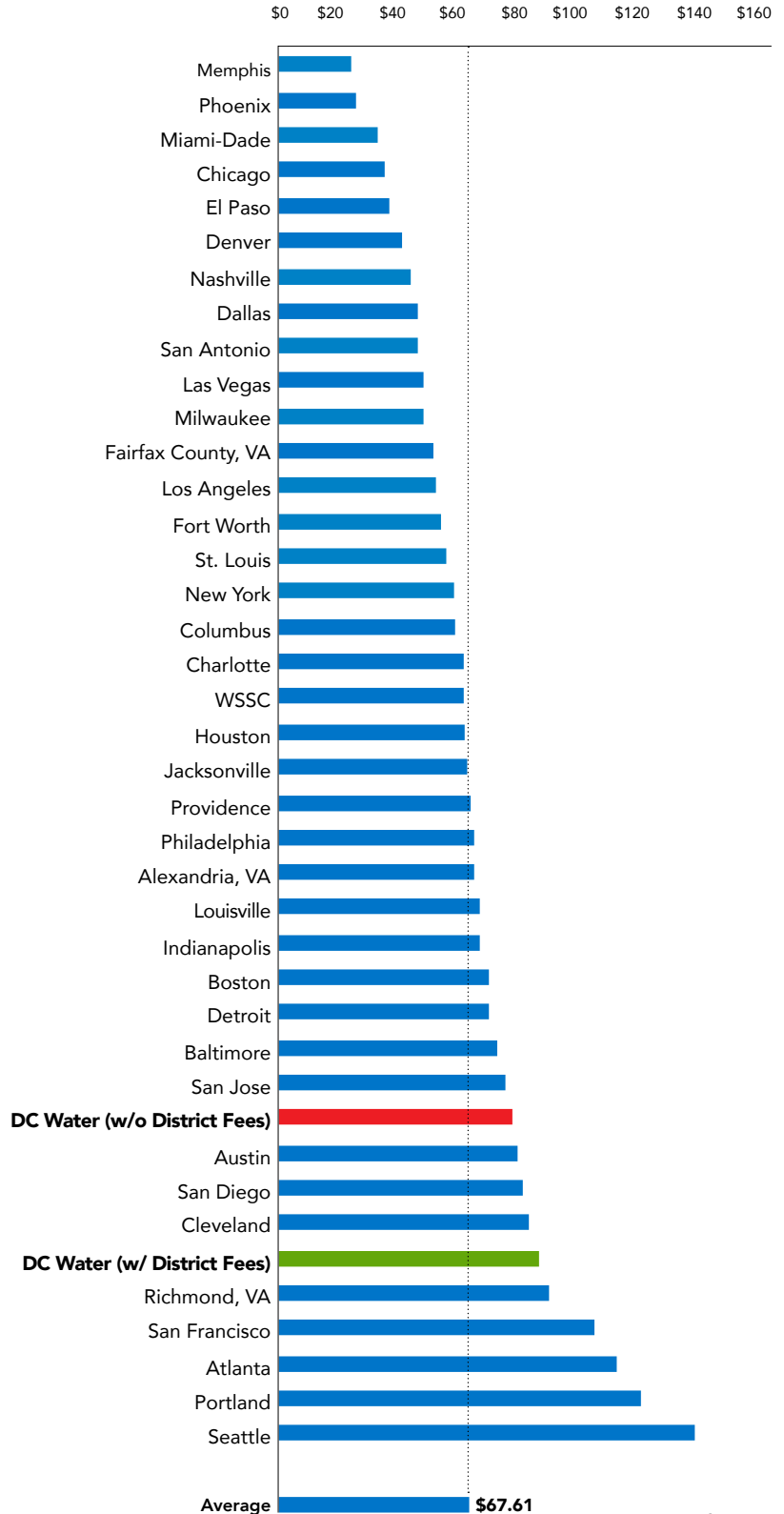
Employees distributing sandbags in Bloomingdale

FY 2017 - FY 2018 AVERAGE RESIDENTIAL CUSTOMER MONTHLY BILL

Approved (FY 2017) Approved (FY 2018)

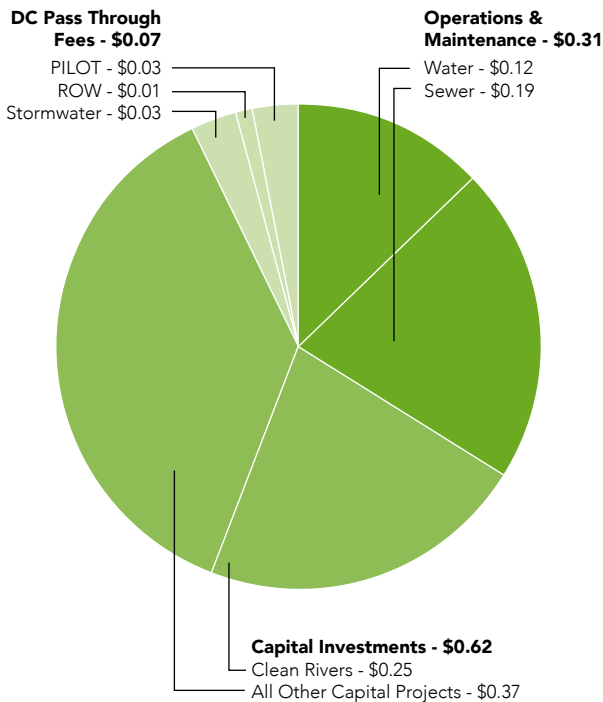
dc DC WATER RATES AND FEES		
Water / Sewer Retail Rates	\$57.25	\$60.13
Clean Rivers IAC	\$22.24	\$25.18
Customer Metering Fee	\$3.86	\$3.86
Water System Replacement Fee	\$6.30	\$6.30
DC Water Subtotal	\$89.65	\$95.47
*** DISTRICT OF COLUMBIA CHARGES		
PILOT	\$2.98	\$3.04
Right-of-Way Fee	\$1.05	\$1.12
Stormwater Fee	\$2.67	\$2.67
District Subtotal	\$6.70	\$6.83
Total Bill	\$96.35	\$102.30
(% Increase)	5.1%	6.2%

DC WATER RETAIL RATES COMPARED TO OTHER LARGE UTILITIES



FY 2018: Where Does Your Money Go?

How does DC Water spend each \$1.00 received from the average residential customer?





dcwater.com

