



20 ANNUAL 14 REPORT

INVESTING IN OUR COMMUNITY



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INTRODUCTION

At WSSC, our commitment to providing reliable water and wastewater services goes beyond the delivery of water. We're invested in the communities we serve and dedicated to providing our customers with a vital resource that is critical to the quality of their lives.

The theme of this year's annual report is **"Investing in Our Community."** We're regular people, deeply committed to our mission. And we all strive for excellence in the essential services we provide. From leveraging emerging technologies to conserve energy and resources while protecting the environment to offering convenient mobile apps and Customer Advocates who listen to your feedback and concerns... we're committed to you, our customers. And we're investing our efforts, time, and money in continuing to improve our customer service and contribute to economic growth to benefit the people of Montgomery and Prince George's counties.

We welcome your feedback and encourage any comments, questions, and ideas that may help us achieve our goals.

THE BASICS

- Established: 1918
- Governance: 6 Commissioners - 3 representing Montgomery County, 3 representing Prince George's County. Appointed by County Executives
- Employees: 1,600
- Service Area: 1,000 square miles
- Drinking water violations: 0**

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 in an ethical, sustainable, and financially responsible manner.

VISION

We will become the world-class provider of safe, reliable water and wastewater services that protects quality of life for our community.

- Customers are delighted with our excellent products and innovative services.
- Relationships with our customers, employees, and business partners surpass expectations.
- The environment is improving as a result of our commitment to sustainability and excellence.

Quality...always.





Gene Counihan

MESSAGE FROM COMMISSION CHAIR

Gene Counihan

Chair, July 2013–June 2014

To Our Customers, Employees, and Valued Stakeholders:

For 96 years, WSSC has provided life-giving and life-saving water and wastewater services to customers in Montgomery and Prince George's counties. I'm proud to be a part of this venerable agency that invests in the communities we serve by providing quality services to our customers and business partners, protecting our environment, renewing our infrastructure, and educating the public and youth about our shared responsibility.

Since I first chaired this Commission four years ago, we've made many changes that have increased our involvement in the issues that our communities care about. Our challenge was setting a foundation—putting practices in place to help WSSC function more effectively. Our focus was on blending in a new General Manager as we moved forward with change, while ensuring that we continued to provide our customers with excellent service.

Four years later, we've made tremendous progress. We welcomed two new Commissioners—our six dedicated Commissioners are fully engaged and working as a team. We're also fully engaged in our Strategic Plan and dedicated to the goals that are necessary to execute it—all with the mission of providing our customers with clean, reliable water in a cost-effective manner.

WSSC has reached milestones in replacing our small water pipes and repairing our sewer mains and large water mains. We have completed the installation of a monitoring system in our largest water mains, and will now work to complete implementation of this program in our smaller pipes.

The Commission has taken many actions to **instill public confidence and ensure transparency**. The WSSC Code of Ethics established a Board of Ethics and an Ethics Officer and requires employees to file conflict of interest and financial disclosure statements. It also mandates lobbying disclosure and ethics in public contracting. The Commission has also begun streaming video of its meetings online, allowing for more transparency.

Awards are certainly one indication of success and progress. We're especially proud of WSSC's operational awards, which recognize what we do every day to carry out our core missions. Last year, our team received numerous awards, including:

- **Six Peak Performance Awards**
- **Public Sector Award** from Leadership Montgomery
- U.S. Environmental Protection Agency's (EPA) **national Individual Leadership Award**, presented to WSSC's Energy Manager Rob Taylor (one of only two given).

It's also important to note that once again, **for our 96th consecutive year, we had no drinking water violations**.

I'd like to compliment, encourage, and thank my colleagues on the Commission, and all of the hard-working men and women at WSSC for their dedication to this community. Along with General Manager and CEO Jerry Johnson and on behalf of the Commissioners, I'm pleased to present this year's annual report, "Investing in Our Community."

Sincerely,
Gene Counihan

"WSSC is an organization in the midst of change, taking on and meeting new challenges and living by its values—Accountability, Integrity and Respect, Excellence, Individual Initiative, Environmental Stewardship, and Cost Awareness. All this, and they've never had a drinking water violation in their 96-year history."
- Leadership Montgomery CEO and Founder Esther Newman



Chris Lawson, Vice Chair
Prince George's County (Appointed 2011)



Adrienne A. Mandel
Montgomery County (Appointed 2007)



Omar M. Boulware
Prince George's County (Appointed 2013)



Mary Hopkins-Navies
Prince George's County (Appointed 2013)



Dr. Roscoe Moore, Jr.
Montgomery County (Appointed 2008)



Jerry N. Johnson

MESSAGE FROM THE GM/CEO

Jerry N. Johnson
General Manager/CEO

Dear Customers and Other Stakeholders:

It's there in the morning when you wake up, make your coffee, and brush your teeth. The waste is flushed away without a second thought. If you're in Montgomery County or Prince George's County, it's most likely WSSC is making these things happen. We provide water and wastewater services for the majority of the 1.8 million people in these counties. **Clean water and proper disposal of wastewater are the first lines of defense against disease and are imperative for economic growth and well-being.**

WSSC is a government agency with an annual budget approaching \$1.4 billion. More than 95 percent of this budget comes from our ratepayers—the people of the communities we serve. WSSC continually looks for and employs **innovative, common sense, and cost-effective solutions** to meet the challenges facing our aging system, so we can continue to **provide clean, reliable water** to the community. This includes investing in the infrastructure that treats and delivers water to our customers.

Approximately 10 years ago, the Commission took on a difficult but important task to replace and repair our aging infrastructure—in particular, 5,600 miles of underground water pipes. **By 2025, 50 percent of these pipes will reach the end of their useful life span**—evidenced by an increasing number of water main breaks and leaks. To address this situation, in the last decade, WSSC has executed a strategic plan that has **increased the miles of replaced water mains each year from a handful to our current target of 55 miles every year** for the foreseeable future.

Parallel to this water strategy, a Consent Decree led to a 12-year sewer system enhancement—similar to many undertaken by utilities across the country where sewer systems have been neglected for decades. **WSSC's vigorous approach has resulted in major improvements to the system**, as well as improved disposal procedures for fats, oils, and grease from food service establishments. The total cost for this program alone is expected to reach \$1.4 billion.

To finance these monumental initiatives, WSSC has worked to gain the support of key stakeholders and business leaders,

county executives, and county councils. Perhaps most importantly, we also actively engaged our customers in discussions to explain the need. This long-term and ongoing communication with stakeholders and customers has helped to build stakeholder understanding and buy-in of these major infrastructure investments. These investments required WSSC to implement substantial rate increases—more than 50 percent over a ten-year period (81 percent, if compounded). We appreciate the support of all of our stakeholders, especially our customers, who understand the necessity, as the alternative would be an endless stream of pipe breaks, causing major inconveniences and disruptions.

To minimize the financial burden on our customers, **WSSC continues to look for ways to control costs**. The Bi-County Infrastructure Funding Working Group—made up of Commissioners, officials from both counties, and WSSC staff—recommended strategies to help reduce the burden of these costly initiatives. One of these recommendations was recently implemented—**longer term bond financing, which shaved 2 percent off the rate increase in FY14**.

Another area of progress is driven by our procurement goals, where WSSC has worked to expand our vendor base so that it more accurately reflects the diversity of our community and provides small, local, women- and minority-owned businesses with opportunities to partner with us. In FY14, **WSSC paid women and minority owned businesses \$99.9 million (20 percent of all payments)** and awarded over \$228.5 million (\$42.3 million more than FY13). WSSC also launched a new procurement strategy, Supply Chain Management, in a major effort to **streamline purchasing and contracting to lower our costs**.

Every day, as WSSC takes on new challenges, we remain true to our mission—to provide clean, reliable water to our customers, return it safely to the earth, and protect the environment by using renewable energy and adopting other green practices. All of this is undertaken in a cost-effective, responsible manner. As I look back at 2014, I believe it's evident that the many initiatives we launched, continued, or completed demonstrate our **continuing commitment to our valued customers**.

Sincerely,
Jerry N. Johnson
General Manager/CEO

Strategic Priorities:

This annual report helps illustrate how WSSC has made strides across all eight of the Commission's 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 who are 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 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.



ENVIRONMENTAL STEWARDSHIP

Serving Our Communities & Protecting Our Planet

MAKING A DIFFERENCE WITH ALTERNATIVE & RENEWABLE ENERGY

WSSC is an environmental organization, so our commitment to protecting the environment is at the heart of our mission. Solar power, wind power, hydropower, and energy-efficient equipment are just a few of the technologies WSSC employs to efficiently use energy during the water and wastewater processes. And **we're always looking for innovative, cost-saving ways to manage our water infrastructure and better protect the environment.**

Using Green Power

Nearly 17,000 solar panels provide green power to two WSSC wastewater treatment plants. The two-megawatt (MW), ground-mounted installations—each with nearly 8,500 solar panels spanning several acres—are located at the Western Branch Wastewater Treatment Plant in Upper Marlboro, and the Seneca Wastewater Treatment Plant in Germantown. Both facilities went online in early 2014 and are the result of a public-private partnership with [Washington Gas Energy Systems](#) and [Standard Solar, Inc.](#) **This project incurred no out-of-pocket costs for WSSC.**

Together, the solar arrays at the two plants are expected to generate approximately 6.6 million kWh of solar energy each year, providing, on average, 17 percent of the required electricity and **saving ratepayers approximately \$3.5 million** over the life of the agreement. These systems are also expected to **reduce carbon dioxide emissions** equal to avoiding the use of approximately 358,680 gallons of gasoline each year.

Reducing Waste & Using Less Fuel

Treating water and wastewater consumes a tremendous amount of energy. In fact, at \$2 million dollars per month, it's one of our largest operating expenses. Controlling energy costs is a major factor in controlling rates, so **WSSC is always looking for efficiencies and other emerging technologies that use less energy and fuel.**

Going Paperless

Over 106,000 people (of our total customer base of 460,000) have signed up for paperless online bill payment. **This free service is not only convenient, it reduces the amount of paper used by both WSSC and our customers, and it eliminates postage costs.**

Harnessing the Power of Wind

In 2008, the Commission began using electricity generated by a wind farm in southwestern Pennsylvania for approximately 60,000-megawatt hours of power a year. WSSC pays a fixed price for 85 percent of the wind farm's output over the course of the 10-year arrangement (ending in 2018). **This smart investment in green energy shows our commitment to protecting the environment.**

By using direct wind power, WSSC is reducing greenhouse gases released into the metropolitan area by 38,000 tons per year. That's the equivalent of removing 100,000 cars from the Capital Beltway.



EPA Recognizes WSSC Manager for Leadership in Energy Efficiency

In February 2014, the Environmental Protection Agency (EPA) honored WSSC Energy Manager Robert Taylor with the national Individual Leadership Award for his leadership in energy efficiency and greenhouse gas reduction. Taylor's work helped WSSC achieve an annual energy savings of close to \$2 million.

"Our Climate Leadership Award winners have made great strides in reducing greenhouse gas emissions and are providing leadership nationwide in many sectors of our economy," said Janet McCabe of the EPA's Office of Air and Radiation. "Their approaches and commitment to reducing carbon pollution demonstrate that efforts to address climate change are repaid by saving money and energy, while supporting more livable and resilient communities."

Planning Ahead: A Built-In Review System

WSSC's Environmental Group administers the Environmental Review Program, which ensures that all **WSSC projects are planned and implemented with the environment's best interest in mind.** This group is involved in WSSC's projects from the start, dedicated to:

- Identifying potential environmental impacts from all WSSC projects
- Avoiding or minimizing adverse impacts
- Preserving and protecting our water and forest resources.

If we didn't conduct environmental reviews during all phases of our projects, we would risk damage to the water bodies and forests that are some of our region's most important natural assets. The Environmental Group examines all potential impacts throughout the life of each project, making recommendations to ensure little to no overall effect on the environment.

"Being good environmental stewards is core to our mission. Solar and wind power play a large role in our energy-efficient approaches to water and wastewater treatment, and we will continue to stay at the forefront of alternative energy and environmentally sound business practices. This benefits the environment, our bottom line, and our ratepayers. It's the right thing to do." Jerry Johnson, General Manager and CEO, WSSC

TEACHING FUTURE STEWARDS

Across the world, water consumption has tripled in the last 50 years. Managing the supply and availability of water is one of the most critical natural resource issues facing our nation and the world. Ready for the challenge, **WSSC is committed to finding innovative ways to:**

- **Preserve natural resources**
- **Save energy**
- **Educate the public on the importance of protecting our water.**

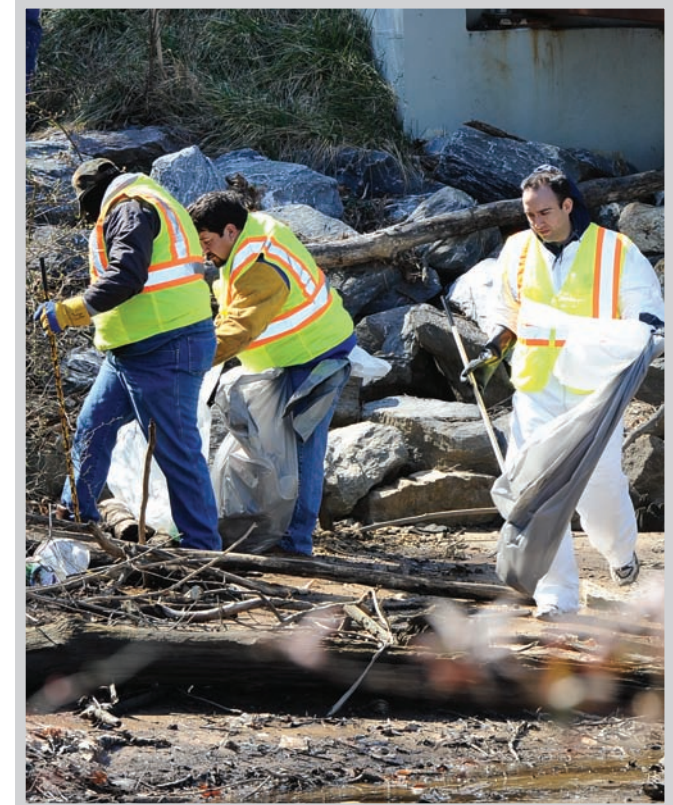
WSSC hosts outreach events to educate the community, especially students, on environmentally friendly practices and behaviors. By cultivating awareness and interest in our youth, **we hope to create environmental advocates who live in the community**, understand the importance of preserving our precious natural resources, and support our commitment to protect the environment for generations to come.

WSSC hosts many events that engage and educate youth, including:

- **H2O Summit:** At this family-friendly event, WSSC teaches 500-600 people, including kids, how to reduce their carbon footprint.
- **Children's Water Festival:** For nearly a decade, WSSC has hosted this two-day event in May, where 600 fourth grade students participate in hands-on learning activities about water, wetlands, human health, aquatic life, and more.



- **Classroom Outreach:** In FY14, WSSC continued outreach to schools, with more than 80 visits to classrooms to spread the word about the importance of delivering clean water and disposing of wastewater.
- **Environmental Cleanup Days:** Throughout the year, WSSC hosts dozens of clean-up days on its property bordering the Patuxent River.
- **Green School Program:** Through a partnership with WSSC, students from approximately 20 schools build concrete oyster reef balls on land. Then, the newly formed "reefs" are dropped into the bay, providing a habitat for oysters to flourish and contributing to recovery efforts for the Chesapeake Bay.
- **Managed Hunt Program:** Working with the Maryland Department of Natural Resources, WSSC seeks to reduce deer damage to the watershed forests and surrounding properties where deer have exceeded the carrying capacity of the available habitat.
- **Maryland Native Plant Garden:** Dedicated WSSC employees, along with a number of high school students and members of WSSC's Customer Advisory Board, planted a garden stocked with dozens of plants native to Maryland in front of WSSC's Robert G. Hovevar headquarters in Laurel. The garden highlights the rich diversity of Maryland's natural habitat and serves as a symbol of WSSC's commitment to environmental stewardship.



FINANCIAL STABILITY

Committed to Smart Spending

At WSSC, we know that it's important not only to deliver quality water and wastewater treatment services to our customers—it's also important to do it at a reasonable cost, with affordable rates.

A few financial highlights from this year include:

- We received a clean audit from external auditors.
- We created the budget-in-brief summary to improve transparency and understanding of our finances.
- We followed the recommendation of the Bi-County Infrastructure Funding Working Group to change from issuing 20-year debt to 30-year debt. WSSC issued \$150 million of 30-year bonds in April, at a true interest cost of 3.31 percent. This change in length of maturities is estimated to have saved Commission ratepayers 2 percent on water and sewer rates in FY14.

WSSC earned the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the 19th consecutive year. This award recognizes WSSC for exceeding the minimum requirements for financial reporting and disclosures, which enhances transparency for the public.

ADDRESSING CHALLENGES

In 2011, WSSC formed the Bi-County Infrastructure Funding Working Group to examine options and make recommendations on how to pay for necessary infrastructure renewal without overburdening our ratepayers. The Working Group, which included representatives from the WSSC Commissioners, the General Manager/CEO, representatives of the Prince George's County 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. All of this was considered in the context of the need to fund necessary infrastructure renewal efforts over the long term.

We have already implemented some of the recommendations, such as extending the length of our bonds from 20 to 30 years. Next, we'll explore options to restructure customer bills to show the amount going toward infrastructure renewal efforts, and establish a more robust and comprehensive program to assist lower income customers with paying their water bills.

These initiatives will ensure that we can continue to finance critical infrastructure updates and maintenance required for us to continue to provide clean, reliable water for years to come.

WSSC's AAA bond issue was reaffirmed by Fitch Ratings, Moody's Investors Service, and Standard & Poor's Ratings Services. This is the highest bond rating and represents the credit worthiness of WSSC bonds, i.e., how likely they are to be repaid.

FY14 Overall Budget:

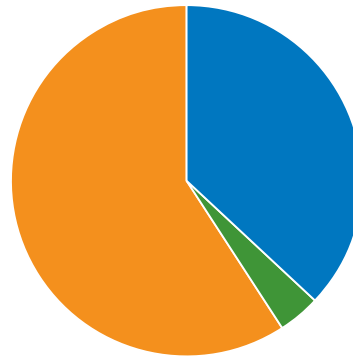
Capital and Operating



Capital Expenses: **\$742.2 million**
Operating Expenses: **\$698.8 million**

FY14 Operating Budget Overview:

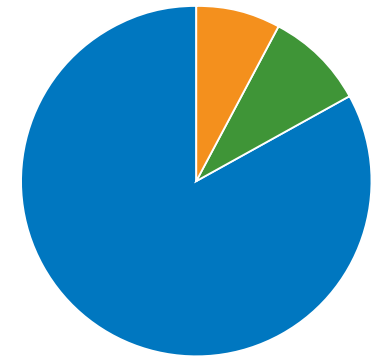
Water, Sewer, and Bond Debt Service



Water: **\$280.2 million**
Sewer: **\$378.3 million**
Bond Debt Service: **\$40.4 million**

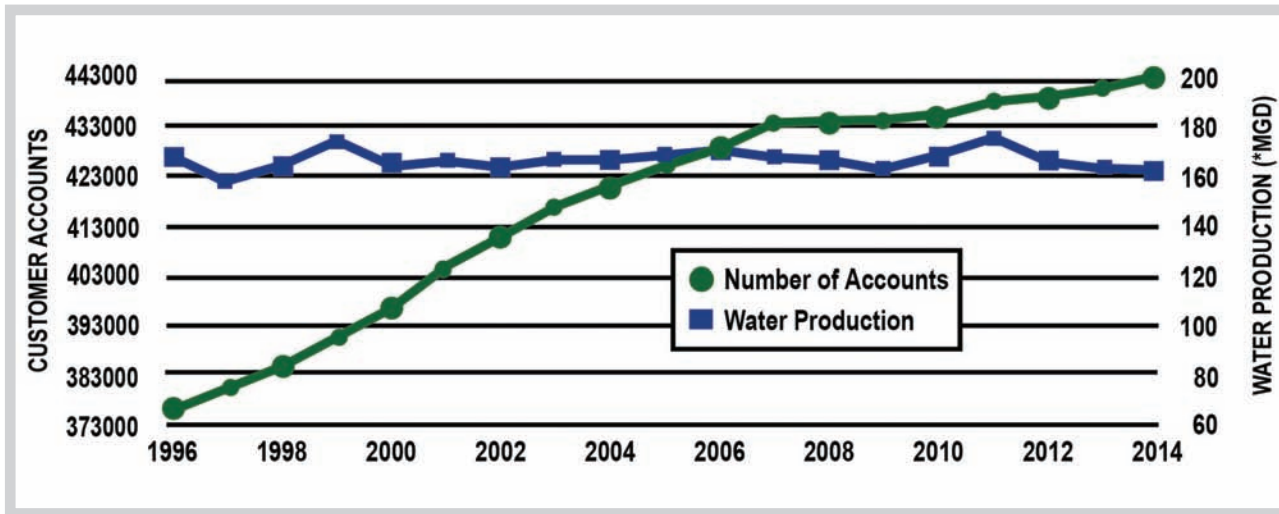
Capital Expenditures by Category:

System Improvements, Environmental Regulations, Growth



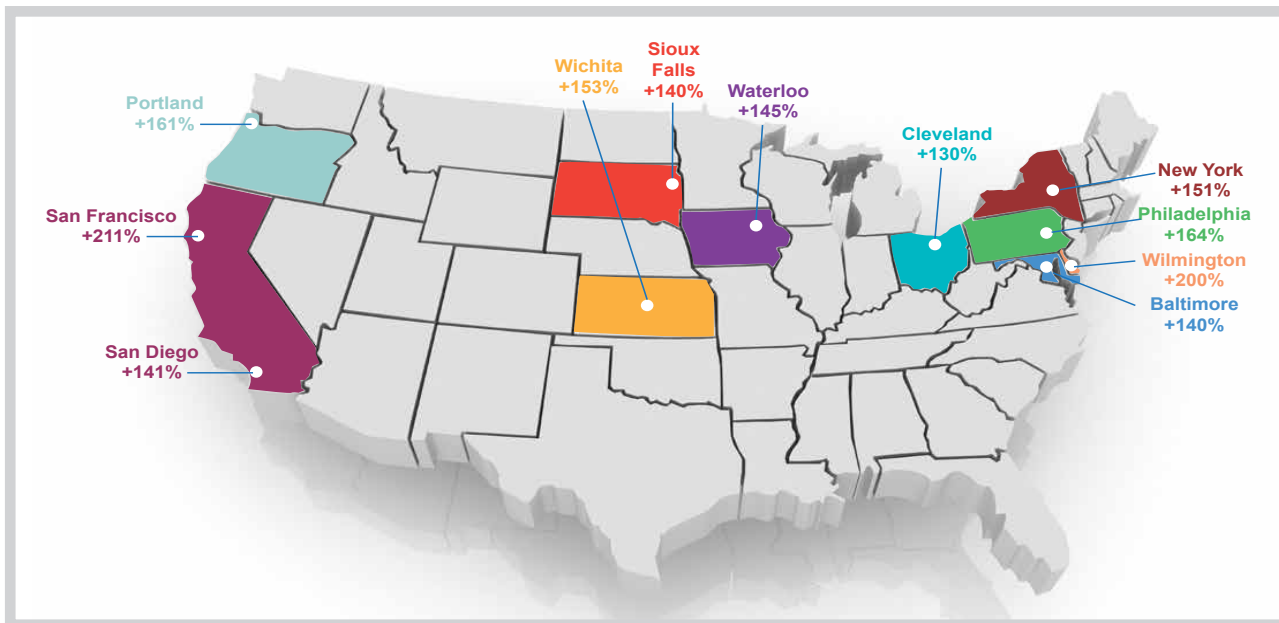
System Improvements: **\$1.4 billion**
Growth: **\$270.6 million**
Environmental Regulations: **\$331.7 million**

A Challenging Trend



WSSC CONSERVATION VS POPULATION VS REVENUE

Across the nation, many public utilities are facing a funding gap. The population continues to grow, along with costs associated with providing reliable customer service. But increased conservation—the result of consumer awareness, low-flow fixtures and toilets and more efficient appliances—has dramatically decreased the amount of water consumed. This means utilities, like WSSC, are selling less water, and therefore raising less revenue because of lower consumption.



SOME RATE INCREASES EXCEEDING 200 PERCENT NATIONALLY

Source: Municipal & Financial Services Group

Across the country, large water utilities are facing the same major issues with aging infrastructure. This has resulted in rate increases as high as 211 percent since 2002. WSSC rates have increased by 85 percent during that time.

DOING BUSINESS WITH WSSC

Investing in Our Local Community

WSSC IS OPEN FOR BUSINESS

As one of the largest water and wastewater utilities in the nation, WSSC needs suppliers for everything from engineering to construction, from high-tech to heavy machinery.

To engage and support businesses, WSSC hosts outreach events that showcase opportunities to do business with the Commission, including procurement fairs, corporate roundtables, supplier development trainings, and conferences. These events help us promote economic growth, build capacity among WSSC's local supplier community, provide relationship-building opportunities for WSSC and its suppliers, and cultivate supplier-to-supplier relationships.

One example is "**How to Do Business with WSSC**," an event held at our Laurel headquarters three times a year. The meeting **fosters relationships with the supplier community** and encourages suppliers to bid on a wide range of WSSC products and services, including:

- Architectural-engineering and construction
- Facilities and maintenance
- Fleet management
- Information technology equipment and software
- Other technical, financial, and professional services.

On June 26, 2014, WSSC held its ninth session, bringing together potential suppliers with contract managers and purchasers at WSSC's Procurement Office to learn about upcoming opportunities. Hosting events like this is one way that **we invest in the business community, promote economic growth, and support local suppliers**. Expanding our pool of suppliers creates competitive bidding that reduces costs, and results in more effective and innovative approaches to a wide range of challenges facing WSSC.

WSSC wants to work with you!
Register with the **Centralized Bidder Registration System (CBR)** at www.cbr-wssc.com, and check the site regularly for bid opportunities.

COMMITTED TO SUPPLIER DIVERSITY

WSSC provides many opportunities for Small, Local and Minority Business Enterprises (SLMBE) to do business with us, whether directly with WSSC or by subcontracting through primary suppliers. We encourage all of our contracted vendors to support our commitment to supplier diversity by working with SLMBE firms.

The SLMBE Office is dedicated to creating an inclusive purchasing environment while building sustainable relationships; expanding opportunities; and **cultivating growth of small, local, and minority business enterprises—which adds value to the Commission and community we serve.**

WSSC has worked hard to expand its vendor base to include more woman- and minority-owned businesses. In FY14, WSSC:

- Paid women/minority businesses \$99.9 million (20 percent of all payments).
- Awarded over \$228.5 million (23 percent of all awards).

PROVIDING BETTER RESULTS & VALUE

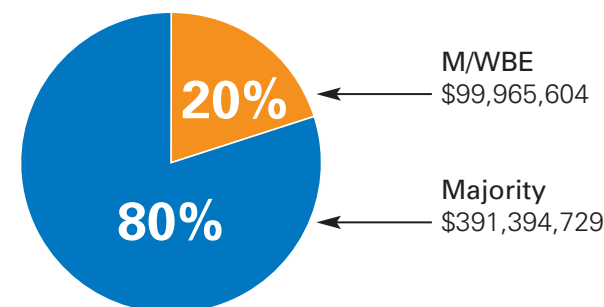
WSSC is overhauling its procurement process to increase the value we get from every dollar we spend. We're streamlining our approach to purchasing and contracting to "take the costs out of business." Through Supply Chain Management, **we're buying smarter, which not only saves us money, but protects our ratepayers' wallets.**

The goal of the Supply Chain Management initiative is to save time and money while attracting suppliers who offer high-quality work, more effectively, for the least life-cycle cost. Plus, we're training our contract managers and procurement professionals in cost reduction and cost avoidance. Early results have been promising—so far, used on a limited number of projects, the **return on investment has been 5 to 1.**

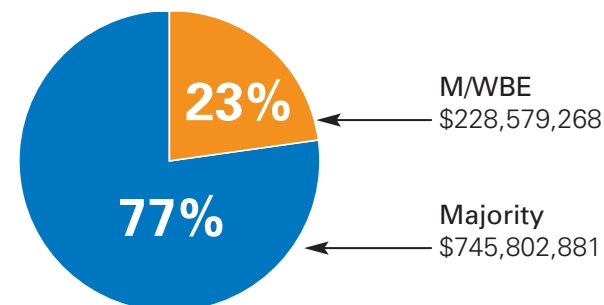
What does this mean for ratepayers? This different approach to doing business will result in contracts that offer WSSC the best value, not those that simply provide the lowest bid. Getting the job done right the first time often saves money in the long run—not to mention eliminating frustration when repairs extend beyond original schedules or pavement is repeatedly torn up.



FY 2014 M/WBE Contract Payments



FY 2014 M/WBE Contract Awards



COMMUNITY OUTREACH & CUSTOMER SERVICE

We're There When You Need Us

CONNECTING WITH THE COMMUNITY

WSSC's commitment to our community is integral to what we do every day to fulfill our mission of delivering quality water. That's why we've enhanced our efforts to connect with you. Check out what's new and learn about the tools that are helping us **improve our daily service to customers**.

WSSC's Mobile App allows residents to help us pinpoint problems and resolve issues faster. If customers see water running in the street, they can report it with a click on their smartphone or tablet. The app will do the work of providing a specific location. If customers are concerned about their water use, they can use the app to monitor water use by viewing meter readings. Customers can pay their bill with ease, receive service alerts for their neighborhood, and even review WSSC job postings.

Customers can also connect with WSSC on social media. Anyone can "like" WSSC on **Facebook at "WSSC Water"** or follow us on **Twitter @WSSCWaterNews**. Customers and stakeholders can share community information, post pictures from WSSC community outreach events, and share environmental and conservation ideas.



"WSSC has been very hard at work here in Martin's Additions for many months. WSSC has been doing a wonderful job! I continue to find everyone at WSSC willing to help in any way that they can, in any situation." - Jean Sperling, Manager, Village of Chevy Chase

There's also a web tool on **WSSCWater.com** that provides targeted information for specific neighborhoods and commuting routes. Customers can type in their address, and our interactive map, **In Your Neighborhood**, will provide up-to-date information on pipeline projects, from planning to design and construction. Our **Service Alert** interactive map provides a search function to discover emergency work throughout the WSSC system.

By enrolling in the **WSSC Customer Notification System (CNS)**, customers can receive email and/or text notifications when there's an emergency or scheduled service interruption. Thousands of customers have already signed up for this service.

WSSC also holds **community events and meetings** to engage and inform the community.

- **Events:** We host and attend events throughout the year to educate our community. **This year, at more than 85 events, we met with customers**, teaching them about the water cycle, the environment, and WSSC services and programs. Events include: county fairs, council member events, conventions, the Hispanic Festival, STEM events, and WSSC events such as the H2O Summit and Annual Campfire.
- **Meetings:** Homeowners' associations, civic associations, and residential communities often ask WSSC to attend meetings to **discuss upcoming construction projects and inform residents about WSSC operations and programs**.



Sylvia Anderson, Community Outreach Coordinator provides customer with information.

SERVING OUR COMMUNITY EVERY DAY

WSSC provides safe, reliable water and wastewater services that **protect the quality of life for our community**. That's a value we bring to our customers every day. To that end, we engage in numerous outreach and customer service efforts to ensure that **we're there when they need us**.

- **Field Crews & Workers:** In addition to our Customer Advocates, who are proactive in talking to customers, we're always out and about. Customers can meet our meter readers, inspectors and utility service crews in the

field and can speak with operators in our contact center over the phone. These are the people who keep us up and running.

Our people are dedicated and take pride in their work and put in long hours to ensure that our community receives the water it needs to thrive.

- **Customer Advocates:** WSSC Customer Advocates are out in the community—even in your neighborhood—ready to answer questions, advise you on upcoming work, and help you deal with any issues or questions, such as billing or water main breaks.

- **Relationship Building:** Our Intergovernmental Relations Office (IRO) builds relationships with city, county, state, and federal lawmakers and represents WSSC before elected bodies at all levels of government. As part of outreach efforts with elected officials, IRO organizes tours of WSSC facilities, testifies at various agency hearings, and hosts events, such as the Legislative Breakfast in Annapolis at the beginning of general assembly each year.



WSSC is in your neighborhood, fixing breaks, reading meters and providing top notch service.



Sen. Ben Cardin visits the Patuxent Water Filtration Plant to highlight need to upgrade nation's water infrastructure.



Delegate Bonnie Cullison at WSSC's tour of the Bi-County Water Tunnel, scheduled to be put in service in 2015.

SAFETY & CONTINUITY

Protecting Our Water & Our Employees

PLANNING AHEAD

We live in a dangerous world, and we need to be prepared to continue to provide clean water to the people of this community, no matter what natural or man made disaster or other potentially paralyzing event could take place.

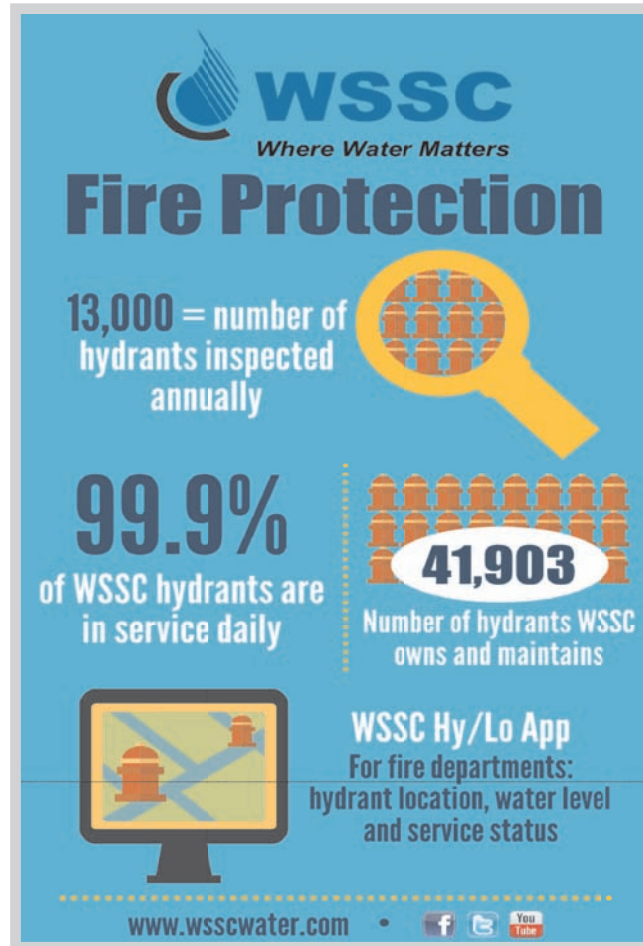
To that end, protecting our vital infrastructure is a key strategic priority at WSSC. This year, **WSSC conducted two key studies in an effort to assess and improve the Commission's operations and procedures.**

- **Continuity of Operations Plan (COOP):** The Continuity of Operations (COOP) program is part of a United States federal government initiative to ensure that agencies are able to continue performing essential functions under a broad range of circumstances, including man-made or natural disasters. Guided by this national push to ensure that disasters do not significantly impair our ability to operate, WSSC undertook an organization-wide study and established its own plan.
- **Vulnerability Study:** To ensure that our facilities are as secure as possible, we contracted with a firm to assess areas where WSSC could be vulnerable to attack or outages throughout our facilities, pipe infrastructure, shoreline, and reservoirs.

The COOP and vulnerability studies will be used to develop an updated operations plan and to guide future construction and facilities upgrades. These self-assessments and studies are examples of the many ways that **WSSC works to proactively invest in protecting both our water and our employees.**

FIRE PREVENTION

There are almost 42,000 hydrants in the WSSC distribution system, playing a vital role in the service area – not only for firefighting, but also for operation and maintenance of the water system. Each fire hydrant receives regular inspection and maintenance on a three-year rotating schedule. To assist local fire departments, WSSC developed a special mobile app that displays the exact location of hydrants, as well as their operational status.



INVESTING IN THE FUTURE

Making Investments that Make a Difference—from Pipes to Technology

MAKING CRITICAL INVESTMENTS

Water is a precious resource on which we all rely. There is no greater example of WSSC's commitment to the community than the network of pipes threaded throughout the region, bringing this resource to our customers. To ensure water is safely brought to our customers, WSSC invests in maintaining, repairing, and/or replacing pipes, as well as developing and adopting innovative ideas and technology that improve our infrastructure.

In support of this mission, approximately 10 years ago, WSSC took on the difficult task of repairing or replacing, as necessary, our aging infrastructure—particularly the 5,600 miles of underground water pipes. The total program cost is expected to reach \$3 billion. **By 2025, 50 percent of WSSC's pipes will have reached the end of their useful life span.** This is evidenced by the increasing number of water main breaks and leaks, which topped 2,100 in 2007 and more than 17,000 in the last decade.

WSSC has executed a strategic plan that has increased the miles of water main replacement each year, from just a handful to our **current annual target of replacing 55 miles every year.** And we're exceeding that goal.

Parallel to this pipe replacement strategy is a 12-year sewer system enhancement brought on by a Consent Decree with the U.S. Environmental Protection Agency (EPA), the Maryland Department of the Environment (MDE), and several environmental groups. This initiative is similar to others undertaken by utilities across the country, where aging sewer systems require repair and/or replacement. To date, we have replaced over 127 miles of sewer mains and lateral pipes since the inception of the decree in December 2005.

Our investments in infrastructure improvements are making a difference—ensuring that you have access to the water you need each and every day and that clean water is returned to the environment.

WINNING AWARDS IN WATER FILTRATION & TREATMENT

WSSC's filtration and treatment plants ensure we're providing customers with clean water and returning clean water to local tributaries. Our award-winning Water Filtration Plants (WFP) produce an average of 160 million gallons of safe, clean water every day—**providing the water used by WSSC's 1.8 million customers** in Montgomery and Prince George's counties.

We operate and maintain six Wastewater Treatment Plants (WWTP) with a capacity to handle **89 million gallons of wastewater each day.** WSSC is committed to:

- Producing clean water that meets all regulatory requirements for discharging to waters of the State of Maryland.
- Managing the biosolids generated in the treatment process in an environmentally beneficial manner.
- Operating and maintaining numerous wastewater pumping stations and related infrastructure to transport wastewater without overflows.

All of WSSC's wastewater treatment plants received Peak Performance Awards from the National Association of Clean Water Agencies. These awards demonstrate our employees' commitment to the environment and to protecting the health of our customers and the community we serve.

WSSC's Potomac and Patuxent filtration plants continue to receive the American Water Works Association (AWWA) Partnership for Safe Water Award, which recognizes water treatment and distribution systems for high-quality water delivered throughout the community.

INVESTING IN PIPES

Taking Care of 11,000 Miles of Pipes

WSSC is responsible for maintaining 11,000 miles of water and sewer pipes—that's the distance from Washington, DC, to Egypt and back! Every day, WSSC must monitor, maintain, repair, and sometimes replace, these pipes—always considering the potential impact of our work on the community and the environment.

We're All About Pipes

- **Water main reconstruction:** This year, WSSC replaced 60.36 miles of pipe, exceeding our goal of 55 miles. That's nearly as long as the entire Capital Beltway.
- **Sewer replacement:** In FY14, WSSC:
 - Replaced 27.28 miles of sewer pipes.
 - Replaced 12.09 miles of lateral sewer pipes, exceeding our seven-mile goal.



Leading the Way: Acoustic Fiber Optics (AFO)

Acoustic Fiber Optics (AFO) provide us with an early warning system, detecting breaks or leaks in the largest pipes in our system. We began installing AFO in 2007, and we're currently working on 36- to 48-inch pipes, having already installed this technology in over 80 miles of our large pipes.

Ad-Hoc Committee Completes Work, Cites WSSC Expertise

WSSC established the Ad-Hoc Committee on Large Diameter Water Mains to develop a set of fully informed recommendations to submit to WSSC Commissioners for how to prevent and mitigate PCCP failure today and in the future.

Consisting of representatives from the councils and executive offices from both counties, WSSC staff, private citizens, and related government agencies, the Ad Hoc Committee gained a greater understanding of risks involved with PCCP pipe and WSSC's expertise in providing solutions, while building greater trust and communications among the disparate agencies involved in both counties. The Commission voted to accept the report and to review each of the 21 recommendations.

INVESTING IN TECHNOLOGY

WSSC is a major innovator in the development and use of new technology. We're in the second year of WSSC's 5-Year IT Strategic Plan, which outlines our plan to leverage technology to **provide first-rate, reliable customer service, greater business efficiency and growth, and effective stewardship of the environment.**

Using Technology to Share Critical Information

WSSC is spearheading two projects to share critical information about planned projects, as well as real-time break and leak information with key stakeholders.

- **Agency Project Coordination Tool:** WSSC, in conjunction with Montgomery County, is serving in a lead role in a multi-agency effort to share data on future projects to better coordinate efforts between utilities, county entities, and state agencies. The primary purpose of the collaboration is to ensure that digging up and repaving roads is kept to a bare minimum. Nearly one dozen agencies are on board with this project, which will provide a searchable database and corresponding map to ensure all parties involved are aware of ongoing and future work in the area.
- **Outage Management System (OMS):** When any part of our water distribution system is out of service, either because of planned construction work or an emergency shutdown, it can affect hundreds of people. In an effort to share important information with emergency planners

and public works officials in both Montgomery and Prince George's counties, we created the Outage Management System (OMS). This online application sends out a notification to the appropriate officials when critical assets (large water mains, storage tanks, or water pumping stations) in our water distribution system in their area are out of service. They can then log into OMS for details on the specific nature of the outage, including the number of residents affected and the approximate amount of time it will take to return that asset to service.

TEAMS: Increasing Efficiency with Technology

In FY14, WSSC implemented the Total Enterprise Asset Management System (TEAMS), which helps us better utilize all of our assets needed to produce and deliver water to our customers. TEAMS is replacing the existing paper-based tracking process with a fully automated, online database.

TEAMS is being rolled out at our two water filtration plants, as well as with field crews working to maintain and repair our massive water pipe system. Now, instead of having to find folders in file cabinets located in a physical location, employees who need to check on the whereabouts of specific assets can check the TEAMS system for an instantaneous answer. Field crews can input work orders from their mobile devices from a job site, or ascertain the status of ongoing projects anywhere, at any time. **This improvement in efficiency will save money as well as improve our service by reducing the overall time it takes to carry out and complete projects.**



For every 100 site utility plans submitted online, we save 80,000 paper drawing sheets—the equivalent of five tons of paper, or 13 trees.

Improved Efficiency in Licensing & Permitting

We've reengineered our business processes for permitting issues and replaced our permit processing system with a new system that provides **quick, easy access to data and improved, more meaningful reporting**. The system allows permit applicants to track projects, permits, inspections, and licenses online. It also handles plumber/gasfitter license management and cash register/fee receipt functions.

Launched in FY13 and fully implemented in FY14, this new system:

- **Improves customer service** allowing customers to complete many tasks online—such as initiating applications and paying some fees—instead of visiting WSSC.
- **Increases WSSC operational efficiency** by standardizing and streamlining methods of filing, accessing, and sharing permitting documents.
- **Saves developers over a month's time** waiting for reviews (reducing processing time from 8-10 weeks to 2 weeks).
- **Provides 24/7 access to review status** now that WSSC engineers and applicants can check on a review status online any time.
- **Helps the environment** by reducing paper, as well as the need for developers and engineers to travel to WSSC for the review process.

Crew members who tested the Mobile Workforce Management System say the response time is faster, easier to use, and more convenient. All field vehicles are now equipped with this technology.

"In an emergency situation, when I need to find valves or determine the exact location of a pipe, connection to our servers is critical," said Billy Dove, Chief Water Distribution Operator. "We're often racing the clock to shut down a broken pipe, and every second counts. This new wireless capability is a big step forward for the crews in the field."

Improving Connectivity. Increasing Efficiency.

WSSC implemented a mobile workforce management initiative this year. We installed wireless modems in field vehicles to provide our field crews with improved remote connectivity to secure services, such as access to WSSC's Geographic Information System (GIS), work orders, email, network resources, and other systems.

This workforce management initiative:

- **Improves operational efficiencies and productivity for field crews** by allowing them to access and manage critical asset data directly from the field via wireless modems in their vehicles to handle issues (e.g., locate a break or shut down valves).
- **Improves customer service and safety** by improving communications to address problems before they worsen.
- **Improves mobility for field crews** by giving them the ability to transport laptops to hard-to-reach locations where their vehicles may not be able to travel.

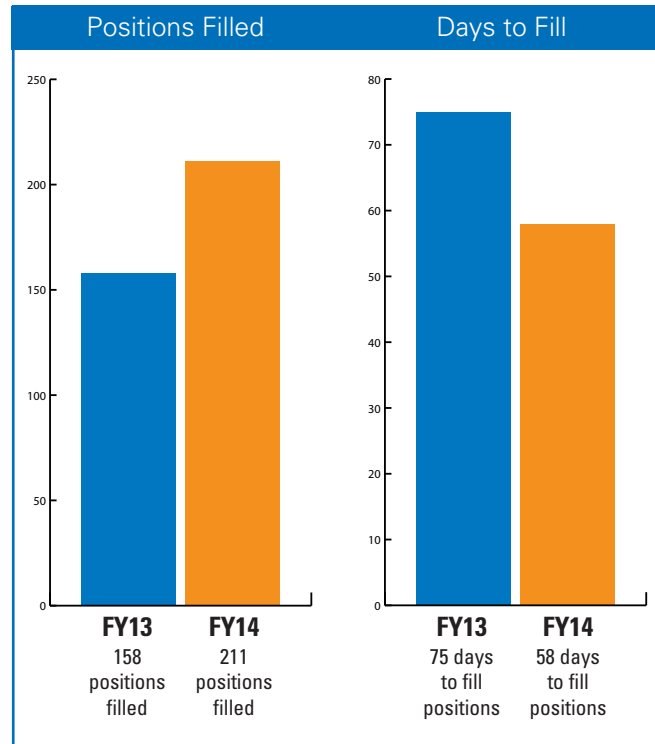


TALENT PIPELINE & WORKFORCE MANAGEMENT

Reaching Out to the Community to Build a Quality Workforce

ENHANCING OUR PROCEDURES & SUPPORTING OUR EMPLOYEES

WSSC knows that **the key to providing good service to customers is employee recruitment and retention**. That's why we hire knowledgeable, dedicated employees, tapping into the talents of the residents of both counties we serve, as well as regional and sometimes national expertise to fill key positions. Plus, we support our team by offering career training and educational programs to strengthen their knowledge, skills, and overall wellbeing, along with other benefits.



REDUCING RECRUITMENT TIME

This year, continuing our commitment to enhance our recruitment process, **WSSC improved our recruitment success rate from 158 filled positions at the end of FY13 to 211 positions at the end of FY14**. The average time to fill vacancies in FY14 was 58 days, a dramatic improvement of 75 days in FY13.

We were able to achieve this by hiring and training additional HR staff, working closely with hiring managers, and streamlining our recruitment process. Our process includes a new, online program that makes it easier for managers and HR recruiters to track candidates and move the process forward more quickly.

OFFERING OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

WSSC provides many resources for our employees to strengthen and enrich their knowledge and skills. This year, under an overall umbrella program called Stream Institute, **WSSC HR rolled out a series of professional development platforms and resources for WSSC employees**. Courses are offered on time management, management skills, and other areas intended to enhance the quality of our workforce.

FOCUSING ON EMPLOYEE WELLNESS

Happy, healthy employees provide better service to customers. With that in mind, WSSC rolled out a new, employee-focused wellness and employee assistance program, called MyLife, which **offers more choices for employees and supports a culture of well-being**.

PREPARING THE NEXT GENERATION OF WSSC EMPLOYEES

We're out in the community, educating students about water, the environment, and the role WSSC plays in protecting our natural resources. In addition to many community events and meetings, we also host and attend student-centered events, with the goal of promoting environmental stewardship to the next generation of our planet's caretakers and building our pipeline of future employees to support the WSSC mission.

Some examples of our youth-centered initiatives include:

- STEM Curriculum:** Science, technology, engineering, and math-related content developed by WSSC's Fat, Oil, and Grease (FOG) Unit has been approved for integration into the Prince George's County School System curriculum. **WSSC is pursuing a partnership with science teachers in Prince George's and Montgomery counties to provide curriculum content.**
- Engineering Academy:** The academy began with eight students at one WSSC depot in Prince George's County and has grown into a bi-annual event attracting 25 middle and high school students from each selected school. **The academy launched this year in Montgomery County to high demand.** Eight former attendees are furthering their academic careers in engineering or a science-related field at various colleges and universities.

The day after the program was completed (a Saturday), an excited Engineering Academy attendee, Delonte West, left a voicemail for WSSC. The 18-year-old senior from Upper Marlboro said, "The WSSC program truly impacted my life. I now know that I want to be a meter reader after I finish school."

- Intern Program:** This year, WSSC employed 23 college interns, teaching them about WSSC operations and the water industry. Interns support a variety of areas, from Laboratory Services and Public Affairs to Engineering and Construction and Utility Services.

"The internship helped me to refine my goals and provided the perfect avenue to transition from the college life to the 'real world'." - Vicky Murat, Laboratory Services

- Scholarships:** WSSC awards two annual scholarships to support education, build a pipeline of future leaders, and identify potential talent for WSSC careers.

- Sewer Science:** In a simulated laboratory at a WSSC wastewater treatment plant, **high school students create and treat wastewater to provide a snapshot of a wastewater treatment plant operator's day.** The program incorporates the importance of math and science in today's careers.

- WSSC in the Classroom:** This program represents a commitment to increasing student knowledge and encouraging interest in engineering and the water cycle. **The program engages more than 50,000 students annually** and includes activities such as Career Day, Science/STEM fairs, tours of the WSSC Consolidated Laboratory, the "Principal for a Day" Program, academic and STEM competitions, annual back-to-school fairs, and the annual YMCA Thingamajig Invention Convention.

- Children's Water Festival:** This annual event brings **more than 600 fourth graders** to WSSC's Brighton Dam to learn about water and **cultivate students' interest in math and science.** Hands-on activities teach curious minds about conservation, wetlands, human health, and aquatic life.



WSSC volunteer gives out WSSC informational materials while informing a student about programs and services.



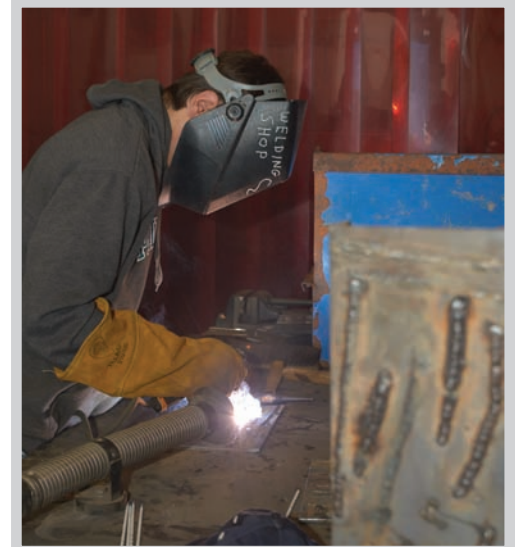
Utility Services interns work as a team to create a boat that will float, learning how certain materials react to water.



Charles Stewart leads interns on a tour of the Parkway wastewater treatment plant.



Trade Shop summer intern performing a calculation to complete a task.



Industrial Assets Management intern hard at work.

AWARDS & RECOGNITION

National Association of Clean Water Agencies Peak Performance Awards

Damascus WWTP: Platinum

Seneca WWTP: Platinum

Parkway WWTP: Platinum

Piscataway WWTP: Gold

Western Branch WWTP: Gold

Hyattstown WWTP: Gold

Legislative Black Caucus of Maryland Outstanding Leadership Award

Jerry N. Johnson, WSSC's GM/CEO, received the Outstanding Leadership Award from the Legislative Black Caucus of Maryland.

Environmental Protection Agency Individual Leadership Award

Robert Taylor received the Individual Leadership Award by the EPA during the Climate Leadership Awards (CLA) ceremony in San Diego, California.

Mid-Atlantic Council of Trout Unlimited Citizen/Organization Recognition Award

Bill Dove, Acting Watershed Manager, received the Citizen/Organization Recognition Award from the Mid- Atlantic Council of Trout Unlimited.

2014 Wendell R. LaDue Utility Safety Award

WSSC's Safety Unit was awarded the American Water Works Association Wendall LaDue Utility Safety Award.

Hermes Creative Awards

- “In Your Neighborhood” received a Gold Award.
- “Keep Wipes Out of Pipes” received an Honorable Mention.

Leadership Montgomery Award

WSSC received the Public Sector Award from Leadership Montgomery at the organization's 25th Anniversary Celebration of Leadership Gala.

2014 WWOA and CSAWWA Tri-Association Conference

- Martin Johnson, Jr., Chief Plant Operator, Seneca Wastewater Treatment Plant, received the Water and Waste Operators Association (WWOA) Award for Outstanding Personal Service to the Association.
- Tesfaye Selassie, Chemist, at the Consolidated Laboratory received the Laboratory Analyst Award, which recognizes individuals for outstanding performance, professionalism and contributions to the water quality analysis profession.

GFOA Distinguished Budget Award

WSSC earned the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award for the 19th consecutive year.

American Water Works Association Partnership for Safe Water

Potomac and Patuxent Plants received this award recognizing water treatment and distribution systems for high-quality water delivered throughout the community.

Water Research Foundation International Leadership Award

Mike Woodcock, Principal Engineer, C.Eng., MIM3 for industry research over the past two decades.



Potomac Water Filtration Plant.

LOOKING FORWARD

Planning Ahead

We continue to move forward with our strategic plan as **we look for ways to better serve our customers and invest in initiatives that benefit our community and the environment.**

Part of WSSC's core mission is to provide world-class service to the customers we serve. Recognizing our need for improvement in this area, **we brought in a nationally recognized expert in customer service** to conduct an assessment of our contact center. Some of the recommendations are sweeping and require major initiatives. Some will take time, but our customers will notice some changes in FY15.

We also have a responsibility to **update and upgrade the way we conduct business in an effort to control costs in a strategic manner.** Cost-cutting does not mean sacrificing a high quality of work, and we will continue to maintain industry standards. As mentioned previously, in FY14 WSSC began implementation of Supply Chain Management (SCM), and early results indicate significant savings. In FY15, WSSC will move toward full implementation of SCM, with an expectation of a **large return on our investment, better efficiency, and more value for our customers' dollars.**

While we've come a long way toward rebuilding and securing our underground water infrastructure, we still need a more predictable and reliable way to finance these efforts. Like many utilities across the nation, we face lower water consumption and, in turn, lower revenue—yet costs continue to increase, and the need to repair and replace the aging infrastructure remains.

We have proposed changes to our billing structure to ensure that we can pay for infrastructure repairs and maintenance that are critical to our ability to provide water to our customers. Guided by recommendations of the Bi-County Infrastructure Funding Working Group, this will continue to be a priority for the Commission in the coming year. WSSC expects rates to continue to rise, but hopefully at a lower rate. To help lessen the financial burden on our customers, in FY15 **we're requesting permission from the Maryland General Assembly to enact a Customer Assistance Program for customers who might need assistance.**

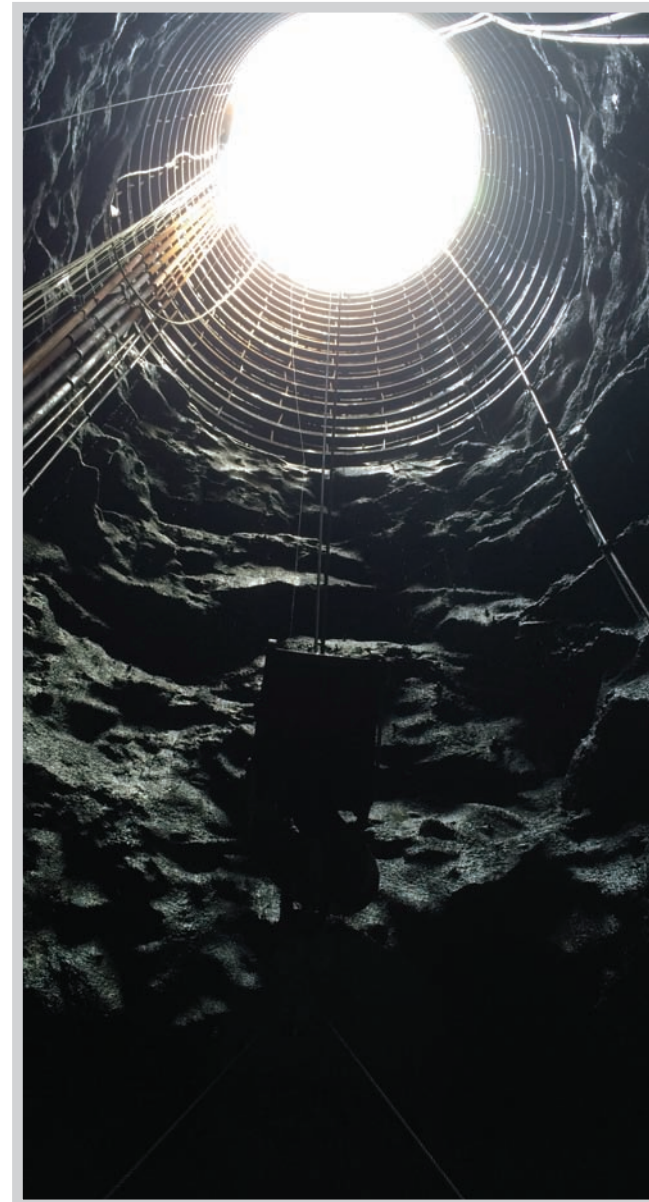
Treating water and wastewater consumes a tremendous amount of energy. In fact, at \$2 million per month, it's one of our largest operating expenses. Controlling energy costs is a major factor in controlling rates. So **WSSC is always looking for efficiencies and other emerging technologies to use less energy and fuel.**

As part of these efforts, we're moving forward on a project utilizing anaerobic digestion to reduce energy and biosolids management costs at our wastewater plants. This process could allow WSSC to **lower its dependence on carbon-based fuels while reducing the amount of solids produced at the plants.** We'll essentially be able to repurpose and sell biosolids, as well as use methane produced during the process, to provide fuel to power the plant. **We are proud to be among the first utility companies to use this technology.**

Maintaining and enhancing the health of the Chesapeake Bay remains a federal, state and local priority. By the end of 2015, WSSC will complete one four major efforts towards cleaning up the bay when **the last of our wastewater treatment plants will be equipped with Enhanced Nutrient Removal technology.**

Water is not only the number one defense against disease, it's a primary requirement to fuel economic development. The construction of the \$146 million Bi-County Water Tunnel is almost complete. This tunnel houses a new 5.3-mile water pipeline to meet future water requirements for Montgomery and Prince George's counties. The pipeline will connect two existing water mains: the first near I-270 and Tuckerman Lane, and another in Rock Creek Park at Stoneybrook Drive and Beach Drive. **The new pipeline's capacity will be 100 million gallons of water a day, and it will begin flowing in the coming year.**

Investments like these make a big difference in the future—by updating our infrastructure, we're ensuring that **we'll be able to continue to provide Montgomery and Prince George's counties with safe, reliable water and wastewater services for generations to come.**



The view from the bottom of an access shaft for the Bi-County Water Tunnel, which runs from I-270 into Prince George's County.

Two Programs, One Purpose

Water is a valuable resource that is critical to public health and individual well-being. Another way that WSSC invests in the communities that we serve is through programs that may help customers pay their bills.



A little change can make a big difference.

When you “RoundUp” your bill payments to the nearest dollar, you help our customers who face hardships to pay their water bills.

WSSC customers thank you for rounding up!

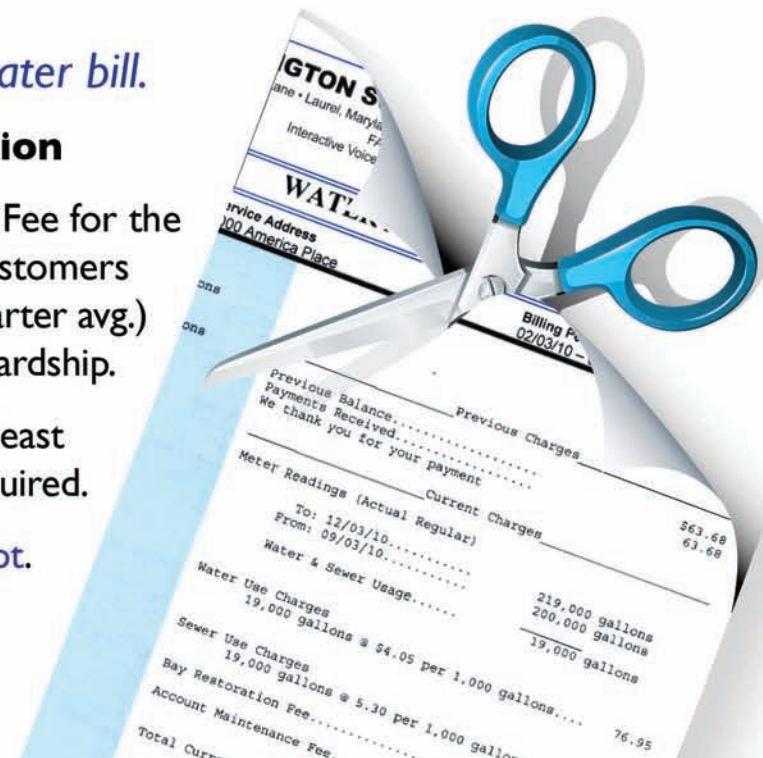
You may be able to cut your water bill.

Bay Restoration Fee Exemption

WSSC collects the Bay Restoration Fee for the state of Maryland. But residential customers are exempt if paying the fee (\$15/quarter avg.) would create a substantial financial hardship.

To qualify, customers must meet at least 2 of 4 criteria. Annual renewal is required.

Visit www.wsscwater.com/bayexempt.





Where Water Matters

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Laurel, Maryland 20707

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www.wsscwater.com

WSSC maintains and protects 5,600 acres of the Patuxent River watershed, which includes two reservoirs that provide drinking water to many of our customers.