

INNOVATION COLLABORATION DEDICATION

2015 ANNUAL REPORT

CONTENTS

About WSSC 1 | Vision 1 | Message from the Commission Chair 2 | Message from the GM/CEO 4
Strengthening Infrastructure 6 | Taking the Lead with Technology 8 | Streamlining the Buying Process 9
Protecting Our Environment 11 | Partnering with the Community 14 | Excelling in Service 16
Empowering the Employees 17 | Ensuring Security & Safety 18 | Diversity...Just the Way WSSC Does Business 19
Financial Stability 21 | Awards & Recognition 23 | Looking Ahead 24

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.

ABOUT WSSC

WSSC is the largest water and wastewater utility in Maryland and the Washington Metropolitan Area, and one of the largest water and wastewater utilities in the nation. With a service area spanning nearly 1,000 square miles in Montgomery and Prince George's counties, we work 24 hours a day, seven days a week to provide safe, reliable water to 1.8 million residents, consistently meeting or exceeding federal standards for drinking water quality.

VISION

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



Customers are pleased 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.

MESSAGE FROM THE COMMISSION CHAIR



Omar Boulware
FY15 WSSC Board Chair

Dear Customers, Employees, Elected Officials and All WSSC Stakeholders,

As we come to the end of FY15 and await the arrival of a new General Manager/CEO, I want to ask two questions: What is the future of WSSC? And are we doing the right things to get there?

Frankly, I think we are in a much-improved place, headed for an even better place—and I do believe we are on the right path to get there.

There is an amazing sense of accomplishment that I share with my colleagues over what we have done over the past year. One key accomplishment took hold with the new FY16 budget, which is in many ways a breakthrough for WSSC and our customers.

In order to better finance and facilitate the repair and replacement of our overall infrastructure, we were able to adjust our Account Maintenance Fee for the first time in 25 years. In addition, we added a budget-neutral Infrastructure Investment Fee. Customers will see on their bills that dollars are going specifically to invest in the future.

And because of those adjustments, we were able to minimize our water usage rate increase to only one percent...the smallest increase in many years.

We know our increases are hardest on those who can least afford to pay. So we went to the state legislature where lawmakers passed a bill, now signed by the governor, giving WSSC the authority to establish the first-ever ratepayer-financed Customer Assistance Program. Implementation of that program has now begun.

This was a monumental achievement. My thanks to my fellow Commissioners and to GM/CEO Jerry Johnson for the tremendous efforts of you and your staff; and my thanks to our county executives, council members and, of course, our delegates and senators who saw this through.

We know we can also help control rates by controlling costs and spending. In the past, we made great strides in this effort with solar energy, wind power, and power purchasing. We are a little closer to fully implementing our Supply Chain Management procurement program, with results showing a 700 percent return on investment in the products and services we have purchased. We are getting more value for our customers' dollars. It's that simple.

And to ensure diversity in how those dollars are spent, WSSC has begun a new Disparity Study, which will be completed early next year.

I proudly state, we, as Commissioners, have become more efficient, as well as more cohesive. I honestly cannot think of a single divisive issue that has come up.

But things change. People change. Two people who have played a key role in governance and operations have decided to retire.

Commissioner Gene Counihan of Montgomery County came to WSSC in 2007 with a regional reputation of public service, consensus building, and accomplishment. All were put to great use for WSSC. No commissioner worked harder or attended more events on behalf of WSSC than Gene Counihan. His wisdom and friendship will be greatly missed.

General Manager/CEO Jerry Johnson also announced his retirement from the Commission. His vision and leadership were key to our successes. He has brought new and innovative products, approaches, and strategies to WSSC. Whether it was the mobile app, supply chain management, solar power, or satellite offices, he has focused on efficiency and customer service. On behalf of all the commissioners, I express our extreme gratitude for his six-plus years as WSSC's leader.

"We will continue to provide water and wastewater services to our customers in a fiscally responsible and environmentally friendly way, and always look to innovate in an endless search to improve."

2015 WSSC COMMISSIONERS



Gene Counihan
Montgomery County (Appointed 2007)



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



Adrienne A. Mandel
Montgomery County (Appointed 2007)



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



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

MESSAGE FROM THE GM/CEO



Jerry M. Johnson

General Manager/CEO

"We have refocused on customer service, finding new and better ways to respond to their expectations."

Dear Customers and Stakeholders,

I came to WSSC in September of 2009, just as this agency was emerging from an age of cutbacks, failing infrastructure, and a lack of support for needed rate increases required to maintain efficient operations. Broken pipes had become public spectacles. Our technology was antiquated, and a venerable public utility with a critical mission was struggling.

But there were opportunities, too. WSSC was making progress in the early stages of implementing work on a Consent Decree mandating repairs to a porous sewer system. A water main replacement program was taking hold. Customers and other stakeholders were coming to realize that things had to change, and perhaps most important there was a workforce of dedicated men and woman who take great pride in their work and who understand the vital role of a water and wastewater utility in this community.

Challenges always bring opportunities to change...to innovate. Improving how we do business and relying on more effective technology, a utility once known for its forward thinking began again to look for creative solutions:

An abandoned large water pipe inspection program had been rejuvenated with a high-tech approach.

Brought to public attention by broken pipes that created massive floods in roadways, the use of acoustic fiber optic cable inserted into pre-stressed concrete cylinder pipe allowed us to monitor sounds of a pipe beginning to fail, providing a significant additional margin of safety and continuity for residents.

WSSC set a target and now exceeds our goal of replacing 55 miles of pipe annually. A decade ago WSSC was replacing only a few miles of water main each year.

As one of the largest energy consumers in the region, we set an aggressive goal to reduce our energy costs AND our carbon footprint. Ten years ago, we set the bar with the direct purchase of wind power and an award-winning program to buy energy cheaply and efficiently. In 2014, we took that a step further with a creative public/private partnership to build on-site solar power facilities at two of our wastewater treatment plants...with NO out-of-pocket costs.

We have refocused on customer service, finding new and better ways to respond to their expectations.

Roughly 25 percent, 106,000, of our customers have found our Go Green electronic billing more convenient, good for the environment, and less costly than other methods of paying their bill. Our first in the nation mobile app gives customers a convenient way to pay their bill, receive alerts, report problems, and monitor water usage. WSSC now has an active and growing social media program to communicate directly with customers.

In the spring of 2015, the State Legislature agreed to WSSC's request for authority to create its first Customer Assistance Program (CAP) to help qualifying households with a portion of their water bills. Yes, we have had to increase rates and fees like all utilities across the country to keep pace with rising costs and to repair our aging infrastructure, but WSSC and its stakeholders have not forgotten those customers who are financially challenged. The CAP took effect July 1, 2015.

WSSC has not ignored businesses that help drive economic growth across our community.

We were the first government agency in the area to fully implement e-documents for moving development plans through the system. We also now have satellite permit offices in each county and many WSSC permits are available online.

WSSC's direct investment in our local community remains an important part of how we do business on behalf of our customers. WSSC has expended \$1 billion in goods, services, and construction activity over the past decade through women and minority-owned business enterprises. For example, in FY15 WSSC paid \$134.4 million and awarded \$187.8 million to those firms, both increases over FY14. In the past year, WSSC has begun a new Disparity Study to measure progress and determine the future course of the WSSC SLMBE programs.

In the 21st Century, controlling costs while enhancing operations and services is a fact of life for every water utility. WSSC is no different, but I do believe that we are on the leading edge of these efforts. I have already mentioned some of our energy efficiency projects that help us keep our rate and fee increases to a minimum. We have stretched our bond financing from 20 years to 30 years in order to reduce our annual debt service costs, which in turn reduces some of the pressure on our rates. We have also maintained a triple-A bond rating, which ensures that WSSC's rate-payers get the lowest interest rates available when we issue debt to finance our critically important infrastructure program. And in one of our most innovative strategies, we may be the first government agency in the country to implement a Supply Chain Management procurement initiative, which has already yielded an estimated 700 percent return on our investment.

As I approach the end of my tenure here at WSSC, I have always understood and I want to clearly acknowledge what is an uncomfortable reality—customers and the public are occasionally burdened by some of the problems that come with an aging utility infrastructure. I appreciate our customers' patience and understanding of those challenges, and our efforts to resolve them.

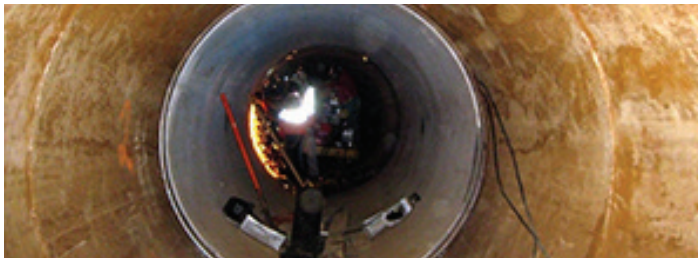
FY15 was a good year. And I am proud of my entire tenure as WSSC's General Manager/CEO. With the progressive and sound guidance and oversight of WSSC's six commissioners, we have set our course in the pursuit of a culture of excellence. My thanks to each of them and to their colleagues who served with them during my tenure; their approach to collaborative engagement and unstinting commitment to professionalism and excellence represents the very best in public service. The WSSC senior staff has been unwavering in its dedication and support. We could not accomplish all that we must do without a good partnership with our elected officials and their staffs. No less important are the many WSSC employees who work tirelessly day-in and day-out to carry out our mission on behalf of our customers.

When all is said and done, on my watch we have extended a very important legacy: **WSSC has never had a drinking water violation!**

"With the progressive and sound guidance and oversight of WSSC's six commissioners, we have set our course in the pursuit of a culture of excellence."

STRENGTHENING INFRASTRUCTURE

WSSC approaches improving infrastructure with the aim of finding more efficient and effective ways to get water to the homes and businesses of our customers.



BI-COUNTY WATER TUNNEL IN SERVICE



PATUXENT WATER FILTRATION PLANT



WESTERN BRANCH WASTEWATER TREATMENT PLANT

From repairing and replacing existing pipes, to upgrading water and wastewater treatment plants, building a stronger water infrastructure continued to be a major focus for WSSC in 2015. We met—and in some areas exceeded—our goals for strengthening infrastructure, ensuring the safe and reliable delivery of this essential resource to current and future generations of customers, while also returning clean water to the environment.

MAJOR PLANT UPGRADES AND CONSTRUCTION PROJECTS

Bi-County Water Tunnel in Service

- 10-year-long project to build 84-inch pipe to increase capacity for Montgomery and Prince George's county residents.
- First tunnel built by WSSC in 35 years, the 5.3 mile-long pipe can transport 100 million gallons per day.

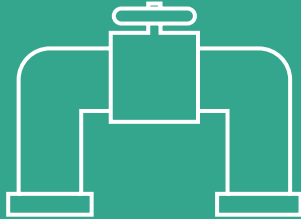
Patuxent Water Filtration Plant

- Increasing filtration capacity from 56 to 72 million gallons per day (MGD) with maximum capacity up to 110 MGD.
- Includes upgrades to two pumping stations, including a 48-inch water main that will pump from Duckett Dam to the plant.
- Expected completion in 2018.

Seneca and Western Branch Wastewater Treatment Plant Enhanced Nutrient Removal

- The last two of five projects are underway to improve our ability to remove nitrogen and improve the water quality of the Chesapeake Bay.
- Expected completion in 2016.

PIPE REPAIR, REPLACEMENT, AND INSPECTION ACCOMPLISHMENTS



Water Main Replacement

Replaced **60.36 miles** of water main, exceeding our 2015 goal by 18 percent.



Sewer Pipe Replacement

In spite of construction permit approval delays, replaced **27.28 miles** of sewer pipe.

PCCP and Acoustic Fiber Optics

90 of 145

miles of fiber optic cable in large-diameter PCCP now installed in the system.

Over 92 miles &
32,000

pipe segments inspected since 2007.

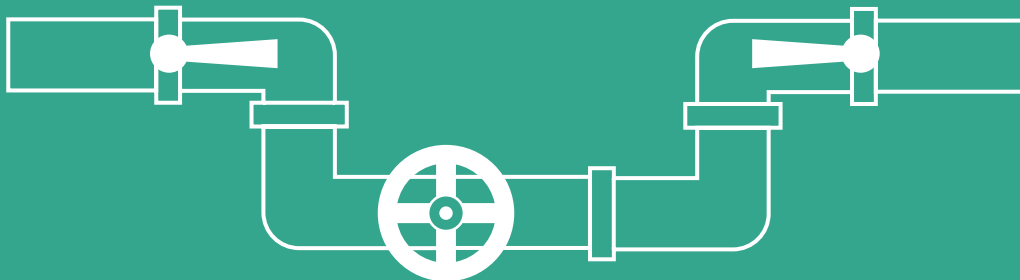
103

segments replaced.

3,012

segments repaired with carbon fiber linings.

Large Valve Program



Set a goal to **inspect** and “exercise” over **400 valves** 16 inches or larger in size.

INNOVATING

for Greater Efficiency and a Sustainable Future

TAKING THE LEAD WITH TECHNOLOGY

Five-year Strategic Plan



Automating the claims process reduces our impact on the environment by saving approximately 250,000 sheets of paper each year.



e-Claims saves WSSC \$50,000 a year by decreasing storage and operating costs—savings that we pass on to our customers.

WSSC's Five-year IT Strategic Plan serves as our blueprint for becoming a modern, technologically advanced organization that uses cutting-edge tools and processes to increase our efficiency, agility, and ability to provide exceptional customer service. Now in its third year of implementation, the Plan describes 22 high-priority IT initiatives that will help us become a "utility of the future." Today, with a total budget of \$159.9 million to fully implement these major IT initiatives, more than half of that amount (\$89 million) is slated for the Advanced Metering Infrastructure project. This project will automate meter reading, improve reading accuracy, eliminate lag time for field readings, and make household water usage available to customers in real time—improvements that will benefit both WSSC and our customers for years to come.

FIELD SERVICE IMPROVEMENTS

WSSC has introduced several advanced technology solutions that enhance our field service capabilities. In May 2015, WSSC launched Customer Connect, a field service mobile app that provides status of customer service requests in near real-time, automates on-time service request dispatching, and gathers information to update customers. Customer Connect gives our field service crews ready access to information about customer payments—and our customers more payment options—to avoid service turnoffs. By empowering our teams of field service technicians with the advantages of mobile technology, we have greatly increased productivity and responsiveness, while lowering costs and reducing service wait time.

E-CLAIMS

Launched October 2014, WSSC's e-Claims program fully automates the claims process, significantly reducing the time, paperwork and operating costs of filing and managing claims. e-Claims allows customers to file their claim/Notice of Loss at any time on any day of the week, without relying on the mail to send proof or documentation. Customers can also upload photos and paperwork and monitor the status of their claim 24/7.

The Plan outlines the steps necessary to shift the Procurement Office from a focused operation to a model that uses innovative strategies to reduce cycle time and lower costs across the supply chain, making WSSC a more flexible and adaptable organization in this ever-changing business landscape. As a modern Supply Chain Management (SCM) Center of Excellence, WSSC will specialize in strategic sourcing—making the right products and services available, while driving down associated procurement costs.

Currently in the second year of this three-year change management and process improvement plan, WSSC has made significant progress on projects and activities that integrate supply chain management principles into WSSC's culture, including:

- Implementing several waves of strategic sourcing, including seven sourcing teams generating cost reduction opportunities in the amount of more than \$10 million and cost avoidance (in the form of negotiations or using more cost effective alternatives) of more than \$8 million.
- Establishing an executive-led SCM Steering Committee to oversee the SCM transformation.
- Training employees in strategic sourcing, negotiation management, risk management, cost reduction and cost avoidance, and contract management.
- Implementing Phase 1 of the new procurement process design.

By the end of the three-year transformation process in 2016, WSSC will have fully optimized its procurement office, fully implemented its strategic sourcing team model, and identified new strategic goods and services sourcing opportunities throughout the Commission.

STREAMLINING THE BUYING PROCESS

WSSC's Supply Chain Management (SCM) Transformation Plan, published in 2013, provides a roadmap for taking WSSC's procurement processes to the next level.

PERMIT SATELLITE OFFICES

In an effort to streamline the permitting and plan approval process for commercial developers, WSSC partnered with both Montgomery and Prince George's counties to open satellite offices within their respective permits departments in 2015. The partnerships not only provide additional locations to review plumbing and connection plans, but also expert guidance and information from WSSC and county permitting experts, enhancing the "one-stop-shop" concept and saving customers time and money. In FY16, WSSC will offer e-Permitting, where plumbers, engineers, and developers can apply for all WSSC permits and licenses online.





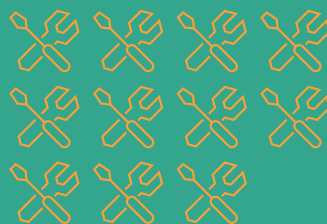
SANITARY SEWER OVERFLOW CONSENT DECREE UPDATE

In 2005, WSSC entered into a legally binding agreement (Consent Decree) with the EPA, State of Maryland, and a number of non-profit conservation groups that established a multi-year action plan to significantly reduce and eliminate, where possible, sewer overflows from entering the area's waterways.

Ten years into the Consent Decree, significant progress has been made in repairing or replacing aging sewer mains, while also restoring the streams and banks of hundreds of local tributaries.

The costs associated with this Consent Decree have steadily risen over the years, with current cost estimates of over \$14 billion (original estimates projected a total cost of \$350 million.) A number of factors account for this rise, not the least of which are complications in gaining access to difficult construction sites and obtaining necessary permits and rights of entry from public and private entities. While construction projects under the Consent Decree were originally scheduled to be completed in FY15, WSSC will require an extension to complete all necessary work, due primarily to the fact that the National Park Service has not granted access to WSSC infrastructure on Park Service property.

Sewer Main Rehabilitation June 2015



ROADS
118 miles rehabilitated



ENVIRONMENTALLY SENSITIVE AREAS
33 miles rehabilitated

We're proud of our environmental sustainability efforts, but our work is far from done. We invest in progressive and innovative technologies that harness the power of wind, sun, water, and other resources as we continue to look for new ways to protect the environment, deliver value, and provide safe, clean water to our customers.

SAVING ENERGY

WSSC's hydro turbines have pumped raw reservoir water to its Patuxent Water Filtration Plant for the last 40 years, saving an estimated \$200,000 per year in electricity costs. Since 2002, we've developed and managed \$35 million in energy efficient upgrades resulting in \$3 million a year in energy savings. The capital costs of these upgrades have been 100 percent paid for by energy savings. A new \$20 million energy performance contract (currently in feasibility study phase) could save an additional \$2 million per year in energy costs, which will pay for the capital cost of the project.

GOING PAPERLESS

To date, more than 106,000 customers—nearly 25 percent of our total customer base—use our online bill payment service. These e-permits and e-documents add to our efforts to go paperless. WSSC was the area's first governmental agency to use e-docs for review during the development process.

PRESERVING LAND

WSSC owns approximately 5,600 acres of land surrounding two reservoirs on the upper Patuxent River that supply drinking water to more than 600,000 of our customers. This large protected area within the Patuxent River watershed contributes to significant reductions of sediment and nutrients into the two reservoirs that feed the Patuxent Water Treatment Plant. Under a condition of a Consent Decree to eliminate sanitary sewer overflows (SSOs), WSSC added 39.66 acres to its existing watershed protection holdings, as well as 32.81 acres of conservation easements on two other private properties threatened by land development. We are currently negotiating the purchase of another 6.69 acres.

PROTECTING THE BAY

Also under the Consent Decree, WSSC is restoring many eroding stream banks in Montgomery and Prince George's counties. This, combined with the reduction and eventual elimination of SSOs, will decrease the amount of pollutants in local waterways that flow to the Chesapeake Bay. **Additionally, to date, WSSC has removed 300,000 pounds of nitrogen and 20,000 pounds of phosphorous per year through its wastewater treatment plants.**

PROTECTING OUR ENVIRONMENT

WSSC's commitment to protecting the environment is at the heart of our mission. Since 2000, WSSC's Energy Management Group has consistently surpassed goals for energy conservation, energy supply, and renewable energy.





REDUCING GREENHOUSE GASES (GHG)

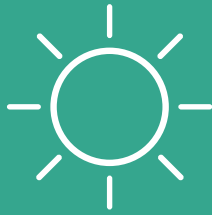
WSSC has identified a series of projects and programs designed to meet its 20-year goal of reducing future GHG emissions by 10 percent every five years. The strategies selected, in conjunction with a renewed wind contract, **will reduce 89,800 tons of CO₂ in annual GHG emissions by the year 2030.**

In 2015, WSSC will launch a Climate Change Vulnerability Assessment, Adaptation, and Mitigation Planning initiative. This five-year effort will identify WSSC's critical assets vulnerable to climate change events, determine protective measures to reduce our risks, and reduce our impact on climate change.

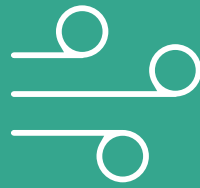
GETTING THE "FOG" OUT

Since 2005, as part of our Sanitary Sewer Overflow Consent Decree, WSSC has undertaken a comprehensive effort to regulate and educate commercial and residential customers to keep fats, oils, and grease (FOG) out of the system's sewer pipes. **Since 2007, WSSC has inspected over 55,000 food service establishments.**

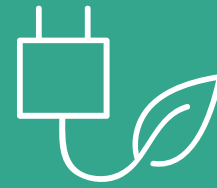
The "Can the Grease!" public education campaign teaches residents not to throw grease down the drain. **To date, WSSC has distributed over 45,000 Can the Grease lids to residents and students.** The WSSC outreach team has trained public schools about FOG so it can be incorporated into the curriculum, and WSSC has advertised on local television and radio stations to get the "Can the Grease!" message to residents and business owners.



In 2014, solar power was installed at two of WSSC's wastewater treatment plants and is expected to save a total of \$3.5 million over 20 years or 3,300 tons of CO₂ equivalent per year.



Beginning in 2008, WSSC used power from wind farms to generate approximately 60,000 megawatt hours of power a year and supply 30 percent of WSSC's energy needs.



Since 2002, WSSC has used energy efficient devices to reduce energy usage and costs. The capital costs of these upgrades, roughly \$35 million, have been paid 100 percent by energy savings.

WSSC is recognized nationally as a leading innovator in energy efficiency and carbon footprint reduction.

Awards include:

2014 EPA Climate Leadership Award for Individual Leadership

2014 Maryland Clean Energy Center Public Service Award

Rob Taylor, WSSC
Energy Manager
Excellence in Public Service Award 2014, Maryland Clean Energy Center

Rob Taylor, WSSC
Energy Manager
Innovative Leadership Award 2014, Environmental Protection Agency

Renewable Energy Innovator of the Year 2010, Association of Energy Engineers

Environmental Project of the Year 2005, Association of Energy Engineers

Corporate Energy Manager of the Year 2004, Association of Energy Engineers



PARTNERING WITH THE COMMUNITY

For over 95 years, WSSC has been an active partner in the community, collaborating with businesses, non-profits, schools, homeowners associations, and many others to enhance the quality of life in Prince George's and Montgomery counties.

Whether it is educating children on the importance of environmental stewardship, spearheading efforts to enhance the health and cleanliness of the Patuxent River watershed, or providing opportunities for minority students to participate in STEM-related activities, WSSC is working hard for, and with, the 1.8 million residents it serves.

GREENFEST & H₂O SUMMIT

Partnering with Montgomery County's Department of Environmental Protection, **WSSC helped host the inaugural Montgomery County GREENFest and H₂O Summit** on March 28, 2015, in Silver Spring. WSSC employees informed attendees on reducing their carbon footprint and held a "How-To" Mini Plumbing Clinic.

CLASSROOM OUTREACH & STEM

In FY15 alone, **WSSC facilitated 62 "WSSC in the Classroom" events at local schools**. Our employees participated in career day presentations, science fairs, and discussion panels to nurture students' curiosity in STEM-related fields (Science, Technology, Engineering, and Math) and highlight the importance of proper wastewater disposal.

To foster the study and advancement of STEM-related fields, WSSC partners with the MDBio Foundation, an organization which provides innovative and effective science education. In 2015, WSSC and MDBio partnered with other organizations on ATLAS Symposiums, like Advancing Tomorrow's Leaders + STEM, a one-day college and career fair encouraging high school juniors and seniors and college undergrads to learn more about careers in science, technology, engineering, and math (STEM).

We partner with the two school districts in our service area to provide learning opportunities in the classroom, on our watershed, and in the community. WSSC currently has two curriculum-approved courses taught annually in the school systems: Sewer Science; and Fats, Oils, and Grease (FOG).



ENVIRONMENTAL CLEANUP DAYS

To better protect WSSC's 5,600-acre portion of the Patuxent watershed and honor the 45th anniversary of Earth Month, **we held eight watershed cleanup events during April**. Throughout the month, community members volunteered to join WSSC in picking up trash that could enter our waterways. Among those who volunteered were students, members, and employees of:

- The University of Maryland
- Prince George's Community College
- Montgomery College
- The Laurel Police Department
- City of Laurel, including Mayor Craig A. Moe
- The Home Depot
- Dutch Country Farmer's Market
- Jerry's Subs and Pizza in Laurel

WSSC hosts these cleanups throughout the year with groups like the Alice Ferguson Foundation and Patuxent Riverkeeper. WSSC educates students about the natural environment and its inhabitants with groups like the Izaak Walton League, Trout Unlimited, the Department of Natural Resources, and the local county Departments of the Environment. WSSC also supports organizations, such as the American Chestnut Foundation, to plant native trees around the watershed and create additional pervious surface to prevent excessive runoff and erosion.



Brighton Dam in Brookeville, MD, was filled with 700 fourth graders on May 6 & 7, 2015, at the 10th Annual Children's Water Festival.

With the help of dozens of WSSC volunteers, children could rotate through game show-style events, learning booths with area wildlife, and simulated water quality testing activities to learn the vital role water plays in our daily lives.

DEDICATING

Ourselves to Serving Our Customers & Our Community

EXCELLING IN SERVICE

In FY15, we were dedicated to listening to our customers, drawing from our most recent 2014 Customer Survey to identify ways to meet customer demand for quality products and professional, responsive service.



Customer Assistance Program

During its 2015 session, Maryland legislators gave WSSC the authority to implement a ratepayer-funded Customer Assistance Program (CAP). Beginning July 1, 2015, qualifying low-income customers will be exempt from several fees on WSSC's quarterly bill.

By engaging and communicating with our customers in new and innovative ways, we can develop strong customer relationships that further cement our central role in the communities we serve.

24/7 CUSTOMER CONTACT

WSSC knows that providing our customers with timely information about billing issues or disruptions to their water and sewer service is a vital part of its mission. For any billing-related question or issue, our Customer Care Agents accepted customer calls weekdays from 7:30 a.m. to 7:00 p.m. The **24/7 Emergency Contact Center took calls from approximately 90,000 customers who were reporting emergencies in their community**, enabling our service teams to respond with speed and efficiency. And now, WSSC's upgraded telecommunications system allows for better monitoring and tracking of these calls, which further improves our customers' overall experience.

WSSCWATER.COM & MOBILE APP

Our **newly designed website serves as an interactive resource** for our customers to make WSSC a more visible part of their everyday lives. The site offers valuable information on topics, from billing to household leaks. And in FY15, customers used their "My WSSC Water" online profiles more than ever to access their accounts and pay their bills online.

When away from home, our customers increasingly turned to our award-winning mobile app. Almost 20,000 customers have downloaded the app to pay their bills, report service outages, or receive timely information about planned work or disruptions to service in their area. Reflecting WSSC's dedication to the environment and resource conservation, we are proud that nearly 106,000 customers now participate in paperless billing for free e-check payments.

TIRELESS TROUBLESHOOTERS

When unusual circumstances arise, our four customer advocates serve as tireless problem solvers on a 24/7 basis, ensuring no customer questions go unanswered and no issues on billing or water service go unsolved. These experts attended community meetings and mobilized water stations in the event of extended outages.

MYLIFE WELLBEING

Launched in FY15, MyLife—a **work-life balance and wellness program**—allows WSSC employees to access services and resources that promote a healthy way of life. We know that employees who are physically and mentally fit, participate in financial planning, and maintain a healthy work-life balance are more likely to be productive on the job.

STREAM INSTITUTE

Also launched in FY15, Stream Institute is **our custom learning management system, which helps enhance the knowledge and capabilities of our employees**. WSSC personnel can now participate in college certification programs, as well as development courses in topic areas, including supply chain management, asset management, project management, and more.



BUILDING THE TALENT PIPELINE - STUDENT INTERN PROGRAM

WSSC's paid summer internships nearly doubled in FY15, with college **interns across 12 departments doing substantive and meaningful work**. Projects included WSSC's first-ever geocaching trail devised by Alicia Settle, an intern with the Community Outreach group (pictured). Other intern projects included enhancing WSSC's online mapping capabilities, researching and analyzing major water and sewer reconstruction contracts, and drafting operational guidelines for biosolids facilities at our wastewater treatment plants. Since 2011, eight former interns have become full-time employees.

EMPOWERING THE EMPLOYEES

Happy employees are healthier, more productive, and more likely to remain with our organization, ensuring WSSC can continue to progress and innovate for the communities it serves. That's why in FY15, we expanded and launched innovative programs to build a world-class workforce prepared for the future.



Brooke Marie Nesselt, a recent graduate of the Global Ecology Magnet Program at Poolesville High School, was awarded the 2015 Commissioners' Engineering Scholarship worth \$1,000. A freshman at the A. James Clark School of Engineering, University of Maryland, College Park (Honors College), Nesselt is majoring in Mechanical Engineering.



ENSURING SECURITY & SAFETY

WSSC's commitment to providing security for all its workforce and external stakeholders spans its over 95-year history.

In the event of weather or other emergencies, minimizing risk for WSSC employees, assets, and programs, and ensuring safe, effective, and timely return to operation are paramount. In FY15, we took a number of actions to maintain the security of our stakeholders and employees.

POLICE AND SECURITY SERVICES

Protecting our people, our watershed, our facilities, and our IT assets is crucial to fulfilling our mission. WSSC's police force provides protection for our critical infrastructure to avoid disruption, or damage, to our vital water and sewer services.

In FY15, three major resiliency efforts were completed:

The **Information Systems Disaster Recovery Plan** prioritized all IT-related equipment and operations to determine which assets are critical to conducting business. Redundancy is being built into our IT systems to ensure critical services are provided to customers.

Recommendations of the **Physical Security Vulnerability Assessment** reduced risks associated with our drinking water and wastewater systems, as well as supporting business units. Security procedures were reviewed to assess the potential for enhancing detection and timeliness of response to intentional malevolent acts.

The **Continuity of Operations Plan** provides the basic information, procedures and guidance to continue or quickly resume mission essential functions and sustain continuous operations for up to 30 days after the incident.

Our **Small, Local, and Minority Business Enterprise (SLMBE) Office** is focused on meeting important programmatic and business needs. We meet those needs with two critical programs: Small Local Business Enterprise (SLBE) and Minority Business Enterprise (MBE), which are supported by SLMBE's four pillars:



SUPPLIER
DEVELOPMENT



SUPPLIER
ADVOCACY



EXTENSIVE
OUTREACH



COMPLIANCE

WSSC's SLMBE results in FY15 reflect a continuing and robust effort across the organization, deep engagement with many stakeholders, and our strong commitment to supplier diversity; a commitment that starts at the top of our organization and is embedded in the way we do business every day.

FY15 HIGHLIGHTS OF THE SLMBE OFFICE

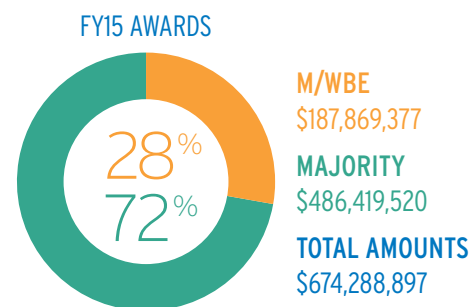
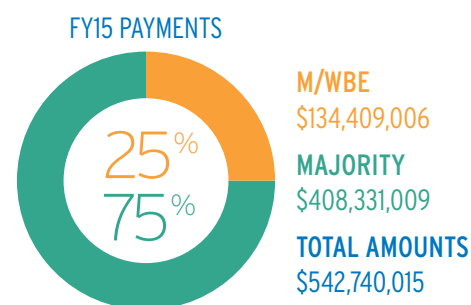
- WSSC spending with Minority and Women Business Enterprises (M/WBE) increased to \$134.4 million (25 percent of all payments), which is an increase of 34.5 percent or \$34.4 million more than FY14.
- In addition, WSSC awarded \$187.8 million in M/WBE contracts for 28 percent of total awards, which is a five percent increase from FY14.
- Local spending also increased with M/WBE contract payments, with 24 percent of payments to firms in Prince George's County (a nine percent increase from FY14) and 10 percent to firms in Montgomery County (a five percent increase from FY14).
- The SLMBE Office conducted over 60 outreach events. As a result, 738 new suppliers registered in the Commission's Centralized Bidder Registration system, including 31 new firms in the SLBE Program.

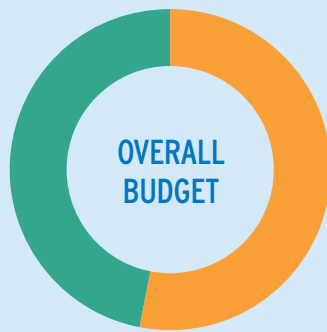
WSSC's MBE program is predicated on a 2010 Disparity Study. It is considered best practice to conduct such a study every five years. WSSC has contracted with MGT of America, Inc. to complete the 2015 WSSC Disparity Study to determine if conditions exist to continue the MBE program.

DIVERSITY...JUST THE WAY WSSC DOES BUSINESS

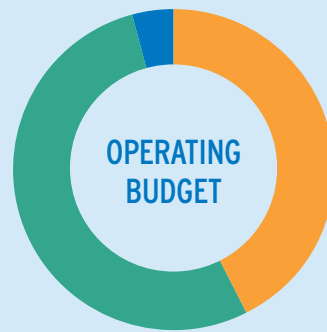
WSSC recognizes the value of a diverse and inclusive procurement process and supply chain.

Minority and Women Business Enterprise (W/MBE) Contracts

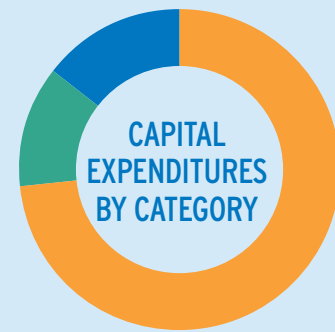




Operating: \$707.2 million
Capital: \$625.4 million



Water: \$298.3 million
Sewer: \$372.6 million
Bond Debt Service: \$29.1 million



System Improvements: \$460.2 million
Environmental Regulations: \$76.3 million
Growth: \$89.4 million

FY15 BUDGET FEATURES AND HIGHLIGHTS



FUNDING the first year of the FY15-20 Capital Improvements Program.



COMPLYING with the Sanitary Sewer Overflow Consent Decree.



INSPECTING and monitoring our large diameter water main transmission system.



ESTABLISHING and implementing a program dedicated specifically to the assessment, repair and/or replacement of water valves (16" or larger).



PAYING WSSC's share of operating (\$55.2 million in FY15) and capital costs (\$119 million in FY15; \$362 million FY15-FY20) for the District of Columbia Water and Sewer Authority's Blue Plains Wastewater Treatment Plant.



OPERATING and maintaining a system of three reservoirs impounding 14 billion gallons of water, two water filtration plants, six wastewater treatment plants, 5,500 miles of water main, and 5400 miles of sewer main.

Our ongoing efforts to incorporate cost awareness into our daily decisions allow us to offer affordable rates to our customers without compromising reliable, high-quality service.

TRIPLE-A BOND RATING

WSSC maintains a AAA bond rating by all three rating agencies. This is the highest bond rating possible and obtained only by a few of our peer utilities. WSSC garnered the Government Finance Officers Association Distinguished Budget Presentation Award for the 21st consecutive year. This award recognizes WSSC for exceeding the minimum requirements for financial reporting and disclosure, which enhances transparency for the public.

WELL-FUNDED CAPITAL RESERVE

WSSC has successfully increased its working capital reserve from five percent of water and sewer revenues to 10 percent, further strengthening our ability to accommodate unanticipated expenditures or revenue shortfalls.

COLLABORATIVE SOLUTIONS

The cost of reconstructing/rehabilitating underground assets is projected to exceed \$2 billion over the next 10 years, putting significant pressure on rates. Long-term financial solutions to strengthen our infrastructure and improve service were developed and implemented beginning July 1, 2015, based on the work that began with the Bi-County Infrastructure Working Group. The group included WSSC's GM/CEO, certain WSSC staff, representatives of the WSSC Commissioners, and representatives of Prince George's and Montgomery counties' legislative and executive branches.

A key component of the strategy is adjusting fees and rates in a manner that accounts for the continuing downward trend in consumption and its impact on revenue. We are shifting a portion of the volumetric rate to fixed fees on the customer bill. The Ready to Serve Charge now has two components: the pre-existing Account Maintenance Fee (AMF) and an Infrastructure Investment Fee. The fee increases shift certain costs from water usage rates to the fixed Ready to Serve Charge. These changes help stabilize the revenues of the Commission, but only represent eight percent of the water and sewer rate income (compared to a national average for fixed fees of about 35 percent).

FINANCIAL STABILITY

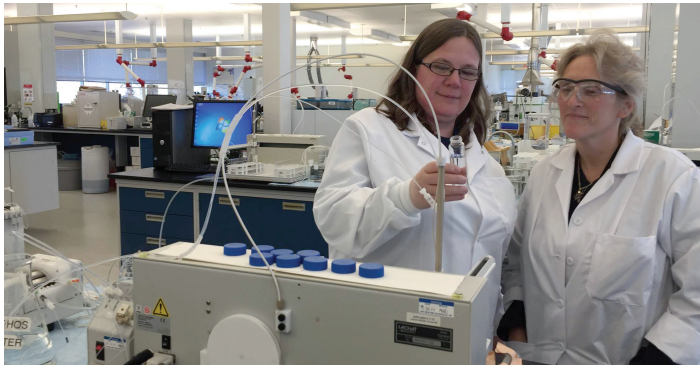
WSSC's financial stability is grounded in sound fiscal policies and practices, a culture of accountability and transparency, and a systematic approach to planning.



Broad Creek Waste Water Pumping Station (WWPS) design and modifications.



47-year-old, 12-inch water main repair.



Laboratory Services Group employees have conducted over 500,000 tests per year to ensure the safety and quality of WSSC drinking water.

The AMF is designed to fully recover the cost of providing customer account services. Having not adjusted since 1990, the fee for most residential customers will go up from \$11 to \$16. Depending on meter size, the new Infrastructure Investment Fee will be approximately \$6 per quarter and is expected to increase by the same amount in FY17. The new fees will be frozen from FY17 forward for a five-year period.

The increase in fees reflects the cost to bring water to every home and business, as well as funding focused exclusively on repairing and replacing WSSC's aging infrastructure. The largest portion of most customer bills is still based on the amount of water used. Customers who practice conservation will still be able to save money.

The other key component is the establishment of the Customer Assistance Program (CAP). CAP-approved customers will receive a credit on water and sewer bills to cover the Ready to Serve Charge. Eligibility is based upon participation in the Maryland Office of Home Energy Program. These households will only be charged for their water and sewer usage.

Authority to have such a program was approved by the Maryland State Legislature and signed by the governor. The CAP is 100 percent funded by WSSC revenues.

DISCIPLINED ASSET MANAGEMENT

Across the nation, infrastructure needs have been underfunded for decades—and WSSC is no exception. WSSC has experienced years of underinvestment and six years of no rate increases, despite the need to maintain over 11,000 miles of water and sewer mains; a federal Consent Decree; a large, growing capital program; and retail rate increases each year since 2006. WSSC is in the early stages of implementing a comprehensive Asset Management Program (AMP), which will use asset management principles to prioritize investment decisions. By focusing on the total cost of ownership of the water, wastewater, communications, and buildings and grounds infrastructure, the AMP will help moderate the rate increases that may be necessary.

RESPONSIBLE DEBT MANAGEMENT

WSSC manages its debt using a variety of means to ensure that WSSC pays the lowest possible interest rates, such as bond anticipation notes, low-interest loans from the Maryland Water Quality Loan Fund, and long-term debt and refunding opportunities.

AWARDS & RECOGNITION



AWWA National Safety Award

The Wendell LaDue Utility Safety Award recognized WSSC's superior safety programs and records for the second year in a row.

AWWA Top Ops National Championship

WSSC was recognized as the national leader for its technical expertise in water operation.

CIO 100

WSSC was named one of the world's top 100 organizations recognized for its operational and strategic excellence in IT (information technology).

Maryland Clean Energy Center's (MCEC) Excellence in Public Service Award

Rob Taylor

WSSC Energy Manager

Mr. Taylor was recognized for his diligent and innovative efforts to purchase solar and wind power for WSSC, reducing the Commission's greenhouse gas emissions.

Water Research Foundation, Trailblazer in PCCP Inspection

Mike Woodcock

Mike Woodcock was recognized for his nearly two decades of efforts in research and identification of the causes of various infrastructure failures.

Leadership Recognition from the Institute for Supply Management

Recognizing General Manager Jerry N. Johnson for his leadership in Supply Chain Management Transformation.

Government Finance Officers Association Distinguished Budget Presentation Award

Recognizing WSSC for exceeding the minimum requirements for financial reporting and disclosure, which enhances transparency for the public.

2014 Videographer Awards Awards of Distinction

- Keep the Wipes out of the Pipes
- WSSC In Your Neighborhood

Platinum Peak Performance Award by the National Association of Clean Water Agencies (NACWA)

WSSC's water filtration plants were recognized for their five consecutive years of 100 percent compliance with National Pollutant Discharge Elimination System (NPDES) permits. Awards by plant:

- **Damascus WWTP**, Platinum
- **Seneca WWTP**, Platinum
- **Parkway WWTP**, Platinum
- **Piscataway WWTP**, Gold
- **Hyattstown WWTP**, Gold
- **Western Branch WWTP**, Gold

Chesapeake Water Environment Association (CWEA) and Chesapeake Section American Water Works Association (CSAWWA)

Regional Taste Test

In a blind taste test, WSSC's drinking water was evaluated to be better tasting than that of six competing Maryland water filtration plants.

LOOKING AHEAD

WSSC is, and will always be, committed to finding innovative and effective ways to fulfill our mission.

Working in collaboration with elected officials, government agency colleagues, and our customers, we will continue to push forward and lead our industry into the future. We are dedicated to sustaining our momentum.

BENCHMARK STUDY

In FY16, WSSC will undertake a benchmark study to compare our business processes and performance measures to those of other utilities and the water/wastewater industry as a whole. In addition, we will continue to assess our long-range financial strategy, including rate structure, to determine how to best protect the interests of our customers and other stakeholders.

BIOSOLIDS MANAGEMENT/ANAEROBIC DIGESTION

WSSC's anaerobic digester at the Piscataway Wastewater Treatment Plant (WWTP), the first of its kind in Maryland, will take in biosolids from the Seneca, Damascus, and Parkway WWTPs and incinerated biosolids from the Western Branch WWTP. The Piscataway WWTP Bio-Energy Project will reduce pollutants and solid materials entering the Chesapeake Bay and WSSC's sewer facilities, while saving electricity and biosolid disposal costs. The project is moving into the design phase with an expected launch in 2021.

ADVANCED METERING INFRASTRUCTURE (AMI)

AMI automates two-way communication between a smart utility meter at a home or business and a utility company. WSSC and our customers will have real-time data about water consumption, which will allow them to make informed choices about water usage based on the price at the time of use.

CUSTOMER CONTACT CENTER OPTIMIZATION PROJECT

WSSC's efforts to build a world-class contact center are underway. We've put measures in place to improve resource utilization, streamline business processes, increase employee engagement, enhance recruiting and staffing, and ultimately, improve the customer experience. WSSC plans to implement a new Quality Management Program, an Automated Workforce Management Program, and a Voice of the Customer Survey to get customer feedback.

E-PERMITTING

WSSC continues to modernize its operations, and one of the best examples of this effort is the e-Permitting initiative. In FY16, developers, engineers, and plumbers will be able to submit construction plans, schedule water and gas-appliance inspections, and obtain all necessary permits and licenses online. This will save time and trees, cut costs, and eliminate the need for many to drive to WSSC's headquarters in Laurel for these services.

DISPARITY STUDY

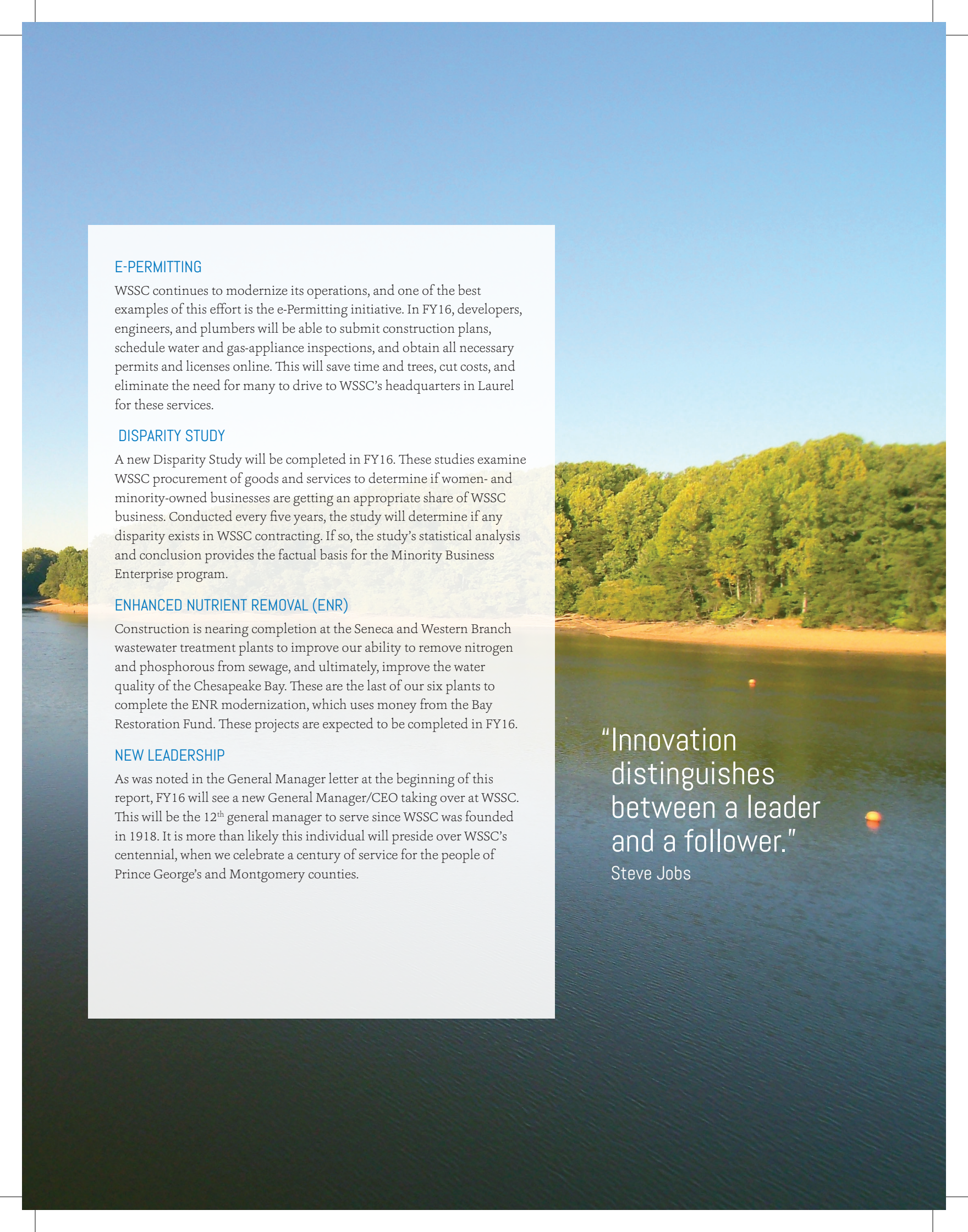
A new Disparity Study will be completed in FY16. These studies examine WSSC procurement of goods and services to determine if women- and minority-owned businesses are getting an appropriate share of WSSC business. Conducted every five years, the study will determine if any disparity exists in WSSC contracting. If so, the study's statistical analysis and conclusion provides the factual basis for the Minority Business Enterprise program.

ENHANCED NUTRIENT REMOVAL (ENR)

Construction is nearing completion at the Seneca and Western Branch wastewater treatment plants to improve our ability to remove nitrogen and phosphorous from sewage, and ultimately, improve the water quality of the Chesapeake Bay. These are the last of our six plants to complete the ENR modernization, which uses money from the Bay Restoration Fund. These projects are expected to be completed in FY16.

NEW LEADERSHIP

As was noted in the General Manager letter at the beginning of this report, FY16 will see a new General Manager/CEO taking over at WSSC. This will be the 12th general manager to serve since WSSC was founded in 1918. It is more than likely this individual will preside over WSSC's centennial, when we celebrate a century of service for the people of Prince George's and Montgomery counties.



"Innovation
distinguishes
between a leader
and a follower."

Steve Jobs



14501 Sweitzer Lane
Laurel, MD 20707
301-206-WSSC (9772)
wsscwater.com