



**Washington Suburban
Sanitary Commission**

2012

Annual Report





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INTRODUCTION TO ANNUAL REPORT

The people WSSC serves rely on the clean, healthy drinking water that comes out of their tap each and every day. And the men and women of WSSC who built and maintain that standard of reliability take pride in it. WSSC continues to make this reliability the utmost priority in all of its short- and long-term goals, policies and operations.

Building on this enduring commitment we assure you that WSSC is moving forward, and present this Annual Report for 2012 as well as the 2012 Strategic Performance Report. We invite you to review our operations and performance over the last year, and respond to this report with any comments, questions and ideas that may help us achieve our goals and meet your expectations.

Thank you for your interest.

OUR MISSION

We are entrusted by our community to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethically and financially responsible manner.

ABOUT WSSC

WSSC is the largest water and wastewater utility in Maryland and the Washington Metropolitan area and one of the largest in the nation. Serving approximately 1.8 million residents with 460,000 customer accounts in Prince George's and Montgomery counties, WSSC covers an area of nearly 1,000 square miles, including WSSC's three water reservoirs, which impound 14 billion gallons of water. WSSC manages two water filtration plants, seven wastewater treatment plants, nearly 5,600 miles of water mains and more than 5,400 miles of sewer mains. WSSC performs this work 24 hours a day, seven days a week, and always meets or exceeds federal standards for drinking water.

OUR VISION

We will become the world class provider of water/wastewater services.

- // Our products and services surpass the most innovative utility.
- // Our customers are delighted with our caring service.
- // Quality...always!



Chairman Dr. Roscoe M. Moore, Jr.
Washington Suburban Sanitary Commission
FY 2012 (July 2011- June 2012)

MESSAGE FROM THE CHAIRMAN OF THE WSSC COMMISSION

*"There is, in fact, no mechanism on Earth
for creating or destroying large quantities
of water. What we've got is what's been
here, literally, forever..."*

-Charles Fishman, "The Big Thirst"

To Our Customers, Employees and All of Our Valued Stakeholders:

On behalf of the Commissioners, managers, and staff of WSSC I present the WSSC Annual Report for Fiscal Year 2012 (FY12), another year of protecting and providing that finite water resource Charles Fishman talked about. Our primary mission here at WSSC, delivering clean water to our customers every day, then processing wastewater and returning it to the environment efficiently and safely on behalf of the nearly 2 million people we serve, is challenging as we continue into the 21st century.

It was the job of my fellow Commissioners and me to not only ensure that WSSC provided you with safe water and efficient wastewater services in FY12, but also to provide the strategic direction and oversight that helps ensure that WSSC provides excellent services and value into the future.

Among primary challenges this past fiscal year was addressing the aging infrastructure, i.e., the water and sewer pipes that make up the water supply and wastewater conveyance system. These pipes are fast

approaching or, in some cases, have already reached a point where they are failing. With the help of the leadership in both counties, one of the highlights of this past year was the completion of a report by the Bi-County Infrastructure Funding Working Group. The report affirmed through an independent financial and operational review that WSSC's financial policies and practices are consistent with our industry peers. It also – and most importantly – provided WSSC with options for easing the financial burden of addressing the infrastructure challenges. The report can be read on the WSSC website, www.wsscwater.com and contains short-, medium- and long-term recommendations presented to the WSSC Commissioners for their review.

The FY12 Annual Report demonstrates how WSSC addressed other challenges this past year; succession planning for an aging and retiring workforce; implementing measures for protecting the watershed that surrounds and helps preserve our drinking water resources and the Chesapeake Bay; and continuing to improve how we respond to the needs of our customers.

We have an excellent leadership team and dedicated employees. I am very pleased to have led the Commission for FY12 - a year in which WSSC provided outstanding service to our ratepayers as we strive to become the world class provider of water/wastewater services.

Sincerely,
Dr. Roscoe M. Moore, Jr.



Chris Lawson, Vice Chair
Prince George's County, 2011 -



Gene W. Counihan
Montgomery County, 2007 -



Melanie Hartwig-Davis, AIA LEED AP
Prince George's County, 2011 -



Antonio L. Jones
Prince George's County, 2009 -



Adrienne A. Mandel
Montgomery County, 2007 -



Jerry N. Johnson
General Manager/CEO

MESSAGE FROM THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

Dear Customers and Other Stakeholders,

As my third year at WSSC comes to an end, I am proud to join WSSC Commission Chairman Dr. Roscoe Moore in presenting you with the FY12 WSSC Annual Report and the second Annual WSSC Performance Report. And I am pleased to inform you that WSSC is moving forward on every one of the strategic priorities established by the WSSC Commissioners.

Strategic Priorities:

- // Infrastructure
- // Financial Stability
- // Workforce Management
- // Procurement
- // Customer Service
- // Security and Safety
- // Communications and Stakeholder Relationships
- // Environmental Stewardship

First and foremost, we care for our customers and continue to execute our mission every day, providing them with safe and reliable drinking water and then returning clean water to our rivers and streams in an ethically, financially and environmentally responsible way. As our 2011 Water Quality Report indicated, we continued our 94-year string of no drinking water violations. Our wastewater treatment plants continue to

win awards by peers in our industry for their performance.

Over the last year, we focused on both short- and long-term challenges that are crucial to our efforts to sustain and improve our performance.

WSSC has two picturesque reservoirs along the Patuxent River, Triadelphia and Rocky Gorge, and they are the primary sources of drinking water for many of our customers. Eventually, all of this precious resource flows to the Chesapeake Bay. The reservoirs are surrounded by nearly 5,600 acres of watershed purchased with funds provided by our ratepayers for the specific purpose of protecting this source of drinking water. WSSC has undertaken a study to determine what steps need to be taken to ensure the quality of that source water while at the same time determining what recreational uses are appropriate.

We were fortunate to have had an unusually mild 2011-12 winter. The number of water main breaks and leaks was the lowest it has been in years. We were able to exceed our goals in the miles of water mains and sewer mains we were able to replace. Our performance in this key strategic goal is critical as we work to increase the number of miles of our aging underground infrastructure we can replace every year.

During the last few months of FY12, we implemented a number of changes to improve service to customers who call us for assistance. These include extending the hours our Call Center is open, staggering lunch periods for the staff and introducing new technology. In addition, it is easier to pay the water bill by phone, online and through our mobile app.



Our Small, Local, Minority Business Enterprise (SLMBE) Office continues to implement the new MBE program adopted last year, awarding increased dollars to small, local and minority-owned businesses. During FY12, WSSC awarded \$129 million to MBE firms and paid 28 percent (\$102 million) of its total contract payments to MBE firms, exceeding our goal of 26 percent.

None of this work is possible absent sound financial stewardship to ensure we have the resources necessary to deliver to our customers the best quality water and the best wastewater treatment and services at a reasonable cost with affordable rates. Our finances remain sound with an AAA bond rating and an independent review.

It has been a successful year for WSSC and our customers; a year where we are indeed moving forward as you will see in the following pages.

Sincerely,
Jerry N. Johnson
General Manager/CEO

Strategic Priorities

Infrastructure:

Plan, renew and sustain our infrastructure to meet customer expectations through innovative, cost-effective technology and world class asset management practices.

Financial Stability:

Practice sound financial stewardship that ensures delivery of the best quality water and wastewater treatment services to our customers at a reasonable cost with affordable rates.

Workforce Management:

Sustain a high-performing workplace that attracts and retains diverse, flexible, and knowledgeable employees focused on service excellence.

Procurement:

Ensure operational efficiency and reliable service to customers and all stakeholders through transparent, equitable, and responsible procurement practices which enhance the community we serve.

Customer Service:

Ensure customer confidence through the delivery of timely, high quality products and services to internal and external customers.

Security and Safety:

Protect our people, our business, and our community through proactive planning, emergency preparedness and utilization of effective risk management.

Communications and Stakeholder Relationships:

Proactively communicate and maintain strategic partnerships and community relationships with key stakeholders and jurisdictions in support of our mission.

Environmental Stewardship:

Promote safe and responsible stewardship of our water, air, and land using efficient and effective business practices and technology.



INFRASTRUCTURE: LAYING THE GROUNDWORK FOR THE FUTURE

WSSC's aging infrastructure presents an ongoing challenge to the Commission and to all of our customers and stakeholders. Despite a warmer than usual winter during 2011-2012 and a relatively smaller number of water main breaks, the numbers continue their upward trend. WSSC is taking steps to address the issue with long-term financial and engineering solutions.

During FY12, WSSC entered the third phase of the Asset Management Program, a program designed to ensure WSSC has the best data to make the best decisions to extend the useful life of our assets. In October 2011, senior management reviewed the Asset Management Program to improve the existing implementation strategy. The analysis resulted in changes that cut 1.5 years and \$4.4 million in the costs required to implement the program.

We are changing the very culture of our organization as we focus on infrastructure planning and replacement. This process will dramatically improve fiscal planning and decision making on whether to repair, replace or rehabilitate various assets.

In addition to repairing and replacing an aging infrastructure, WSSC is upgrading existing facilities and adding both capacity and redundancy to the drinking water system to meet future needs.


Ramping up Water Main Replacement

The water main replacement program continues to move forward. Moderate rate increases have allowed WSSC to systematically add additional miles to the yearly replacement goals. Shown below are the water main replacement goals for the last three fiscal years and the actual replacements achieved.

| Water Main Replacement | Planned | Actual |
|------------------------|----------|-------------|
| FY 2010 | 31 miles | 38.94 miles |
| FY 2011 | 36 miles | 44.22 miles |
| FY 2012 | 41 miles | 59.59 miles |

WSSC is on target to achieve our goal of replacing a steady 55 miles of water main each fiscal year beginning FY2015.

The WSSC Customer Care System Enhancement Unit (SEU) exceeded its 12-mile goal for water main replacement. By the end of the fiscal year employee crews replaced 14.04 miles of water main. The other 45.55 miles of water mains were replaced by outside contractors for a total of 59.59. In FY12, the size of the SEU unit was increased from about 30 pipe technicians to 60. Normally, during the winter months, these crews work on water main repairs, but they were assigned additional pipe replacement projects because mild winter and the related drop in water main breaks and leaks left them free to replace more water mains. The strategy of doubling the size of the SEU proved successful by creating increased flexibility to allow this kind of mid-year adjustment.



Adding replacement miles in this fashion has the added benefit of requiring minimal or no additional debt. It helps alleviate one of the challenges of long-term infrastructure replacement: how to finance this program and all of WSSC's other needs without any more debt than is absolutely necessary.

The Commission tasked the Bi-County Infrastructure Funding Working Group with addressing issues of increasing debt and its impact on rates. In June the team submitted the results of its study along with short-, medium- and long-term recommendations.

The Working Group, which included representatives of the WSSC Commissioners, the General Manager/CEO, representatives of the Prince George's and Montgomery County legislative and executive branches, as well as WSSC management staff, delved into the operating budget process, the capital budget process and the Commission's financial policies and practices. The Working Group hired consultants to analyze options and make recommendations.

Major areas of the work plan included: Financial Instruments and Funding, Finance Operational Review, Revenue Generation Structures and Practices, and Customer Affordability. The study, in its entirety, can be viewed on the WSSC website.

At the direction of the Commissioners, WSSC staff is now reviewing the recommendations and any policy and program changes that may be required to move forward.

Acoustic Fiber Optics: The Largest AFO/PCCP Monitoring System in North America

The water distribution system's Prestressed Concrete Cylinder Pipe (PCCP) transmission mains have been a major priority for WSSC for several years. These pipes are manufactured with concrete and reinforced with steel wire bands. Corrosion can cause gradual deterioration of the wires in some PCCP lines. In recent years, WSSC has inspected these pipes, and when necessary, replaced corroded sections.

Inspections of PCCP mains, 48 inches and larger, have been stepped up from approximately 12 miles per year to about 18 miles per year beginning in FY12. We expect inspections will continue at that rate, but beginning in FY13, the program will add 36-inch and 42-inch diameter PCCP to the inventory of pipelines we inspect.

In 2007, WSSC began adding Acoustic Fiber Optics (AFO) to detect the sounds associated with prestressed wire breaks on PCCP sections while the pipelines are in service. Once installed, the AFO system continuously monitors the integrity of all the pipes and provides notification to trained personnel if a potential problem is detected in any pipe section.

In FY12 we were able to increase the frequency of inspections of PCCP. Once initial inspections are complete, re-inspection will occur for each pipe section every five to seven years. By the end of calendar year 2012, 71 miles of WSSC's 77 miles of PCCP water transmission mains 48 inches and larger were equipped with continuous AFO-monitoring technology. The remaining six miles will be equipped with AFO monitoring by the end of FY13 (June 2013.).

Bi-County Water Tunnel

The Bi-County Water Tunnel Project will connect an existing 96-inch transmission main near I-270 and Tuckerman Lane in Montgomery County to an existing 96-inch transmission main in Rock Creek Park at Stoneybrook and Beach Drives. It will carry 100 million gallons of water a day, providing additional capacity and pressure to increase economic growth potential in Prince George's County without putting a strain on existing service in both counties. By the end of FY12, WSSC mined more than 19,000 feet or 68 percent of the 5.3-mile tunnel. The project is still on schedule to be completed in FY14 and, at the end of FY12, is on budget.

Consent Decree

A Consent Decree with the Environmental Protection Agency and four environmental groups entered its sixth year. The Consent Decree, which we estimate to cost over \$1.5 billion upon completion in 2017, identifies remedial measures to eliminate or reduce sanitary sewer overflows. The completion of work toward fulfilling the requirements of the Consent Decree continues on schedule, including inspecting large sewer lines, manholes and stream crossings to ensure the integrity of the pipes and making the necessary repairs and replacements.

The FY12 goal for sewer main rehabilitation was set at 35 miles. WSSC exceeded its goal by more than seven miles, completing 42.5 miles. The Commission set out to replace five miles of sewer laterals and exceeded its goal by more than 100 percent. By year's end, 11.7 miles of sewer laterals had been completed.



INFORMATION TECHNOLOGY: NEW TECHNOLOGY DRIVES BUSINESS INNOVATION

In FY12 our focus has been on developing an Information Technology Strategy, informed by comprehensive and business-driven thinking. The overall goal is to plan how to leverage IT to enhance WSSC's business performance and develop a methodology for prioritizing all technology projects.

Several important information technology infrastructure projects were completed in FY 2012, including enhancement or installation of the following:

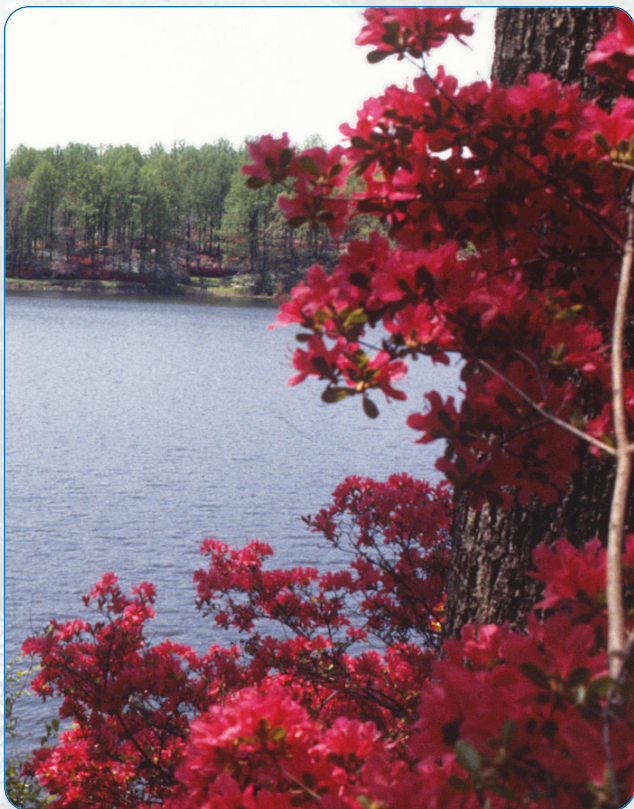
// The new **ePlan Review System**, which was launched November 1, 2011, is a major achievement. It automates the WSSC review of construction plans submitted by developers, allowing online submission and review of engineering plans and supporting documents. ePlan Review has been customized to facilitate the WSSC Hydraulic Analysis and Site Utility, System Extension and Plumbing & Fuel Gas plans. It also supports WSSC's green initiatives by replacing the manual, paper-based plan review process. In addition, ePlan Review also complements the efforts of both Prince George's and Montgomery County governments to streamline the entire development process to reduce red tape.

// A **Fleet Management System** to better manage and maintain a registry of all Commission fleet assets, inventory and work orders. Fleet Management is the first module to be implemented under WSSC's overarching Total Enterprise Asset Management System (TEAMS) program.

// A centralized online reporting application that produces a **Delinquency Report**, which displays water and sewer billing receivables data on demand to help WSSC more effectively track the level of delayed payments by residential, commercial and government customers.

// An online **Watershed Use Permit Application** was developed to accommodate the applications for the approximately 6,000 WSSC watershed use permits issued to the individuals who use the ratepayer-owned watershed property for recreation each year.

// The existing BillPay application that allows customers to pay their bills online through various methods was redesigned with new features to improve functionality for internal business users and external ratepayers. Other features on the application include EZ-Pay online, a water consumption graph and data online and a customer feedback module. This redesigned application seamlessly integrates with the www.wsscwater.com site.



FINANCIAL STABILITY: EFFECTIVE MANAGEMENT, SOLID RESULTS

Maintaining and continuously improving our stable financial foundation is a critical priority for WSSC. We place a premium on effectively managing both short-term and long-term operations, while ensuring our customers receive the highest level of service in the industry. It is important to note that WSSC's funding comes almost exclusively from payments made by customers. While recognizing the need to shore up an aging infrastructure, we also realize the need to be ever diligent in managing our funds in the most fiscally sound and responsible manner possible.

Underscoring this dedication to sound financial management, we are proud to report that WSSC maintained its AAA bond rating in 2012 from the top three rating agencies (Fitch Ratings, Moody's Investors Service and Standard & Poor's). This recognition highlights our commitment to employing sound financial practices, and is good news for our ratepayers as the AAA ratings keep our borrowing costs down.

WSSC maintains an operating budget, and a capital budget which is primarily focused on longer term projects that require capital investments.

Operating Budget: Sound Resource Management


Of course, our mission is to provide safe and reliable water to our customers and return clean water to our environment. To accomplish our mission, WSSC's operating budget provides the funding needed to

operate and maintain an extensive water and sewer system that extends from northern Montgomery County through southern Prince George's County—an area of nearly 1,000 square miles. This massive system includes three reservoirs, two water filtration plants, seven wastewater treatment plants, and more than 11,000 miles of water and sewer pipes. To meet the needs of our customers, we employ 1,600 dedicated workers and provide a fleet of vehicles required to inspect, repair and otherwise maintain the system.

Our operating budget funds the production of an average of 170 million gallons per day (MGD) of clean, clear, healthy tap water by our two water filtration plants. In addition, the budget accounts for more than 200 MGD of wastewater and the responsible management of up to 1,000 tons of biosolids per day. The facilities include not only the seven wastewater treatment plants owned and operated by WSSC, but also the Blue Plains treatment plant operated by DC Water, of which WSSC is an equity partner. Approximately two-thirds of the wastewater generated in Prince George's and Montgomery counties is treated at the Blue Plains Wastewater Treatment Plant. Overall WSSC's water and wastewater activities account for 93 percent of the operating budget.

Lowering Costs Through Technology and Green Energy Initiatives

To help manage costs, our plants use advanced electronic instrumentation to monitor and automate many processes. This allows us to provide safe, reliable water continuously with fewer employees at each plant. Our robust energy management program helps keep electricity costs at the water filtration plants as low as possible. Nearly 30 percent of our electricity



comes from a wind power farm in Pennsylvania with the cost locked in for a 10-year period. Other elements of the energy management program include real-time power purchasing, an ongoing energy performance equipment upgrade program, an integrated water management system that improves water quality and increases energy efficiency and backup generators for peak energy saving.

Effective Debt Management

In FY12, WSSC incurred debt service costs of approximately \$174 million in the water and sewer operating funds. A significant portion of WSSC's capital program is funded with debt. WSSC uses a combination of long-term bonds, short-term borrowing and the State of Maryland Water Quality Revolving Loan Fund to fund our extensive capital program. We also constantly monitor the debt markets to take

advantage of opportunities to refinance debt. The overall result of these strategies is an average interest rate on all outstanding bonded debt of approximately 4 percent. Keeping this rate low is a priority, because it will help keep our cost of borrowing lower.

Capital Budget: Investing in the Future

Upgrading the infrastructure in our 94-year-old system remains a top priority and long-term goal for the Commission. During FY12, WSSC spent approximately \$84 million on the water main reconstruction program, replacing 59 miles of small water mains and related appurtenances. WSSC also spent approximately \$83 million in FY12 on the sewer reconstruction program, rehabilitating approximately 31 miles of small main-line sewers and 12 miles of laterals (house connections). Additionally, \$16 million was spent as we continue to address large-diameter water and sewer lines. Funding

underground infrastructure replacement and rehabilitation will consume an ever-increasing portion of the capital program budgets, and no external funding sources are currently available to help shoulder that burden. Last year, as noted earlier in the report, WSSC reconvened a Bi-County Infrastructure Funding Working Group to develop recommendations for infrastructure funding strategies and customer affordability programs. We expect to begin the implementation of these strategies in FY14.

One notable capital project continuing in FY12 was a \$32 million expansion of the Patuxent Water Filtration Plant, along with \$37 million in improvements and upgrades to the raw water pipeline system and pumping station that support the plant. These projects are necessary to ensure that WSSC's water treatment capabilities can meet current customers' needs,



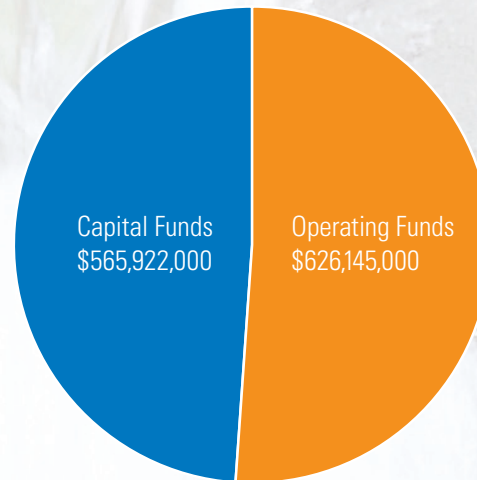
provide for growth in both counties and provide a level of treatment redundancy for the Potomac Plant.

The ongoing Bi-County Water Tunnel Project will have the capacity to carry 100 million gallons of water per day. From a budgetary standpoint, the project is unique because it is entirely funded by the System Development Charge. The charge, which was enacted by the Maryland General Assembly in the mid-1990s, stipulated that new customers pay for the expansion of our system, as opposed to existing customers. This has enabled WSSC to allocate the costs of these growth projects in an effective and fair manner.

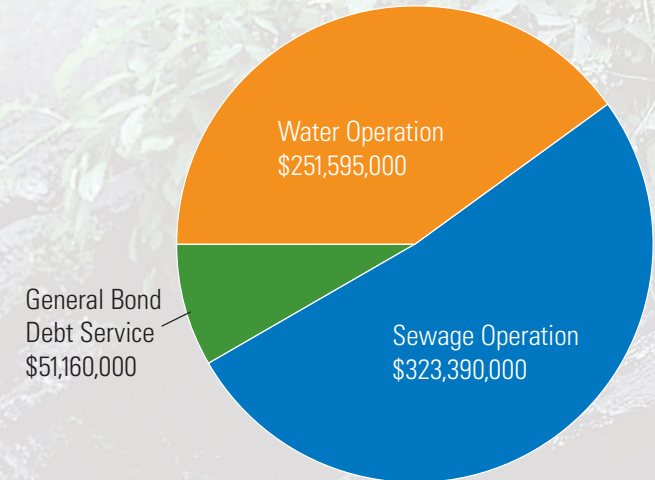
The State of Maryland is requiring most of WSSC's Wastewater Treatment Plants, plus the Blue Plains plant, to upgrade treatment processes to further reduce the amount of nutrients we release into the Potomac and Patuxent rivers. As part of this effort, five of our wastewater treatment plants are being rehabilitated and updated to meet the new discharge permit requirements. Part of the renovations will be funded through the Chesapeake Bay Restoration Fund (BRF). While this requirement will help protect the Chesapeake Bay, the BRF will not be sufficient to pay for all of the required upgrades. For the WSSC facilities, the total cost is estimated to be \$87 million, with WSSC's share of the Blue Plains upgrade estimated to be almost \$200 million. At this time, WSSC is working with the Maryland Department of the Environment (MDE) to determine how much of the cost will be funded by the BRF and how much will be funded directly by our customers.

WSSC financial information is available for review at www.wsscwater.com under "About WSSC" then "Financial Information."

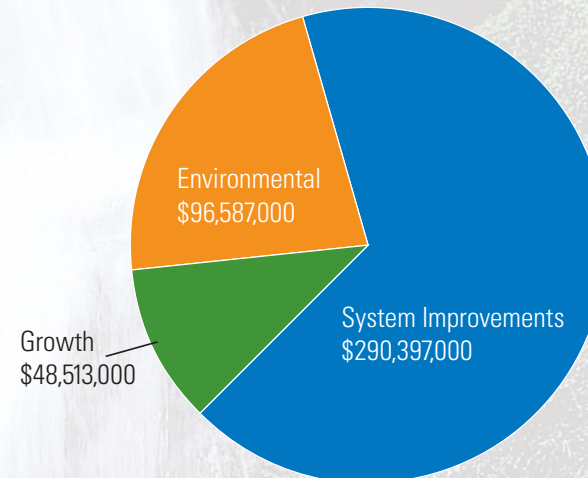
FY12 Budget



FY12 Operating Budget Breakdown



FY12 Capital Expenditures by Category





PROCUREMENT: THROUGH COMPETITION WE BUY WHAT WE NEED, AND WE NEED ALMOST EVERYTHING

If you sell it, chances are WSSC needs it. As a \$1.2 billion agency we need everything in goods and services that any company needs...from legal, accounting and IT services to cars, cubicles and paperclips...as well as everything specific to the water and wastewater industry...engineering services, construction services, heavy equipment and pipe... lots of pipe. A key WSSC strategy is to improve our procurement process.

Following a comprehensive seven-month study by the Procurement Office, the WSSC Commissioners voted in FY12 to consolidate all policies and regulations governing the procurement of goods and supplies, professional services, architectural and engineering services, and construction services. The newly renamed Procurement Office is working toward a consolidated approach to supply chain management to help better formulate acquisition strategies that will result in improved efficiency and cost-saving opportunities.

We are:

- // Streamlining, clarifying and modernizing the business practices that are based on the regulations to promote consistency and transparency in procurement.
- // Ensuring the fair and equitable treatment of all suppliers who deal with the procurement and supply management system.
- // Increasing quality of service from suppliers and establishing strategic relationships with many of them.
- // Increasing opportunity and competition among the supplier community, which maximizes the purchasing value of public funds.

Additionally, the Procurement Office works hand in hand with the Small, Local and Minority Business Enterprise Office on behalf of ratepayers to get the best value possible when acquiring goods and services, while ensuring a level playing field for all businesses. Both offices seek to create an inclusive contracting environment for all suppliers eager to provide products and services worth hundreds of millions of dollars.

The Procurement Office is undertaking several initiatives to establish best practices and introducing innovation and technology to help drive costs out of WSSC business processes.

The Small, Local and Minority Business Enterprise (SLMBE) Program – DIVERSITY... JUST THE WAY WE DO BUSINESS

The SLMBE Program is one of the cornerstones of the Commission's corporate social responsibility triad characterized by these facts: WSSC's customers receive clean, reliable and safe water; Environmental conditions are sustained and protected for today's generation and generations to come; and, fair and equitable economic policies and practices and financial stewardship mean opportunities exist for SLMBEs to compete for and win contract awards.

These activities acquired greater focus when the new Minority Business Enterprise (MBE) Program became effective on May 1, 2011. As a subsequent enhancement to the MBE Program, the SLMBE Office's signature program, the Small Local Business Enterprise (SLBE) Program became effective August 26, 2011. During its 2012 session, the Maryland Legislature passed and Governor Martin O'Malley signed a bill re-authorizing WSSC to operate an MBE program for five more years.

Since the inception of the new SLMBE programs we have continued to make concerted efforts to re-engineer and level the playing field for all suppliers to compete for and win WSSC-funded contracts. These efforts are supported with technology, the development of new business processes to streamline and improve SLMBE response time to stakeholders' needs,

and the first comprehensive assessment of the current and future workforce requirements of the SLMBE Office.

We are proud of these achievements, but this latest success is only one important milestone for the SLMBE Program's performance in the next fiscal year. Our annual achievements serve to challenge and inspire the Commission and the SLMBE Office to do better in reaching minority- and women-owned businesses; to invest in solid supplier diversity and sourcing transformational strategies; to build awareness to educate suppliers not only on how to conduct business with the Commission, but also on how to effectively grow their capacity to compete for business! Keeping an eye on growth strategies translates into increasing contract opportunities for small minority- and women-owned businesses.

In FY12, we continued our record of recent success in fostering an inclusive contracting culture throughout the Commission. The results of our efforts are demonstrated by the 28 percent (\$102.3 million) in MBE payments, putting into sharp focus the reality of dollars paid to MBE firms delivering quality services at competitive prices to the Commission. Similarly, during FY12, a record \$23.1 million was paid to SLBE firms through our signature SLBE Program. This figure nearly doubles the performance in FY11. These achievements demonstrate that we continue to take our corporate social responsibility very seriously.

The SLMBE Office Legislative Report for FY12 outlines all the SLMBE programs and the progress we achieved in the last year. The report can be viewed on the WSSC website under Businesses/SLMBE and Legislative Reports.

In FY12, we also participated in, hosted and attended more than 70 local and regional outreach events to build awareness, transparency and inclusion in our contracting efforts. The Commission not only increased payments to MBE and SLBE firms, but also increased the number of firms that self-registered in our online Centralized Bidder Registration (CBR) system by 1,526, and increased enrollment of 79 new or re-approved SLBEs in our signature program.





THE PEOPLE FACTOR ... MOVING THE MISSION FORWARD

On a single day last year, seven long-time WSSC employees retired. Two project managers, an environmental specialist, a field investigator, a field technician, a maintenance supervisor and a customer service manager all achieved a career goal each WSSC employee is working toward. **On that same day, however, WSSC saw 222 years of knowledge and experience walk out the door.**

More and more that is becoming the rule, not the exception, for companies and governments with a workforce of baby boomers coming of age. More than half of WSSC's employees are eligible for full or early retirement within the next five years.

As a result, WSSC's Workforce Management focus has been on strategic initiatives that strengthen our ability to attract and retain the talent, knowledge and experience necessary to succeed in the 21st century to carry out our mission.

Looking Inside

WSSC launched its first formal Succession Planning Program in the fall of 2011. We identified the positions most critical to our operation and those where we might be most vulnerable with the departure of a current employee. We now have our first pool of succession candidates. These talented, high performers are working toward the next phase of their careers as we work to ensure we have capable professionals who are prepared to lead and, if necessary, step into new roles when vacancies occur.

You can see them managing the controls of a dam, learning how to create an operating budget, or perhaps increasing their understanding of water quality and testing procedures. They shadow leaders in real time. They learn how to motivate and inspire others. They learn what real leaders do. Their goal is to be better prepared to successfully compete for jobs when they become available.

And as they move forward they, in turn, help WSSC prepare for the future.

Looking Outside

Although many people are looking for work, there is often a challenge in finding the right people with the right knowledge, skills and abilities to match the opportunities available. This is true not just for WSSC, but for many employers as well.

Some jobs are better filled by teaching how we want it done. Apprenticeships provide that opportunity. Through our partnerships with community, trade and educational institutions that benefit our trade areas, we also build bridges and bonds with the community we serve. This past year WSSC graduated three apprentices from our Fleet Apprentice Program and one from our Trades Shop Apprenticeship. All four were successful in becoming full-time employees.

Our Summer Internship Program is another opportunity to reach out to bring in good people. In 2012, the program was expanded to provide maximum exposure to students interested in careers in the water and wastewater industry. By providing meaningful work in various parts of our operation, two full days of interpersonal and skills development, and interaction with senior leaders, the experience proved mutually beneficial to both students and the Commission.

Developing Employees from the Inside Out

Wellness is a factor in performing well. Taking care of the mind and body is an expanding part of our Workforce Management strategy. The WSSC Health & Wellness Program mission is to improve the health and wellbeing of our workforce through physical, mental and financial education. It also means developing programs that will support positive lifestyle changes resulting in improved health, productivity, retention, and health care cost savings. The Human Resources Office partners with WSSC's healthcare

providers, the onsite Employee Fitness Center, and the Safety Group, as well as community businesses and organizations to achieve this mission. This holistic approach improves employee presence and long-term employee retention.

Our strategic workforce management programs are intended to capture, share and retain critical elements of our past; strengthen our capabilities and capacity to meet the demands of today; and prepare for the changing industry and environment we will face in the future.



SAFETY AND SECURITY

Promoting public health and safety is of paramount importance to WSSC. While safety on the job in conjunction with optimal performance has always been a priority, in today's world, security concerns continue to evolve and must be an intensive priority as well.

WSSC works in conjunction with state, county and local government agencies to ensure safety and security of the region's water supply.

Meanwhile, the Safety and Security Services Group uses the latest technology to make the organization and the water filtration and treatment processes WSSC manages as safe and secure as possible. Cyber Security is a major concern worldwide as has been obvious in the news headlines. And, while our security measures cannot be discussed publicly, we want to assure our customers that we take appropriate measures to protect the water and the system.

The critical importance of Continuity of Operations (COOP) requires WSSC to have a strategic plan and facilities in place for immediate response in the event that a natural disaster or man-made event should occur. In fact, all of WSSC's water filtration and wastewater treatment plants have completed COOP plans.



CUSTOMER SERVICE - HERE TO SERVE...

In the Call Center

Providing first-rate Customer Service to the approximately 1.8 million residents of the bi-county area served by WSSC is a top priority for all WSSC employees. For one team in particular, WSSC's Customer Care Team, it is the sole mission and focus. Using new technology, a person-by-person dedication to continuous improvement of service, and a singular commitment to maintaining a customer-friendly environment, the Customer Care Team has seen dramatic improvements in a short span of time.

Exceeding the interim goal of 90 percent success rate, the Customer Relations Group attained quality monitoring scores of:

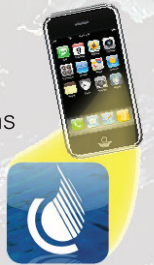
- // 97 percent for handling claims filed
- // 97 percent for handling emergency phone calls
- // 98 percent for returning correspondence
- // 95 percent for handling non-emergency calls, and
- // 93 percent for adjustments.

To achieve these improvements, we implemented key changes to procedures in our Call Center. It was simple but effective when we extended Call Center hours and staggered the lunch times for those employees who answer the phones. The answer rate for incoming calls is increasing and the waiting time for customers on hold is decreasing. At the end of FY12 the average wait time was 2 minutes, 23 seconds, which is an improvement over earlier in FY12 when it was as high

as 11 minutes and more than 5 minutes at the end of FY11.

Technology also contributed to the successes. The automated Interactive Voice Response System (IVRS), which enables customers to pay bills on the phone, processed almost 100,000 payments totaling nearly \$21 million.

Another major technological enhancement provided to our customers is the WSSC Mobile app for iPhone, Android and BlackBerry smart phones. This app allows customers to pay their bills, report problems with their water service, and to review job openings and contracting opportunities. In addition, in order to raise awareness around special emergencies, we developed a new interactive "Boil Water Advisory" map. This is in addition to the already existing Customer Notification System (CNS), which better informs residents about water or sewer issues in their area via email or text. Customers can also get information on the WSSC website through our updated interactive Service Alerts Map, which allows you to view the entire service area or search a specific area of interest for WSSC activity.



In the Field

WSSC's Customer Advocates often represent the face of the Commission with customers who might be experiencing a variety of different challenges, such as a basement backup or a water main break. Each of our four Customer Advocates is assigned to a specific geographic location in the bi-county region and is available 24 hours a day to help solve the specific and complex needs of our customers. These advocates go



A long-time WSSC customer was experiencing both water and wastewater service issues and the cause could not be determined. The Customer Advocate studied the history of the homeowner's property and was able to work both internally and externally to pinpoint and resolve the issue. In a letter received by the homeowner she states, "Thanks...I now have a new water and sewer line that works along with a new driveway... restored my confidence in WSSC. Most importantly [the Customer Advocate] understood me as a homeowner, and the serious issues that had to be resolved. I am very pleased with the customer service I received ..."

(- Mrs. R. Robinson)

beyond solving issues on a one-on-one basis by attending community and homeowner association meetings to better understand issues in the community, as well as to educate customers about the need to repair our aging infrastructure.

We are pleased that we have reduced the time it takes to complete a repair after a customer calls us to report a problem – from 16.5 hours in FY11 to 15.9 in FY12. It

is through the diligent and dedicated work of our customer advocates that we highlight our strong commitment to customer support. In FY12, due to rapidly increased volume, we began planning for a Customer Advocate Database. Rolling out in FY13, this database will help track the kinds of cases taken on by our Customer Advocates, along with the solutions found for each individual situation.



Providing the community with education and training continues to be an important focus.

- // 1,874 site inspections for Erosion and Sediment permits
- // 211 Major Utility Erosion and Sediment Control Permits issued
- // 1,500 walleye fingerlings, 3,000 tiger muskies and 5,000 striped bass stocked in Patuxent Watershed
- // 275 evergreens and deciduous azaleas planted at Azalea Garden at Brighton Dam
- // 470 trees and numerous wildflowers planted on the Patuxent River
- // 100 trees planted near the Potomac River at the Piscataway Wastewater Treatment Plant in Accokeek
- // New blight-free American Chestnut trees planted at the Triadelphia Reservoir

AS ENVIRONMENTAL STEWARDS, WE'RE ALL ABOUT THE WATER...AND MORE

While our core mission is to provide safe and reliable water and return clean water to the environment, as **environmental stewards** our responsibilities go beyond our mission and include conservation, education, collaboration and regulation.

Regulation

But it all starts with water. Fred Tutman is the Patuxent Riverkeeper. He has spent all his life on the river and is now the biggest advocate of this resource. "Water is magic," says Tutman. "It's beautiful, fantastic stuff – if you love water it's a way of loving how the world fits together." At WSSC the piece we own is our watershed, the land surrounding the two Patuxent River reservoirs that are the source of drinking water for 30 percent of our customers. The land and water combine to create a picturesque place of beauty treasured by neighbors and a variety of recreational users.

Approximately 5,600 acres border the Rocky Gorge and Triadelphia reservoirs, which supply WSSC's Patuxent Water Filtration Plant. This is a heavily forested area purchased with ratepayer dollars to serve as a protective buffer for these important water sources, and WSSC regulates access to these areas.

Over the last decade or more, WSSC could have been a better steward of this valuable asset. We commissioned EA Engineering, Science and Technology to perform a study to assist us in drafting

new regulations for watershed use and lay the groundwork for a new, long-term watershed management program. Seeking a balanced approach between environment and recreation, the new regulations were to be enacted with the spring season.

The watershed borders Montgomery, Prince George's and Howard counties and we have worked with our neighbors, their respective departments and the State of Maryland on such issues as stream bank restoration, erosion and sediment control, tree planting and wildlife management.

With the support of Maryland's Department of Natural Resources, the counties, residents and sportsmen organizations, WSSC operates a highly respected and effective deer hunting program. Deer not only threaten the natural state of the watershed by eating away the ground cover, they also devour the plants and flowers of area residents and are a traffic hazard. Our managed hunts are the only recreational activities permitted on the watershed that actually benefit the ecosystem. This is a public service that has benefits beyond our borders, eliminating several hundred deer each year.

Delegated to WSSC by the Maryland Department of Environment, the Sediment Control Program includes permitting and site inspection once every two weeks on every active underground utility construction site in both Prince George's and Montgomery counties. WSSC has authority to enforce permit provisions with correction or violation notices, financial penalties and even stop-work orders, if needed.

Out in the FOG Program

WSSC also regulates the Fats, Oils and Grease (FOG) disposal practices of every food service establishment in both counties. This includes restaurants, schools, convenience stores, churches...any location where the irresponsible disposal of FOG could lead to grease build up in sewer pipes resulting in basement backups. We have partnered with the Restaurant Association of Maryland to assist with outreach to restaurants. The residential complement to FOG is the "Can the Grease" public education campaign. The goal is to teach residents **not** to throw grease down the drain because that, too, can contribute to basement backups. The number of basement backups fell to 824 in FY12, down from 991 the previous year. Created as part of the Consent Decree, WSSC's FOG Unit inspected 2,747 food service establishments in FY12.

Saving Energy, Saving Money, Shrinking the Footprint

Electricity! It is a primary requirement to treat water and sewage...and a major expense.

WSSC continues to be cutting edge when it comes to cutting usage and costs.

And when it comes to our carbon footprint, WSSC has taken big steps.

We have completed a Greenhouse Gas (GHG) Action Plan that will be a blueprint for reducing GHG emissions 10 percent every five years through 2030 using demonstrated technologies and practices available at the present time. WSSC's GHG emissions have been reduced 27 percent to 95,461 tons in calendar year 2011, from a high of 131,094 tons in calendar year 2005.

To improve energy efficiency, during FY12 we began an upgrade of six raw water and finished water pumps and the rebuilding of pump motors at the Potomac Water Filtration Plant. We also installed instrumentation on all raw and finished pumps to monitor energy efficiency. This will annually reduce electricity usage by 4.5 million kilowatt hours (kWh) with a guaranteed savings of \$562,000 per year.

In 2008, WSSC became the country's largest local government direct purchaser of wind power. The pioneering 10-year contract provides for approximately one-third of our energy needs while reducing costs AND reducing air pollution.

Moving forward, WSSC will again take an exciting energy-saving step in 2013 with the installation of solar power panels to provide electricity at two wastewater treatment plants.

From FY11 to FY12 our energy costs decreased by \$3 million despite an increase in the electricity usage by 14 million kWh. This was due to our flexible real-time pricing strategy, which enabled us to buy a substantial portion of our load on the decreasing real-time market, as well as buy block hedges during opportune future market periods. The energy efficiency measures installed during 2002-2008 avoided an additional \$1.4 million in costs.





COMMUNICATIONS AND STAKEHOLDER RELATIONS

Spreading the Word

At WSSC, we recognize that we are an integral part of the communities we serve. Whether it is through public events, neighborhood meetings, school-based programs or working with the media to educate the public, WSSC is committed to transparency and to ensuring that customers understand the importance of maintaining our extensive water supply system, as well as the need to be solid stewards of the environment.

Additionally, WSSC has responsibilities beyond water and sewer. Because WSSC licenses and regulates plumbers and gas fitters, the State of Maryland authorized it to inspect installations of natural gas appliances including water heaters, furnaces, ranges, grills, dryers and fireplaces. WSSC inspectors check approximately 28,000 new and replacement installations each year to protect residents from carbon monoxide (CO). The deadly colorless, odorless gas is a by-product of the incomplete burning of fossil fuels like natural gas.

WSSC works with local fire departments, government agencies and retail outlets that sell gas appliances to spread the word that licensed plumbers should install gas appliances and a WSSC inspection of that installation is required by law.

In the Community...

As part of our efforts to educate the young and old about the importance of the environment and the vital service we provide, WSSC has an ever-increasing presence in the community. Our many activities are supported not only by the outreach team, but also by the many WSSC employees who believe in what we do and understand and practice the concept of corporate responsibility.

WSSC participated in more than 110 outreach events in 2012, including school classroom presentations, cleanups and other community gatherings. Included among these events was the Family Campfire at Duckett Dam, the H2O Fest at Western Branch Wastewater Treatment Plant and the Children's Water Festival with 500 fourth graders at the Brighton Dam.

As environmental stewards, WSSC sponsored our annual Family Fishing Derby, the Patuxent cleanup day and 35 other similar events, which drew more than 800 volunteers to help keep the Patuxent River free from trash and other debris. Key partners in these efforts include environmental groups, civic associations, scouts, schools and places of worship.

In addition, we sponsored "Can the Grease"* seminars in Spanish and partnered with Casa de Maryland to promote this message. We also continued a series of "Can the Grease" video messages in local movie theaters. This public education effort goes a long way toward keeping grease out of our pipes, and away from the Chesapeake Bay and related tributaries.



Streamlining Our Online Approach

Through the robust and responsive use of traditional media, social media and technology, the Communications Office has vastly improved the communication of WSSC's mission and enhanced the transparency of our operations to the communities we serve.

In the past year we undertook a major content overhaul and reorganization of the WSSC website, www.wsscwater.com. The site is more modern in its approach, easier to navigate and provides more timely information for our customers. Customers who visit our webpage find links to an interactive map that identifies recent service problems, information about bill payment, employment opportunities and award-winning videos about all aspects of WSSC and the services we provide.

The website is also better equipped to provide information in times of emergency or crisis with a Customer Alert message system, which includes a special interactive map where customers can determine if their homes are affected by outages or other events which might relate to their water service. We are also fully engaged with Twitter, YouTube and two Facebook sites: WSSC Water and Friends of Brighton Dam. This robust online presence is part of the Communications Office's ongoing efforts to improve effective crisis communications. Mass media and social media are complemented with excellent working relationships with counterparts in our counties, region and within the water industry.

*See previous page for details on "Can the Grease"



AWARDS

National Association of Clean Water Agencies

(2012 - National Environmental Achievement Award - Local Public Service - Jurisdiction greater than 250,000 people)

National Association of Clean Water Agencies

(2012 - National Environmental Achievement Award - Video category)

American Water Works Association's (AWWA) Partnership for Safe Water

(2011 - Phase III Directors Award - Potomac Plant)

National Association of Clean Water Agencies

(1997– 2012 Platinum, Gold and Silver Peak Performance Awards)

Maryland/District of Columbia Minority Supplier Development Council

(MD/DC MSDC) - 2012 Supplier Diversity Advocate of the Year

MarCom Awards 2012

Platinum Awards - Mobile App I

Gold Awards - Mobile App II (Report a Problem) and How to Check for Toilet Leaks

Honorable Mention - Chesapeake Bay Restoration Fund Fee and Can the Grease PSA

CIO Magazine

2012 CIO 100 award

Computer World Honors Laureate Program

2012 Environment Category - WSSC Mobile App

Hermes Creative 2012

Platinum Awards - Mobile App I & Mobile App II (Video/Marketing) Service

Gold Awards - Can the Grease Public Service Announcement 2011 (Movie Theater Ad/PSA); The Feasty Boys and Can the Grease WSSC (Educational)

Honorable Mention - How to Check for Toilet Leaks; How to Properly Clean a Grease Interceptor

International Academy of the Visual Arts

(2011 – W3 Silver Award - Mobile App)



THE PATH FORWARD

WSSC remains steadfast in its commitment to its mission: to provide safe and reliable water, life's most precious resource, and to return clean water to our environment, all in an ethically and financially responsible manner.

In the coming year, WSSC will continue to press ahead to make progress on the key strategic indicators that people look to when they measure satisfaction, reliability and cost for the services we provide.

Continuous improvement in cost efficiencies while producing the highest quality of service will remain a priority. Central to that effort will be creating a strategy based on the study by the Bi-County Infrastructure Funding Working Group, which recommends optimal ways to replace our aging infrastructure while minimizing the financial burden passed on to our customers.

Also, as we move forward in FY13 look for: the completion of the Watershed Study and the beginnings of an overall long-term watershed management plan; an Information Technology Strategic Plan; continued migration toward supply chain procurement; and, the construction of solar panels to provide the power to run two of our wastewater treatment plants.

From the employees to the leadership team to the Commissioners, the people of WSSC realize the importance of the responsibility that has been placed on them and the work they perform. We are proud of our accomplishments and our award-winning track record. But we are resolved and committed to do even better in the days to come.

We thank all of our supporters and stakeholders, without whom we could not succeed, and we look forward to serving our community with the very best service that they expect and deserve.







**Washington Suburban
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