



Executive Budget Summary

Approved FY 2019 • Adopted March 1, 2018

(Fiscal year starting October 1)

Tommy Wells, Chairman of the Board
Henderson J. Brown, IV , Interim CEO and General Manager
Matthew T. Brown, Chief Financial Officer

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY



DC Water Clean Rivers – Completed Anacostia River tunnel



Executive Budget Summary

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 on the operating and capital budgets can be found in the detailed budget book, and is also 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. In FY 2018, DC Water will refresh its strategic plan to ensure it continues to focus on the priorities, trends and opportunities that will drive operational excellence.

Board of Directors

Audit
Committee

DC
Retail
Water
and
Sewer
Rates
Committee

Environmental
Quality
and
Operations
Committee

Finance
and
Budget
Committee

Governance
Committee

Human
Resources
and
Labor
Relations
Committee

Strategic
Planning
Committee

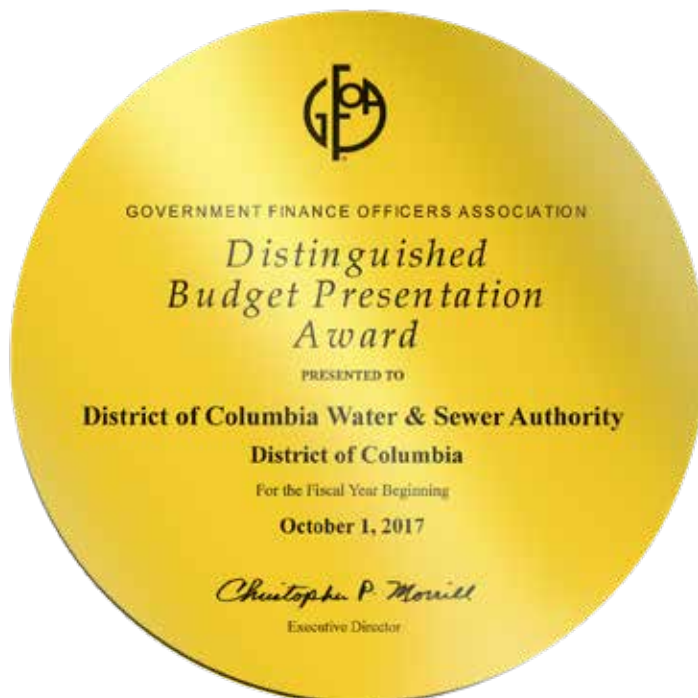
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The Strategic Plan provides the framework for the formulation, prioritization and monitoring of the (operating and capital) budgets and financial planning process. Below are the strategic plan goals.

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, Integrity 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
Truck Touch



CEO and General Manager's Message



Greetings Everyone,

Since the FY 2018 Budget Book was published about a year ago, there have been significant changes in leadership at DC Water. In the summer of 2017, Matt Brown, the former Chairman of the Board of Directors decided to become our new CFO. Shortly thereafter, sitting board member Tommy Wells, Director of the District's Department of Energy and the Environment was sworn in as the new DC Water Board Chairman. In October of 2017, our former CEO/General Manager, George Hawkins, announced his plan to retire from that position to pursue other, perhaps more challenging opportunities after having served with distinction for eight of the most significant years in our history. Effective December 29, 2017, the Board of Directors honored me with the opportunity to serve as Interim CEO/General Manager, pending appointment of a permanent successor.

In the wake of these significant organizational changes, I am happy to report that almost every member of Team Blue whom I have talked with since I stepped into the interim role, has expressed unwavering support for

the mission of DC Water. Matt Brown and his brilliant team crafted the FY 2019 Budget in record time, which culminated with adoption by the Board.

The Board-adopted FY 2019 budget addresses the themes that will shape our immediate future: Rate Affordability, Environmental Stewardship, Workforce Development, Occupational Safety, Rehabilitation and Replacement of Aging Infrastructure, and Excellent Customer Service. These critical themes will be discussed during the 2018 Town Hall Meetings and provide the opportunity to evaluate and advance more efficient ways to accomplish our responsibilities to our customers. Every potential idea is worthy of consideration.

Our Board, stakeholders, and customers have challenged the team to explore all possibilities to lessen the burden of current and projected future rate increases on our ratepayers, and concurrently improve outcomes on each of the critical themes described above. The Board has declared that developing plans to preserve, repair, and rehabilitate aging underground and above ground water and sewer system assets and addressing customer affordability will be the emphasis for the Authority. During 2018, the Board, under the savvy leadership of Chairperson Wells, will begin work on the next version of our Strategic Plan and implementing these viable infrastructure plans will be a priority for the Authority.

Whenever I am asked to describe the men and women who comprise Team Blue, my answer is the same: we are a diverse group of people who have come together as one team to improve the environment, protect the public health and safety, and deliver exceptional service to our local and regional customers. As a world class organization, the challenge of finding more efficient ways to deliver exceptional customer service is one that we accept gladly.

In closing, many thanks to the DC Water Board for providing clear direction and oversight, our regional partners and Team Blue for developing programs that advance the organizational priorities to serve our valuable customers today and tomorrow.

CFO's Message

In my first year serving as the Chief Financial Officer for DC Water, I am optimistic that the Board-adopted FY 2019 budget reflects financial discipline, is sustainable, and aligns with DC Water's Strategic Plan. Our operating and ten-year capital budgets are centered on the three core elements of our budget theme for this planning process - optimization, accountability and transparency.

Optimization

Every day we work to improve the environment, provide drinking water to our customers, and treat water that our customers return to us. And every day we work to optimize the work that we are doing, bringing efficiencies that result in better service to our customers.

DC Water is challenged by an aging infrastructure, and committed to employing Asset Management strategies to better identify, prioritize and schedule maintenance and replacement of our assets using a risk-based approach.

We are also working to reduce the cost growth. Our wastewater-to-energy project, commissioned two years ago, provides one-third of the energy needs at the Blue Plains Advanced Wastewater Treatment Facility, while reducing millions in biosolids hauling cost. The Authority is well on its way to achieving the third payback from this project by producing and marketing soil amendments from the class A biosolids (BLOOM) left at the end of the process. Other ongoing initiatives include a large-scale solar project that will further diversify our renewable energy portfolio and reduce energy costs, and a pilot program for the Anammox treatment process at the Blue Plains Plant, that would help to further reduce chemical and energy costs.

Accountability

We strive every day to be accountable to our customers, and provide them with the best customer service. Recently, we began a large-scale meter replacement program and completed the implementation of a new Customer Information System (eCIS). Together, these projects will help ensure accurate and timely billing for our customers, while also providing easy access to their accounts using the mobile app services and creating efficiencies for DC Water employees.

Our customers and the affordability of our rates remain foremost in our minds. We continue to seek alternative revenue sources to alleviate the burden and support developments in the District. These initiatives include marketing of BLOOM and consulting services through Blue Drop, a subsidiary of DC Water and, evaluation of strategic opportunities to commercialize and market intellectual property (IP).



Transparency

Every time we propose an increase in rates, we have town hall meetings in all eight wards of the District. We speak directly with our ratepayers about the services that we provide and the work that we do, all in an effort to hear directly from them about their concerns.

We are fully committed to being transparent to our customers on how we are spending each dollar received to improve the environment, provide drinking water to homes and businesses, and treat wastewater.

Before taking the helm as DC Water's Chief Financial Officer in the summer of 2017, I was proud to have served as Chairman of the Board for DC Water and as the Director of the Office of Budget and Finance of the District of Columbia. As the CFO, I am enthusiastic and optimistic about the future of DC Water as we continue our environmental stewardship and explore ways to provide sustainable services that impact our customers, the District of Columbia, and our environment.

A handwritten signature in black ink that reads "Matthew P. Brown". The signature is written in a cursive, flowing style.

DC WATER FINANCIAL INFORMATION (\$ Millions)

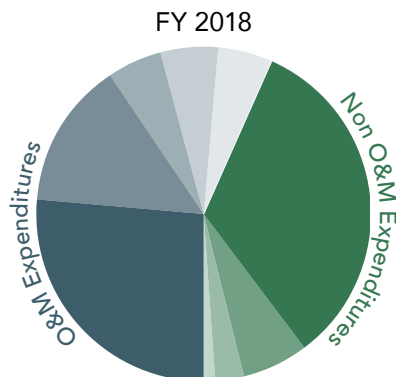
Bond Rating: AAA/Aa1/AA	FY 2018	FY 2019
Revenue (Cash Receipts)	\$620.5	\$649.5
Operating Budget	\$561.9	\$582.8
Capital Disbursements Budget	\$450.0	\$439.1

A Budget that focuses on: Optimization, Accountability, and Transparency

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 2018/2019 operating and capital budgets. Detailed descriptions can be found in the budget book available online at dcwater.com

Operating Expenditures (\$ Thousands)

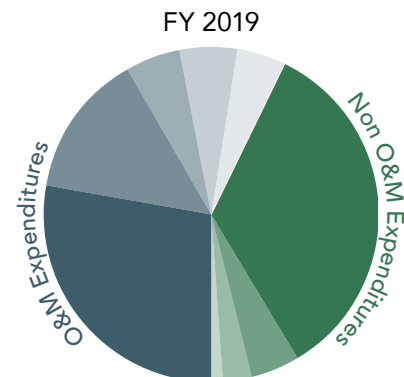


O&M Expenditures

\$144,193	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 Expenditures

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



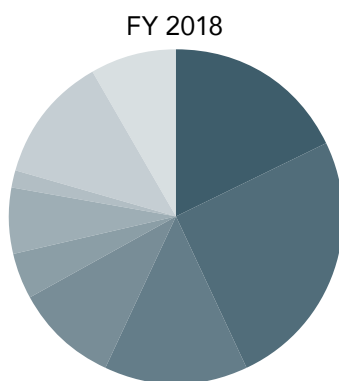
O&M Expenditures

\$162,620	Personnel Services
\$81,679	Contractual Services
\$30,520	Water Purchases
\$32,091	Chemicals and Supplies
\$26,905	Utilities
\$1,240	Small Equipment

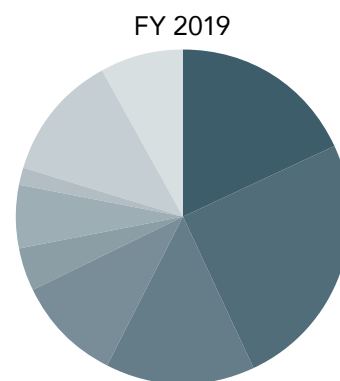
Non O&M Expenditures

\$199,025	Debt Service
\$26,999	Cash Financed Capital Improvements
\$16,602	Payment in Lieu of Taxes
\$5,100	Right of Way Fees

Operating Revenues (\$ Thousands)



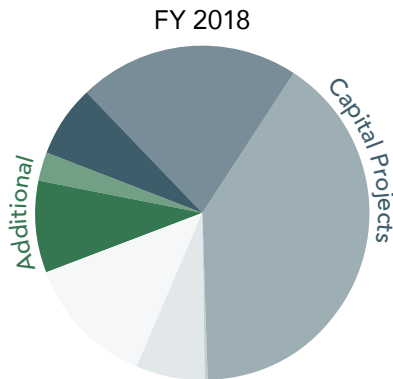
\$111,600	Residential
\$156,272	Commercial
\$87,042	Multi-family
\$62,167	Federal Government
\$26,291	Municipal & Housing
\$39,717	Water System Replacement Fee (WSRF)
\$10,776	Metering Fee
\$76,028	Wholesale
\$50,579	Other Revenue



\$117,377	Residential
\$163,067	Commercial
\$93,208	Multi-family
\$67,054	Federal Government
\$27,081	Municipal & Housing
\$39,717	Water System Replacement Fee (WSRF)
\$10,776	Metering Fee
\$79,237	Wholesale
\$51,950	Other Revenue

Saint Elizabeth Water Tower

Capital Improvement Program (\$ Thousands)

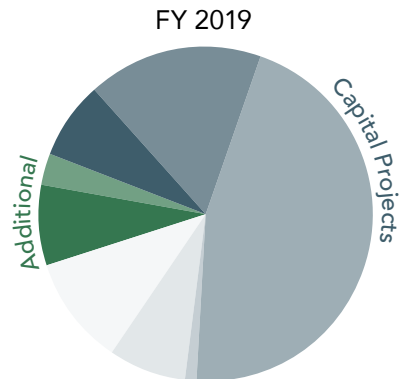


Capital Projects

\$32,194	Non Process Facilities
\$95,485	Wastewater Treatment
\$181,816	Combined Sewer Overflow
\$945	Stormwater
\$29,802	Sanitary Sewer
\$58,044	Water

Additional Capital Projects

\$39,898	Capital Equipment
\$11,768	Washington Aqueduct



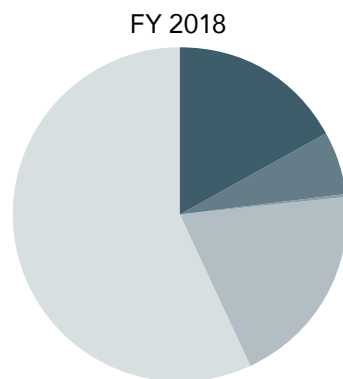
Capital Projects

\$33,107	Non Process Facilities
\$74,617	Wastewater Treatment
\$200,343	Combined Sewer Overflow
\$4,909	Stormwater
\$32,947	Sanitary Sewer
\$45,747	Water

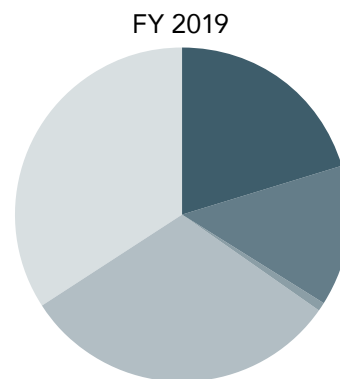
Additional Capital Projects

\$34,518	Capital Equipment
\$12,930	Washington Aqueduct

Capital Revenues (\$ Thousands)



\$90,214	Wholesale Capital Payments
\$32,120	EPA Grants & CSO Appropriations
\$1,549	Interest Income on Bond Proceeds
\$103,242	Pay-Go Financing
\$300,000	Debt Financing & Proceeds from Commercial Paper/Extendable Municipal Commercial Paper/Treasury Notes



\$65,851	Wholesale Capital Payments
\$44,339	EPA Grants & CSO Appropriations
\$2,981	Interest Income on Bond Proceeds
\$100,623	Pay-Go Financing
\$110,000	Debt Financing & Proceeds from Commercial Paper/Extendable Municipal Commercial Paper/Treasury Notes

Strategy & Performance Management

DC Water maintains a strong focus on strategic planning and performance management. By laying out a course of action, strategy represents a disciplined process for making fundamental decisions and shaping DC Water's future, including the appropriate allocation of funding.

DC Water has operated based on the strategies set forth in the Blue Horizon 2020 Strategic Plan, adopted by the Board of Directors in March 2013 and revised in 2015. This plan has served as a blueprint for achieving a vision to be a world-class water utility. In FY 2018, DC Water will refresh its strategic plan to ensure it continues to focus on the priorities, trends and opportunities that will drive operational excellence.

To achieve its strategic goals, DC Water embraces a culture premised on strategy and performance. Performance management - based upon the Authority's strategic goals - is cascaded to ensure alignment at the enterprise, business unit and individual levels. Ultimately, strategy driven enterprise performance is used to focus business unit priorities and inform individual performance goals.

DC Water also participates 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.

The Path to a World-Class Water Utility

OUR STRATEGY

CUSTOMER PERSPECTIVE
EXCELLENT CUSTOMER EXPERIENCE

Workforce
Perspective
**Engaged
and High
Performing
Workforce**

Operations
Perspective
**Optimize and
Innovate
Operations**

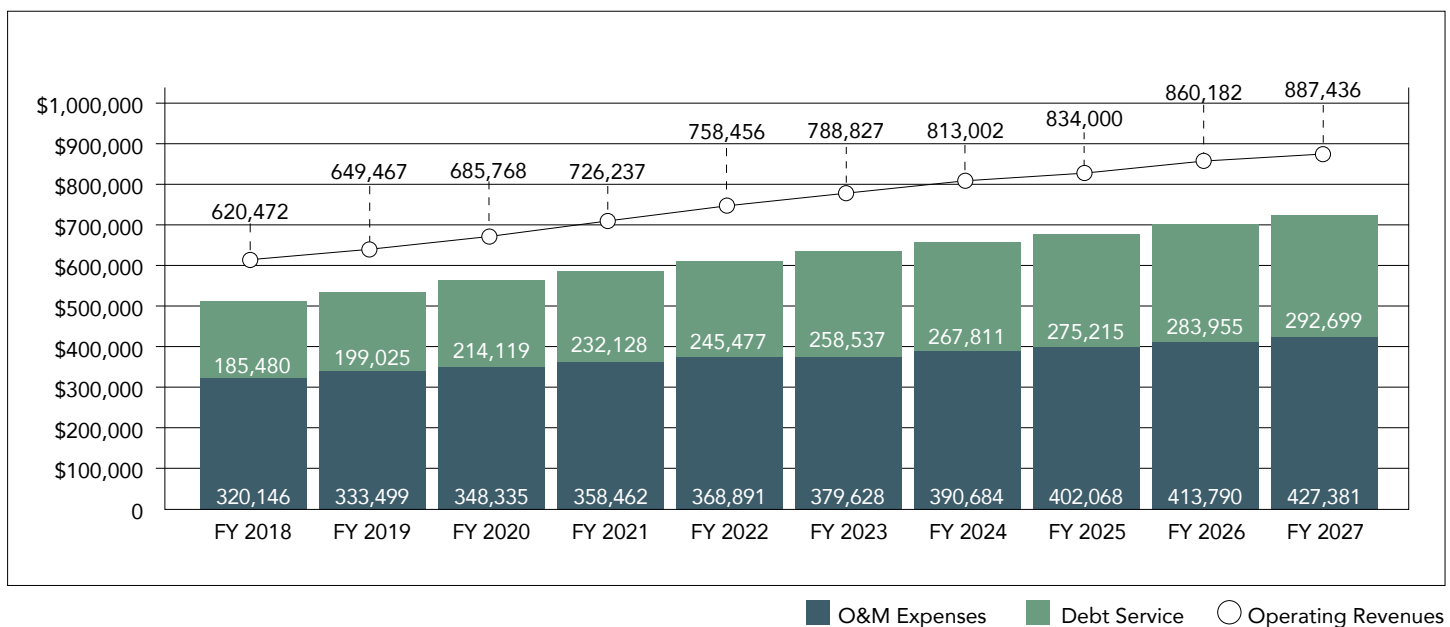
FINANCIAL PERSPECTIVE
**DEMONSTRATE SUSTAINABILITY
& COMPLIANCE**



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 2018 - FY 2027 FINANCIAL PLAN (\$ Thousands)



Detailed description of the ten-year Financial Plan is available within the Approved FY 2019 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 2019 approved budget reflects management's focus on optimization, accountability, transparency while maintaining our high level of customer service.

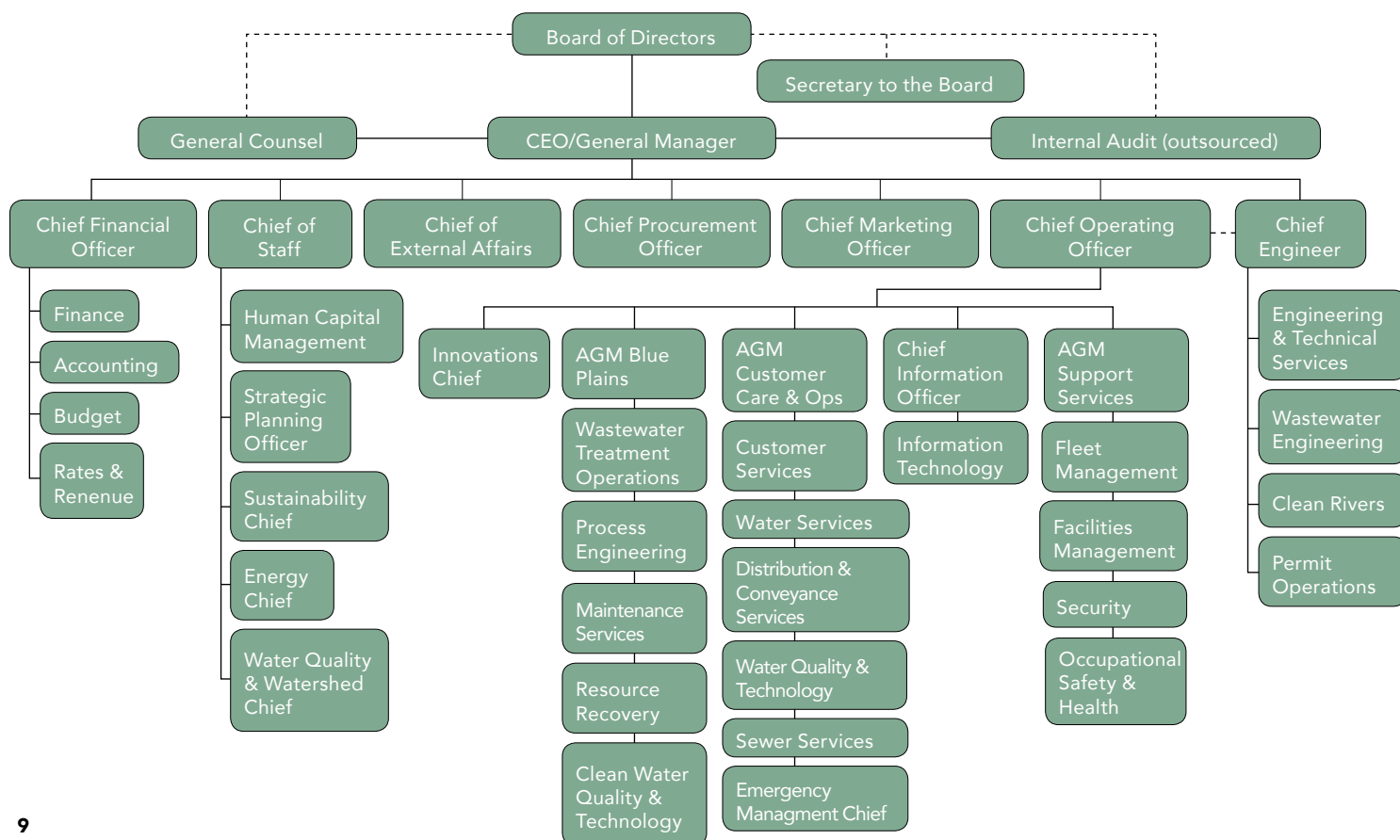
The approved FY 2019 budget totals \$582.8 million, an increase of \$20.8 million or approximately 4 percent above the FY 2018 budget, which is mainly due to an increase in the Operations & Maintenance (O&M) costs and debt service necessary to finance the Authority's Capital Improvement Program. The O&M budget includes materialized savings from reduced biosolids hauling costs and on-site electricity generation.

Comparative Operating Budgets by Category (\$ Thousands)

	FY 2018 Approved	FY 2019 Approved
Personnel Services	\$149,193	\$162,620
Contractual Services	79,354	81,679
Water Purchases	30,156	30,520
Chemicals and Supplies	30,658	32,091
Utilities	29,399	26,905
Small Equipment	1,071	1,240
Subtotal O&M Expenditures	\$319,831	\$335,055
Debt Service	185,480	199,025
Cash Financed Capital Improvements	35,260	26,999
Payment in Lieu of Taxes	16,276	16,6026
Right of Way Fees	5,100	5,100
Total Operating Expenditures	\$561,947	\$582,781

Detailed descriptions of the approved FY 2018 and FY 2019 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-six 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 2018 APPROVED	FY 2019 APPROVED
Blue Plains	\$101,917	\$101,869
Wastewater Treatment - Operations	74,678	75,115
Maintenance Services	19,558	19,567
Wastewater Treatment - Process Engineering	7,673	7,187
Chief Engineer	\$32,018	\$33,661
DC Water Clean Rivers	2,995	3,046
Engineering & Technical Services	26,728	24,790
Wastewater Engineering		3,064
Permit Operations	2,295	2,760
Chief Financial Officer	\$15,299	\$16,341
Finance, Accounting & Budget	15,299	16,341
Customer Care and Operations	\$106,180	\$114,791
Customer Services	19,281	20,340
Sewer Services	14,315	14,342
Water Services	23,619	25,079
Water Quality and Technology	475	3,419
Distribution & Conveyance System	48,490	51,611
Independent Offices	\$40,480	\$42,374
Board Secretary	599	599
External Affairs	2,531	2,470
General Counsel	7,332	8,557
General Manager	4,138	4,301
Information Technology	11,315	11,541
Internal Audit	907	940
Procurement	5,672	5,685
Human Capital Management	7,986	8,281
Support Services	\$23,936	\$26,020
Assistant General Manager - Support Services	513	578
Fleet Management	5,321	5,773
Occupational Safety & Health	1,871	2,247
Facilities Management	8,695	9,615
Security	7,536	7,807
Subtotal O & M Expenditures	\$319,831	\$335,055
Debt Service	185,480	199,025
Cash Financed Capital Improvements	35,260	26,999
Payment in Lieu of Taxes	16,276	16,602
Right of Way Fees	5,100	5,100
Total Operating Expenditures	\$561,947	\$582,781
Personnel Services charged to Capital Projects	(21,061)	(18,259)
Total Net Operating Expenditures	\$540,886	\$546,522
Full Time Positions	1,260	1,274

The cost of financing DC Water's 10-year \$4.0 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 39 percent of the funding in the ten-year financial plan and 34 percent of the FY 2019 operating budget. The Authority's long term debt, including current maturities total \$3.1 billion as of the end of FY 2017.

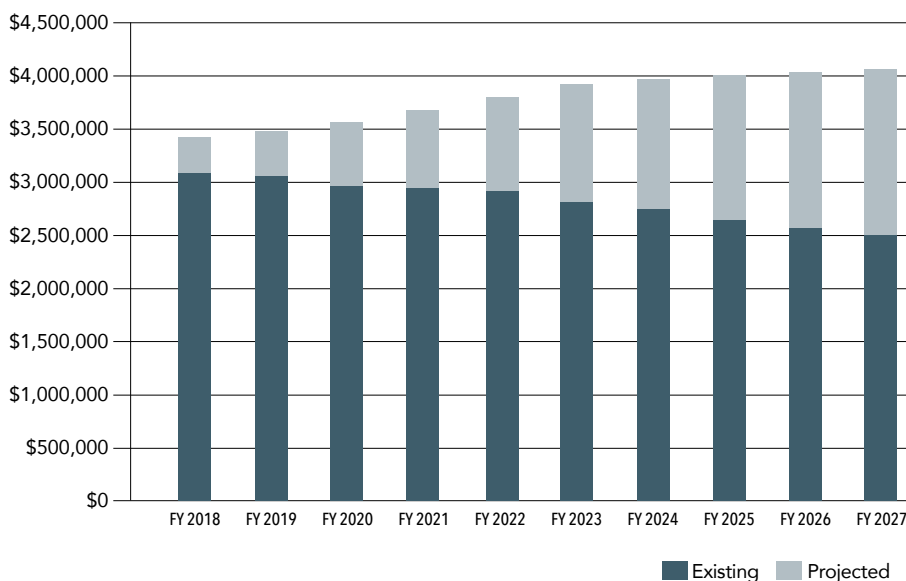
During fiscal year 2017, the Authority issued a \$300 million (Series 2017A/B) bond to finance the Capital Improvement Program. \$100 million was issued for the 2017 Series A bonds, which are considered "Green Bonds", and used for the Clean Rivers project. The 2017 Series B bond proceeds of \$200 million were used for general capital improvement projects.

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 2018 - FY 2027 Debt Outstanding (\$ Thousands)



Capital Improvement Program (CIP)

DC Water's ten-year CIP provides a framework for the development, prioritization, implementation and measurement of the capital projects undertaken. The approved FY 2018 – FY 2027 Capital Improvement Program (CIP) disbursement budget increased by \$250.5 million over the FY 2017 – FY 2026 CIP mainly due to Clean Rivers Project and other water & sewer infrastructure projects.

The FY 2018 and FY 2019 capital budgets total \$450.0 million and \$439.1 million, respectively (cash disbursement basis), while the ten-year disbursement plan totals \$4.00 billion and lifetime budget is \$11.13 billion (total commitments for active projects prior to, during, and beyond the ten-year window).

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 2018 – FY 2027 Capital Improvement Program (\$ Thousands)

FY 2018 Revised	FY 2019 Approved	Service Area	Ten-Year Disbursement Plan	Total Lifetime Budget
\$32,194	\$33,107	Non Process Facilities	\$108,032	\$169,147
95,485	74,617	Wastewater Treatment	855,948	3,551,799
181,816	200,343	Combined Sewer Overflow	1,432,348	3,151,920
945	4,909	Stormwater	24,452	81,392
29,802	32,947	Sanitary Sewer	532,490	1,530,036
58,044	45,747	Water	730,672	1,939,272
\$398,285	\$391,670	Capital Projects	\$3,683,941	\$10,423,566
39,898	34,518	Capital Equipment	198,133	198,133
11,768	12,930	Washington Aqueduct	120,052	120,052
\$51,665	\$47,448	Additional Capital Programs	\$318,185	\$318,185
		Labor		390,145
\$449,950	\$439,118	Total Capital Budgets	\$4,002,125	\$11,131,895

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 2018	\$220,594	\$10,328	\$32,116	\$36,138	\$5,812	\$92,413	\$52,549	\$449,950
FY 2019	206,711	7,019	43,217	47,806	3,663	76,930	53,771	\$439,118
FY 2020	152,280	7,041	63,657	57,981	4,152	87,635	47,595	\$420,342
FY 2021	142,424	11,344	37,695	37,540	1,122	119,039	53,517	\$402,681
FY 2022	197,784	9,496	10,087	38,155	165	133,632	56,328	\$445,647
FY 2023	154,862	4,883	19,363	39,348	303	122,177	44,377	\$385,312
FY 2024	63,987	7,251	38,615	30,456	2,206	129,966	53,803	\$326,284
FY 2025	54,461	1,296	60,417	33,961	389	121,212	46,624	\$318,360
FY 2026	132,361	1,503	61,314	34,272	-	116,760	93,218	\$439,427
FY 2027	89,417	1,021	47,707	15,336	-	85,510	136,013	\$375,004
TOTAL	\$1,414,882	\$61,181	\$414,188	\$370,993	\$17,812	\$1,085,274	\$637,796	\$4,002,125
% of Total	35%	1.5%	10.3%	9.3%	0.4%	27%	16%	100%

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 Plan (BMP), DC Clean Rivers (DCCR) and Blue Plains Total Nitrogen Program (BTN). 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 biosolids 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 Water Clean Rivers – This project aims to control Combined Sewer Overflow's (CSO) to the Anacostia and Potomac Rivers and Rock Creek to meet the District's water quality standards, while improving the health of the

Chesapeake Bay. This ongoing project includes green infrastructure initiatives that will divert stormwater runoff prior to entering the sewer system. The Anacostia River Tunnel System, between Blue Plains and CSO-019 has been completed. All structures south of RFK stadium will be operational by March 23, 2018. The tunnel system will improve operational flexibility by providing alternate means of transferring flow to Blue Plains, thereby allowing temporary diversion of flows to the tunnel to facilitate operation, maintenance and rehabilitation.

Tunnel Dewatering Pump Station (TDPS)/Enhanced Clarification Facility (ECF): This facility will de-water the new tunnels being constructed under the DC Water Clean Rivers program. It will evacuate the Stormwater gathered by Tunnels. The TDPS will deliver the Stormwater to the ECF, for treatment and is on schedule to be placed into operations in March, 2018, consistent with the Consent Decree requirement of the Clean Rivers project.

Filtrate Treatment Facility – Also known as Centrate Treatment Facility, is part of the Total Nitrogen Removal



CAMBI® thermal hydrolysis



Clean Rivers Anacostia River tunnel shaft

Wet Weather plan. The project assists in nitrogen removal from the water processed. 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. This project is anticipated to be fully operational in late 2018.

Water Services: During FY 2017, the Authority continued to replace small diameter water mains in accordance with DC Water Board's 1 percent renewal goal. Other major replacements and upgrades to reservoirs and pumping stations would result in increased operational flexibility and reduction in long term maintenance costs.

Automated Meter Reading (AMR) Replacement Program: This program aims to replace approximately 90,000 small water meters throughout the city. It was

started in FY 2017 and is expected to be completed in 2018. Data received from the water meters will better serve DC Water customers by providing them with timely and accurate meter reads for billing information.

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 cost. This project is anticipated be completed with full occupancy in 2018.



Water main replacement



New Administrative Building Under Construction on SE Waterfront



Operating Revenues, Rates, Fees and Charges

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 Plant.

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 Water System Replacement Fee (WSRF) will generate approximately \$39.7 million per year from fiscal years 2018 through 2027. 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 June 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 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. On March 1, 2018, DC Water's Board approved substantive provisions of the SAF regulations to accommodate impacts on projects with significant

affordable housing components and/or other concerns to be effective June 1, 2018.

Multi-Year Rates: DC Water Board approved its second multi-year rate proposal in FY 2018 covering the period FY 2019 and FY 2020. The Board approved proposal of an overall revenue increase of about 4.7% necessary to fund operations and capital needs for FY 2019. This includes water and sewer volumetric rate increase of about 13%, no increase in other components of the customers' monthly bill (Metering Fee and Water System Replacement Fee), and a decrease in the Clean Rivers Impervious Area charge of 8.7%. The Board also approved the proposed overall revenue increase of 5.6% for FY 2020, which includes water and sewer volumetric rate increase of 5%.

The benefits of multi-year rates include:

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



Clean Rivers Impervious Area Charge (CRIAC)

The CRIAC is a separate sewer service fee established in FY 2009 to recover the \$2.7 billion cost of implementing the DC Water Clean Rivers Project (the District's CSO-Long Term Control Program). The proposed monthly CRIAC ranges from \$23.00 per ERU (Equivalent Residential Unit) in FY 2019 to \$36.46 per ERU in FY 2027. The twenty-five year federal mandated CRIAC project is primarily driven by anticipated debt service costs to support the \$2.7 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 \$238.8 million through Federal appropriations as of September 30, 2017.

The FY 2018 revised revenue budget totals \$620.5 million and is projected to increase to \$649.5 million in FY 2019 and \$685.8 million in FY 2020.

FY 2018 - FY 2020 Operating Revenues (\$ Thousands)

	FY 2018 Revised	FY 2019 Proposed	FY 2020 Proposed
Residential	\$111,600	\$117,377	\$125,342
Commercial	\$156,272	\$163,067	\$175,349
Multi-family	\$87,042	\$93,208	\$98,780
Federal Government	\$62,167	\$67,054	\$70,176
Municipal & Housing	\$26,291	\$27,081	\$28,859
Water System Replacement Fee (WSRF)	\$39,717	\$39,717	\$39,717
Metering Fee	\$10,776	\$10,776	\$10,776
Wholesale	\$76,028	\$79,237	\$81,614
Other Revenue	\$50,579	\$51,950	\$55,154
Total	\$620,472	\$649,467	\$685,768

FY 2018 - FY 2020 Retail Rates and Fees

	Units	FY 2018 Approved	FY 2019 Proposed	FY 2020 Proposed	FY 2019 Increase/Decrease		FY 2020 Increase/Decrease	
DC Water Retail Rates – Water					\$	%	\$	%
• Residential 0-4 Ccf (Lifeline) ²	Ccf	\$3.39	\$2.91	\$3.06	(\$0.48)	-14.2%	\$0.15	5.2%
• Residential – > 4 Ccf ²	Ccf	\$4.26	\$3.90	\$4.10	(\$0.36)	-8.5%	\$0.20	5.1%
• Multi-family / DC Housing ²	Ccf	\$3.80	\$3.37	\$3.54	(\$0.43)	-11.3%	\$0.17	5.0%
• Non-Residential	Ccf	\$4.40	\$4.05	\$4.25	(\$0.35)	-8.0%	\$0.20	4.9%
DC Water Retail Rates – Sewer	Ccf	\$6.00	\$7.75	\$8.14	\$1.75	29.2%	\$0.39	5.0%
DC Water Clean Rivers IAC	ERU	\$25.18	\$23.00	\$25.58	(\$2.18)	-8.7%	\$2.58	11.2%
DC Water Customer Metering Fee	5/8"	\$3.86	\$3.86	\$3.86	\$0.00	0.0%	\$0.00	0.0%
DC Water System Replacement Fee ¹	5/8"	\$6.30	\$6.30	\$6.30	\$0.00	0.0%	\$0.00	0.0%
District of Columbia PILOT Fee	Ccf	\$0.49	\$0.50	\$0.51	\$0.01	2.0%	\$0.01	2.0%
District of Columbia Right-of-Way Fee	Ccf	\$0.18	\$0.18	\$0.19	\$0.00	0.0%	\$0.01	5.5%
District of Columbia Stormwater Fee	ERU	\$2.67	\$2.67	\$2.67	\$0.00	0.0%	\$0.00	0.0%

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

(2) Approved Class-Based rates



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 (2016), 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 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. Effective May 1, 2017 (FY 2017), DC Water expanded CAP program to include 50% CRIAC discount to low-income CAP customers. In FY 2017, CAP assisted over 4,244 customers and provided \$1,135,297 in discounts to low-income customers

Serving People by Lending a Supporting Hand

(SPLASH): 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 2017, SPLASH assisted 331 households and provided \$103,283 in contributions to low-income customers

Regional Demographics

At DC Water, identifying and understanding customer requirements are key components of our strategic planning process. We must be sensitive to the local economy including sociopolitical and macro-economic trends. DC Water's retail customer classes include: Residential Single-Family, Multi-Family, Commercial (which is the largest consumer of water), the Federal Government, DC Government, and the DC Housing Authority. The commercial and government customer classes accommodate not only the residents but also the over 400,000 commuters that routinely travel to the District and the over 22 million tourists that visit Washington, DC each year. DC Water provides wastewater treatment services on a wholesale basis to portions of Montgomery County and Prince George's County in Maryland and Fairfax and Loudon Counties in Virginia, serving about 1.6 million people.

In 2017, there were over 681,000 residents in the District of Columbia living in nearly 314,000 households; it is reported that the District population has now grown to more than 700,000. All classes of customers require safe and reliable drinking water, the collection of wastewater and stormwater and clean rivers and waterfronts. Ensuring that local water mains and sewers can handle the capacity required by development and redevelopment that is supporting economic growth is but one of the challenges. Another is that despite increasing population and visitors, water consumption is declining through improved fixture efficiency and conservation. Reduced usage is excellent for the environment but places more of a strain on the 134,000 retail customers with the responsibility to pay for the majority of operations, maintenance and replacement of the water and sewer infrastructure throughout Washington, DC. Wholesale customers pay a relatively modest portion of the total cost of service.

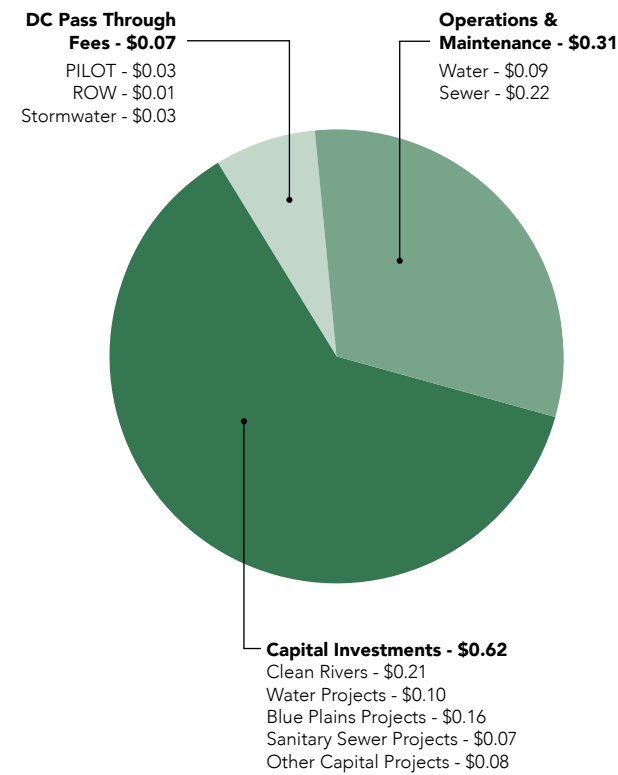
The FY 2019 budget incorporates trends and statistics impacting DC and the region. It also highlights how the diversity of the DC Water revenue stream is helping to address the need for continuous improvement in the water, wastewater and stormwater system.

FY 2018 - FY 2020 Average Residential Customer Monthly Bill

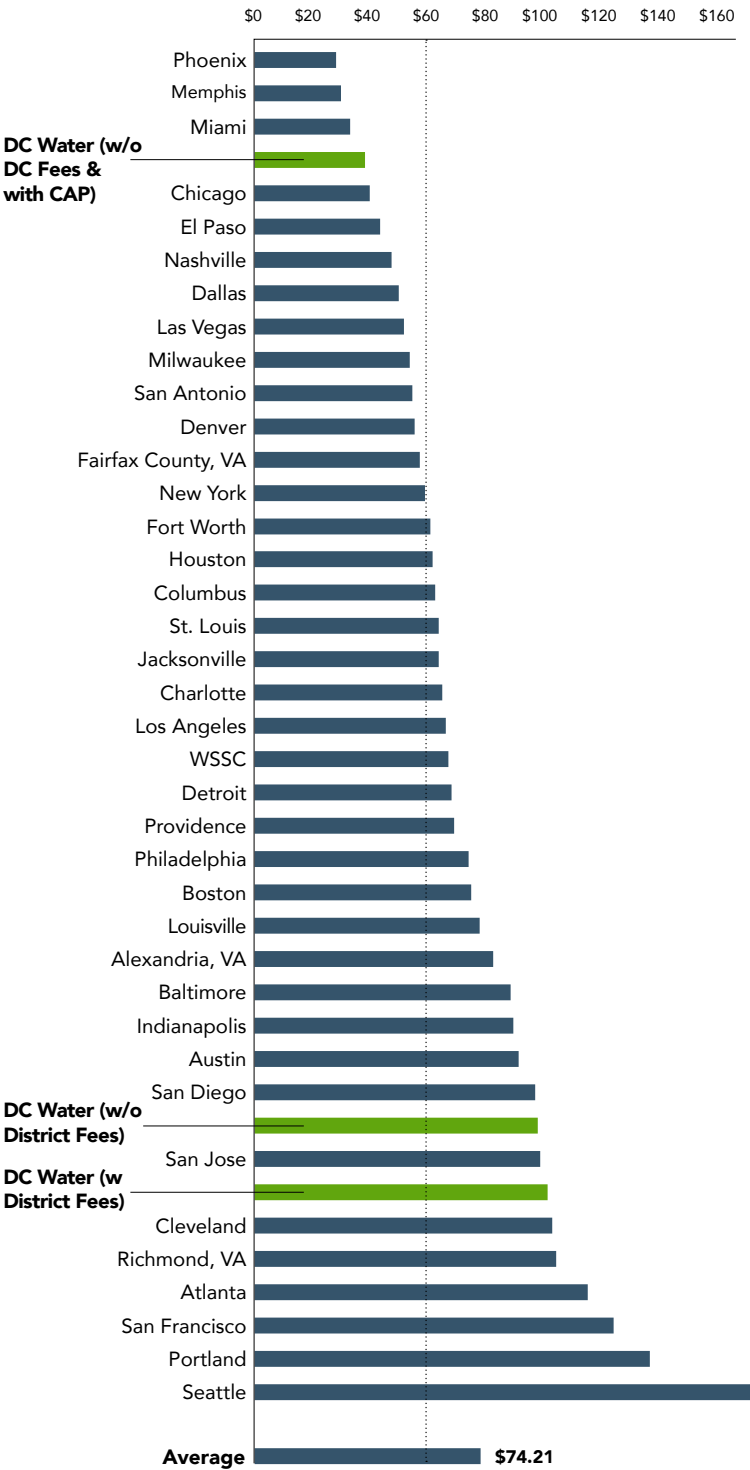
dc	Approved (FY 2018)	Proposed (FY 2019)	Proposed (FY 2020)
DC WATER RATES AND FEES			
Water / Sewer Retail Rates	\$60.13	\$68.27	\$71.73
Clean Rivers IAC	\$25.18	\$23.00	\$25.58
Customer Metering Fee	\$3.86	\$3.86	\$3.86
Water System Replacement Fee	\$6.30	\$6.30	\$6.30
DC Water Subtotal	\$95.47	\$101.43	\$107.47
DISTRICT OF COLUMBIA CHARGES			
PILOT	\$3.04	\$3.10	\$3.16
Right-of-Way Fee	\$1.12	\$1.12	\$1.18
Stormwater Fee	\$2.67	\$2.67	\$2.67
District Subtotal	\$6.83	\$6.89	\$7.01
Total Bill	\$102.30	\$108.32	\$114.48
(% Increase)	6.2%	5.9%	5.7%

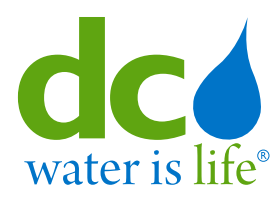
FY 2019: Where Does Your Money Go?

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



DC Water Retail Rates Compared to other Large Utilities





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