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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 a financially responsible manner.



2003 annual report
commissioners



(Standing—left to right): Artis G. Hampshire-Cowan, Vice-Chair, Prince George's County; W. Gregory Wims, Montgomery County; Manuel R. Geraldo, Prince George's County; (Seated—left to right): Gerald J. Roper, Sr., Montgomery County; Jinhee Kim Wilde, Chair, Montgomery County; and Prem P. Agarwal, Prince George's County.

CHAIR'S MESSAGE

Thank you for the opportunity to supply you with clean, reliable water. In 2003, we were extremely pleased to have once again provided you with water that met or surpassed U.S. Environmental Protection Agency standards for safety and quality.

2003 was quite a year for challenging weather events, particularly Hurricane Isabel. Thanks to the hard work and dedication of our employees, WSSC's water production process never broke, and our water never required boiling, as did some of our neighboring water systems. Years of sound planning and engineering, including the use of elevated water storage tanks, enabled us to deliver clean water, even during frequent power outages. We also continued our commitment to stabilizing rates, resulting in an unprecedented six consecutive fiscal years with no rate increase.

As Commission Chair, I am proud of the dedication and professionalism of WSSC employees. Just as WSSC stood head and shoulders above area utilities during 2003's hurricane and other events, WSSC employees have proven time and time again that they can 'weather' any storm while continuing to provide you with safe, reliable water and wastewater services.

Jinhee Kim Wilde
Commission Chair



2003 annual report
senior leadership team

general manager

(Standing—left to right): Stephen Gerwin, Acting Chief, Plant Operations; P. Michael Errico, Deputy General Manager; Robert H. Drummer, Acting General Counsel; Monica J. Johnson, Director, Intergovernmental Relations; Allen W. Cartwright, Jr., Chief, Customer Care; Ben Bialek, General Counsel; Thomas C. Traber, Chief Financial Officer; Liz Kalinowski, Director, Public Communications; Richard R. Shagogue, Chief Engineer; and Angela L. Makle-Fortune, Acting Chief Information Officer. (Seated—left to right): Haskell Arnold, Manager, Internal Audit; Linda M. Turner, Executive Staff Coordinator; Carla R. Joyner, Chief, Mission Support; and John R. Griffin, General Manager. Absent: John N. McLeod, Chief, Strategic Planning and Business Development and Dereck Davis, Management Support Specialist.

GENERAL MANAGER'S MESSAGE

Resilient. That's the word that immediately comes to mind as I reflect upon WSSC's journey through 2003.

WSSC employees demonstrated their resilience and proved they can successfully weather challenges on many fronts. From drought to deluge and blizzard to hurricane, our employees maintained their unwavering focus on public and environmental health. We continued to address the lasting impacts of September 11 on our operations and launched our most extensive water main replacement program ever – improving 30 miles of buried pipe. The opening of our new \$70 million Seneca plant marked the completion of biological nutrient removal capabilities at all of WSSC's major wastewater treatment plants. Working to help customers reduce future copper pipe pinhole leaks in their home plumbing, we began adding the safe corrosion inhibitor orthophosphate to our water. We stuck to our financial plan, implemented efficiencies, and served our customers without a rate increase for the sixth consecutive fiscal year.

WSSC employees continued to use the basic building block for managing change in all its forms – preparation. The many hours spent on planning water and wastewater facility and infrastructure improvements, stocking maintenance facilities with spare parts and readying our distribution system days before major storms arrived were among the unsung activities WSSC employees performed to ensure the reliability of safe drinking water and cleaning of wastewater – even during power outages and water mains breaks.

Fundamentally, a company can only be as resilient as its employees. In 2003, WSSC launched *Creating the Future Together*, a training initiative to help all 1,450 employees optimize professional and personal growth and accountability while achieving organizational alignment with company goals. Using skills acquired during this training, employees work toward objectives that are based on a shared set of visions and values.

Individually and collectively prepared. A company and its employees growing more resilient together. The future always looks brighter when you're ready.

John R. Griffin
General Manager



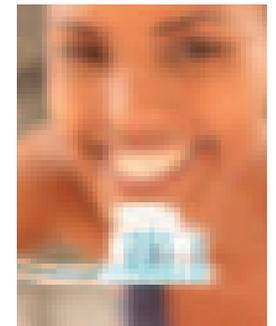
DRIP DRY

Montgomery and Prince George's Counties are about 2,000 miles from the nearest desert. However, in early 2003, area residents felt as though they had been living near the Sahara for some time. The single most important natural element—rain—had been quite scarce.

The year began with the region emerging from significant drought. Fortunately, investments by WSSC and the area's other major water utilities in the Potomac River's upstream reservoirs paid off with water releases that met environmental needs and water supply demands. Nonetheless, WSSC frequently reminded customers of the importance of practicing prudent water use year-round in and around the home. In spring 2003, WSSC and our regional partners launched the *Water, Use It Wisely* public awareness and educational campaign to encourage citizens to conserve water.

WATER, USE IT WISELY: Water Saving Tips

- Turn off the water while you brush your teeth and save 3 gallons a minute. That's more than 1,000 gallons a year.
- Time your shower to keep it under 5 minutes. You'll save up to 1,000 gallons a month.



Despite the obvious inconveniences, it's a little-known fact that drought conditions cause particular problems for water treatment staff. Extreme changes in raw water chemistry resulted in daily - and sometimes hourly - adjustments by experts at our Water Filtration Plants to ensure our continued ability to supply clean, fresh water.



wet



FROM DROUGHT TO DELUGE

Following a drought year in which WSSC's two Patuxent River reservoirs barely made it above the half-full mark, spring began with a splash and became what seemed like a never-ending summer splash. By the time the 2003 deluge ended, we received enough rain to fill both drinking water reservoirs — which hold a combined 11 billion gallons of water — nearly 10 times over. What a difference a year makes.

While we struggled to maintain reservoir levels during the 2002 drought, our engineers faced the unusual issue of keeping burgeoning water levels down during spring and summer 2003. Before each storm and between weather events, WSSC crews proactively lowered reservoir levels through controlled water releases. When excessive rain required releases during storms, we worked closely with local officials to minimize flooding in low-lying areas.

Seasonal storms also transported inordinate amounts of runoff and sediment into local waterways, creating challenges for staff at our two water filtration plants. WSSC plant operators conducted round-the-clock raw water tests and made constant treatment modifications to guarantee safe, clean drinking water for you.

When spring and summer rains finally eased, WSSC sprung into action by launching an unprecedented water main construction program, replacing nearly 30 miles of old water mains throughout Montgomery and Prince George's Counties.

Heavy spring and summer rains didn't dampen our spirits, nor our commitment to providing you with unparalleled services and products.



FREEZE FRAME

Is water in all of its forms equally precious? That question may have crossed the minds of staff at WSSC's Potomac Water Filtration Plant during winter 2003 when the Potomac River froze at the plant's intake, requiring the use of huge cranes to bust the ice so we could ensure continued production of safe drinking water to our customers.

Frigid weather gripped our water distribution system as well. WSSC maintains more than 5,300 miles of water mains ranging in size from 1 inch to 96 inches in diameter. Many pipes can be brittle and sensitive to external pressure, resulting in an increased chance of water main breaks — about 60 percent compared to warmer months. On average, we typically handle 1,400 water main breaks a year. Our dedicated crews quickly repaired a record 605 broken mains in January 2003 alone.

Then there was the blizzard of 2003, dumping more than two feet of snow throughout our service area. A massive meltdown occurred a few days later with the Presidents Day weekend storm. Excessive rainfall and melting snow, plus already-elevated ground water levels, significantly stressed our wastewater system. WSSC crews rapidly responded to overflow conditions, clearing debris and preserving our ability to clean wastewater for its safe return to our environment.



WEATHERING THE STORM

Fueled by the warm waters of the Atlantic Ocean, Hurricane Isabel swirled violently toward the East Coast - slowly gaining strength and intensity. With winds exceeding 155 miles per hour and clouds covering 275,000 square miles, her diminutive name concealed one monster of a storm tracking toward the Washington, D.C. area. Fortunately, she caught no one by surprise, including WSSC's well-prepared, 1,450-strong workforce.

With the region bracing for howling winds, torrential downpours and widespread power outages, WSSC crews set in motion an aggressive plan to ensure uninterrupted water and wastewater services. Several days before the arrival of Isabel, WSSC reduced its two Patuxent River reservoirs by 1.5 billion gallons of water to increase capacity in anticipation of excessive rain. As the storm approached, WSSC filled all available water storage tanks with 175 million gallons of water, and positioned staff at crucial facilities.

By the time the storm reached Montgomery and Prince George's Counties, Hurricane Isabel stretched more than 300 miles in diameter and had wreaked havoc throughout the Mid-Atlantic, downing trees and limbs, closing roads, flooding coastal areas and knocking out power. During these outages, WSSC carefully coordinated the release of water in elevated storage to ensure customers continued to receive safe, clean water. WSSC crews also reset electrical equipment, shuttled portable generators among facilities and monitored water and wastewater levels.

From advanced preparation before, close coordination during and quick follow up after, WSSC teamwork paid off for those who count on us most - our customers. Thanks to our employees' efforts, WSSC successfully weathered the "storm of the century" and stood head and shoulders above area utilities by continuing to meet the water and wastewater needs of Montgomery and Prince George's County residents.

FINANCIALS

Capital Expenses (\$210,455,000)

General Construction	\$36,364,000	(17.3%)
Water Supply	\$78,314,000	(37.2%)
Sewage Disposal	\$95,777,000	(45.5 %)

Operating Expenses (\$448,580,000)

Utilities	\$12,016,000	(2.7%)
Regional Sewage Disposal	\$33,990,000	(7.6%)
Salaries and Wages	\$72,235,000	(16.1%)
All Other	\$112,240,000	(25.0 %)
Debt Service	\$218,099,000	(48.6%)

The foundation of our fiscal plan is a budget process that focuses on rate stabilization and ensures we will continue to provide safe drinking water, guarantee reliable service and safeguard the environment — all in a financially responsible manner. Fiscal Year (FY) 2004 is the sixth year in a row with no increases in water and sewer rates. For three consecutive years, we have maintained AAA bond ratings, which enables us to secure the lowest interest rates on our capital borrowing.

The FY '04 Approved Operating Budget of \$448.6 million represents a decrease of \$17.2 million (3.7 percent) from the FY '03 Approved Budget of \$465.8 million. The FY '04 Approved Capital Budget of \$210.5 million represents an increase of \$10.2 million (5.1 percent) from the FY '03 Approved Budget of \$200.3 million.

WSSC's annual financial statements again received a "clean" audit opinion by independent Certified Public Accountants.



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Sanitary Commission

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