Revised FY 2009
and Approved FY 2010

Operating Budgets

SECTION III

Financial Plan

Blocked and aging sewer lines are cleared by Sewer Services crews. DC WASA has completed a five-year evaluation of 80 miles of critical sewer system infrastructure.

III

DC WASA

District of Columbia
Water and Sewer
Authority

WASA KEY FINANCIAL POLICIES

- **DEBT SERVICE COVERAGE** -- WASA will set rates and develop operating and capital budgets that ensure **senior debt service coverage of 140 percent**
  - This coverage level exceeds WASA's bond indenture requirement of 120 percent senior debt service coverage
- **CASH RESERVES** -- WASA will maintain **cash reserves approximately equivalent to six months' operating and maintenance expenses,** approximately $125.5 million in FY 2009.
- **PAY-GO FINANCING OF CAPITAL** -- WASA will finance a portion of its capital program on a **pay-go basis from cash reserves that exceed the operating & maintenance reserve level**.
- **RATE-SETTING PRINCIPLES**
  - WASA's rates and fees will be based on the **actual cost to deliver each service**.
  - Rate increases will be implemented in a **gradual and predictable** manner, avoiding large one-time rate increases.
- **RATE STABILIZATION FUND** -- Once WASA achieves its required level of cash reserves, a **rate stabilization fund** will be established **to avoid "rate shock."** At the end of FY 2008, WASA's rate stabilization fund totaled $43.6 million.

FY 2008 - 2017 FINANCIAL PLAN

Overview

DC WASA's strong financial performance and its success in achieving and maintaining strong "Aa3 / AA / AA-" category bond ratings has been in large part due to the annual development of and adherence to a ten-year strategic financial plan. This commitment to sound financial and business planning resulted in an unsolicited bond upgrade by Standard and Poor's in FY 2008. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. During FY 2008, DC WASA met or exceeded the goals set by Board policy and the FY 2007 - 2016 ten-year plan. This budget includes DC WASA's twelfth comprehensive ten-year financial plan, covering FY 2008 – 2017.

The necessity of a ten-year financial plan is clear:

1. DC WASA operates under a regulatory and capital project-driven environment that requires a longer term ten-year planning horizon. In order to provide our customers with the best service possible and with gradual and predictable rate increases, DC WASA must plan for all projects on a long-term and integrated basis, including both capital and operating requirements. A five year, capital-only financial plan would insufficiently prepare DC WASA to address the major regulatory, operational and capital project issues that will impact service, operations, and rates over the next five to ten years.

2. In accordance with Board policy, DC WASA will set rates so that each customer will be charged for the actual cost to provide each service, and rate increases will be gradual and predictable. Since proposed future rate increases are due to financing of DC WASA's capital program. Primarily the development of a ten-year financial plan allows DC WASA to meet these key goals of full cost recovery and predictability.

3. The Board has directed DC WASA management to undertake internal improvements that will significantly lower operating costs over a ten-year period. A ten-year plan is required to bridge current operations and related capital and operating budgets with these longer term cost reduction goals.

Board policies, priorities and guidance in several key financial areas drive the development of the FY 2008 - 2017 financial plan. Given DC WASA's substantial borrowing needs over the next ten years, adherence to these Board policies is crucial in order to cost-effectively access the capital markets and retain our credibility with customers and regulators. Key Board policies are summarized below.

Financing and Reserve Policies

In FY 2004, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy and revisited in FY 2008. In FY 2008 the Board reviewed the financial policies and reaffirmed the size of the reserve to be $35 million for a period of five years. The other changes from the FY 2004 review included: 1) Changing the timing of when DC WASA is required to meet its overall operations and maintenance reserve requirement from September 1 to an average daily balance basis, resulting in a more conservative calculation that also more realistically reflects DC WASA's annual reserve levels. These changes were reviewed and endorsed by DC WASA's bond counsel, financial advisors, and rate consultants.

DC WASA's financing policies are as follows:

1. DC WASA will maintain financial practices and policies that result in high quality investment grade bond ratings so as to ensure the lowest practical cost of debt necessary to finance DC WASA's long-term capital program.
2. DC WASA will maintain strong levels of operating cash reserves, equivalent to approximately six months of budgeted operations and maintenance costs, calculated on an average daily balance basis. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets and ten-year plan. The operating reserve will, at a minimum, include any reserve requirements contained in DC WASA's master trust indenture as follows, excluding any debt service reserve funds and the rate stabilization fund:
   - *Operating Reserve* – equivalent to sixty days' operating costs
   - *Renewal & Replacement Reserve* - $35 million. This reserve requirement will be evaluated every five years by DC WASA's independent rate consultant in conjunction with the indenture-required system assessment. The assessment was performed in 2008 and the draft is under review.
   - *District of Columbia General Obligation Debt Reserve* – equivalent to ten percent of DC WASA's share of subsequent year's District general obligation bond debt service
3. DC WASA will maintain senior debt service coverage of 140 percent, in excess of DC WASA's indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with DC WASA's indenture.
4. In general, DC WASA will utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.
5. DC WASA will whenever possible use the least costly type of financing for capital projects, based on a careful evaluation of DC WASA's capital and operating requirements and financial position for each year.
6. DC WASA will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

Rate Setting and Budgetary Policies

DC WASA's rate-setting policies are based on the following principles:

1. Rates and fees will be based on the actual cost to deliver each service.
2. Current rates must be sufficient to cover current costs and to meet all bond covenants.
3. Rates will be based on an annually updated ten-year financial plan (both operating and capital).
4. Rate increases will be implemented in a gradual and predictable manner, avoiding large one-time rate increases.
5. Contributions to and usage of a rate stabilization fund as needed to avoid "rate shock." Each year, after reviewing pay-go financing and any other non-recurring financing uses of excess operating cash, the annual rate stabilization fund deposit, if any, is determined. Transfers into the rate stabilization fund will be approved by the Board at the end of each fiscal year. This fund was established in FY 2000 and its balance at the end of FY 2008 was $43.6 million.

Cash Management and Investment Policies

In September 2007, the board adopted a new "Statement of Investment Policy". This policy is designed to ensure the prudent management of Authority funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The investment portfolio shall be managed to accomplish the following hierarchy of objectives:

1. Safety
2. Liquidity
3. Return on investment
4. Diversity

Major Accomplishments

The FY 2007 - 2016 financial plan and Board policy set out several financial and organizational goals to be accomplished in FY 2008. During FY 2008, DC WASA met or exceeded the financial goals set out by the Board and the FY 2007 - 2016 financial plan. Senior debt service coverage, reserve levels, and budget performance all met or surpassed Board policies, as discussed in more detail below.

✶ Implementation of the Impervious Surface Area Charge to recover the cost of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP) is schedule for May 2009. The twenty-year LTCP, whose terms are outlined in a consent decree executed in March 2005, is projected to cost $2.2 billion. See "Combined Sewer Overflow Long-Term Control Plan" for additional details on the projected rate impact of the plan.

In FY 2007, DC WASA started the implementation of an impervious rate structure for CSO and Stormwater cost recovery to be effective in FY 2009. An impervious surface area charge offers the following advantages:

- Provides a better allocation of cost responsibility, relating the costs to the proportionate contribution of each customer (or the amount of the runoff).
- Recovering costs using an IAC will improve understanding of the environmental impacts and provide and opportunity to create incentives for customers to take steps to demonstrate measurable reductions in their contributions to combined sewer overflows.

✶ DC WASA Board policy requires senior debt service coverage of at least 140 percent, greater than the indenture requirement of 120 percent. ***DC WASA's senior debt service coverage in FY 2008 was at 468 percent***, reflecting implementation of the Board's policy of gradual and predictable rate increases and lower than projected capital spending. Senior debt service coverage will decline to the Board's 140 percent policy level as capital spending and related debt issuance increase. Subordinate debt service coverage (subordinate debt service includes DC WASA's subordinated lien revenue bonds, DC WASA's share of the District of Columbia general obligation debt, Little Seneca Reservoir debt, and Jennings Randolph Reservoir debt) in FY 2008 was at 186 percent. DC WASA is required to have 100 percent coverage of subordinate debt service. Combined debt service coverage was at 157 percent (in FY 2008).

✶ ***DC WASA will contribute an additional $10.0 million to the rate stabilization fund in FY 2009***, raising the balance in this fund to $53.6 million.

✶ DC WASA Board policy calls for cash reserves (excluding the rate stabilization fund) equivalent to 180 days' operating and maintenance expenses, or approximately $118.6 million in FY 2008, based on the Board-revised budget. ***DC WASA consistently met this goal during FY 2008, with an average daily balance during the year of $128.0 million, $9.4 million greater than the Board's policy.*** This year's plan provides for an increase in this reserve to $125.5 million in FY 2009, in line with the revised FY 2009 operations and maintenance budget. It should be noted that a recent survey of compatible utilities conducted by an independent consulting firm demonstrates that the Board's policy of 180 days reserve is well above other water and sewer utilities that often have 30-90 days reserve requirements.

✶ ***DC WASA continued its strong operating budget performance in FY 2008.*** Operating cash receipts surpassed budget by $7.9 million, or 2.35 percent; operating expenditures are $17.8 million, or 5.1 percent, less than the Board-revised budget. Although in FY 2008 DC WASA experienced higher than anticipated (budgeted) costs for electricity and chemicals used for operations driven by rising fuel costs and other market factors, DC WASA also had significant savings in debt service costs related to lower than anticipated financing cost on the variable rate debt which was refinanced to fixed rate debt in FY 2008.

- ✶ Overtime spending was reduced from a high of $8.7 million in FY 1997 (or 15 percent of payroll) to $6.3 million in FY 2008, or 8.2 percent.

- ✶ DC WASA implemented a retail water and sewer rate increase of 5.5 percent in FY 2008. In addition, the Board approved a retail water and sewer rate increase of 7.5 percent effective October 1, 2008 as well as an increase in the Right of Way and PILOT fees to recover the full costs of these fees charged to DC WASA by the District of Columbia government. The rate changes are mainly due to the increase in debt service cost to finance the capital improvement plan.

- ✶ For the eighth consecutive year, DC WASA received the Government Finance Officers' Award for Distinguished Budget Presentation for its FY 2007 budget submission. DC WASA also received its eleventh unqualified audit opinion for the fiscal year ended September 30, 2007 and received the eleventh GFOA Certificate of Achievement for Excellence in Financial Reporting.

- ✶ Given that the District Drinking water is compliant with federal standards for lead and there are competing essential infrastructure needs throughout the District, the Board has made changes to the $438 million Lead Service Replacement (LSR) Program. In FY 2009 we will establish the management approach and structure to be able to continue to replace lead service lines in conjunction with DC WASA ongoing water main the District Department of Transportation (DDOT) projects and with customer participation. we will also continue to monitor the performance of the program to determine if any adjustments are warranted. Through FY 2008, over 14,000 public lines have been replaced to date. The ten-year plan includes capital disbursement costs for this program, estimated at $144.8 million.

- ✶ In FY 2008, we successfully renewed all of our insurance policies at essentially the same coverage and terms at 3 percent higher costs than previous year. There were improvements in coverage amid increases in property values, payroll and revenue.

- ✶ DC WASA completed its fourth year of the rolling owner-controlled insurance program (ROCIP), under which DC WASA procures insurance coverage for the majority of our construction contractors. The result is substantially higher insurance coverage levels for all contracts and significant cost savings. At the end of FY 2008, 56 projects, and 174 contractors had been enrolled in the ROCIP program (including most of the lead service line replacement contracts), and preliminary savings estimates exceed $1 million. Over the five year program, DC WASA anticipates enrolling a total of 120 projects, with estimated savings in the $4 to $5 million range. A major reason for the cost savings is the implementation of a uniformly strong safety program for all contractors.

- ✶ DC WASA continued to build on the significant improvements made in the Department of Customer Service over the last few years, which have resulted in greatly improved service to DC WASA customers. Major accomplishments over the last year include:

  - Improved collections efforts, which have resulted in a reduction of delinquent retail accounts receivable over 90 days from $26.5 million in September 2001 to $6.1 million in September 2008.

- Implementation of the meter replacement/automated meter reading (AMR) program. The meter installation/Automated Meter Reading Program is 99 percent complete with just less than 1,000 residential and commercial meters remaining to be converted. The Authority will continue to aggressively attempt to complete the remaining installations utilizing a combination of contractors and DC WASA staff. We have initiated a special mailing to the customers requesting access to change the remaining meters. We are optimistic that with their support and cooperation we will complete our AMR installation program by fiscal year-end.

✶ IMA renegotiation - 1985, the District signed the Blue Plains Intermunicipal Agreement (the IMA) with the "Users" of the Blue Plains Wastewater Treatment Plant facilities. The signatories consist of District of Columbia, Fairfax County in Virginia, Montgomery and Prince George's Counties in Maryland and WSSC. The IMA outlines terms relating to facility location, sizing, capacity allocations and funding, long-term management of the wastewater treatment and disposal process. The Agreement also establishes a uniform payment basis for facilities and future improvements. IMA signatories share the cost of operations, maintenance and the capital program at the Blue Plains facility. The three surrounding counties comprise of approximately 60 percent of the Blue Plains capacity. Some of the terms in the 1985 IMA expires in 2010; for example, the Agreement states that capacity allocations at 370 mgd (peak capacity) remain in effect until 2010. In order to allow ample time to renegotiate any User issues, the Users began negotiations during FY 2006 and will continue discussions until all parties reach a new agreement. During FY 2008, the Blue Plains Regional Committee (BPRC) Financial Work Group (FWG) met to discuss the IMA renegotiation process, valuation model, joint-use operating reserves and additional issues regarding the upcoming IMA renegotiations. Recommendations from the FWG will be forwarded for further negotiations.

✶ Potomac Interceptors Users Rate Update (PI) – In FY 2007, as stipulated in the Intermunicipal Agreement (the IMA), a PI rate study was conducted. The new rates for the PI users are effective from October 1, 2007 through September 30, 2010. The previous rate study was completed in FY 2004. The FY 2007 rate study analyzed DC WASA's cost and determined the cost allocation of DC WASA's current capital and O&M costs for PI users. The updated rates now reflect the Authority's current capital and O&M costs.

✶ Water Audit Program - During the latter part of FY 2008, we implemented a parallel water audit program. This program is to help establish a new methodology for tracking and reporting water losses consistent with the American Water Works Association (AWWA) standards. It will also enable us to better measure and compare DC WASA to other like entities. In FY 2008 a Water Audit Report was prepared by the consultants that adhered strictly to the International Water Association (IWA) water balance methodology which was recently adopted by the AWWA. The Water Audit Report made recommendations that when implemented, would reduce DC WASA non-revenue water. We are reviewing the parallel water audit program and will implement some or all of the requirements over the next several years as mentioned in the Water Audit Report to effectively reduce and track the non-revenue water.

* Fire Hydrant Program - DC WASA initiated a fire hydrant replacement program in October 2005 and committed $26.5 million to fund replacement/upgrade of up to 3,000 hydrants for the District of Columbia by 2011. In October 2007, DC WASA and FEMS entered into an MOU that established a regular inspection program and five-year target for replacement of fire hydrants. As of September 2008, we have replaced over 2,500 fire hydrants in public space and we will meet our target of 3,000 in FY 2009. This capital budget includes a proposal for Phase II of the MOU for approximately $30 million in additional funding to replace an additional 3,000 fire hydrants by FY 2015.

Future Goals

The proposed FY 2008 - 2017 financial plan includes the resources necessary to accomplish critical financial and operational goals over the coming years, as summarized below.

* Continue adherence to the Board's financial, investment, rate-setting and long-term planning policies.

* Integrate findings from the water and sewer system assessment updates.

* Continue implementation of the ten-year $3.2 billion capital improvement program.

* Continue implementation of the twenty-year, $2.2 billion CSO Long-Term Control Plan, including rate structure changes.

* Continue implementation of internal improvement plan across DC WASA.

* Continue implementation of major improvements in customer service, including:
    - Complete AMR/meter replacement program.
    - Offer blind or vision-impaired customers the option of receiving bills in either Braille or large print.
    - Provide customers with the opportunity to communicate with customer care associates via on-line chat.

* Successfully implement key information technology initiatives, including:
    - Implementation of the *process computer control system* (PCCS) which will automate a substantial number of Plant processes and is critical to achieving Blue Plain's internal improvement goals. Initial planning and design for this system began in FY 2002.

- — Implementation of a new *asset management system*. By integrating DC WASA's existing customer information, maintenance management, PCCS/SCADA and other systems, it will help us better track specific asset performance and perform more preventive maintenance, particularly in the water and sewer systems.
- — Successive phases and upgrades of the *financial, payroll, procurement and human resources information, and customer information and billing systems.*
- — Evaluation and development of *data redundancy* and related systems to ensure that DC WASA's mission-critical systems can operate on an uninterrupted basis in the event of an emergency

- ✶ Development of performance targets: As part of the effort to implement the Strategic Plan we have established a "design team" that has embarked on an intensive effort to develop clear performance measures that management and the Board will use to assess progress in achieving the Strategic Plan objectives. This initiative will not only establish measures, it will also create performance targets to help us set longer term and annual priorities to help us determine how we allocate resources through the ten-year financial plan and develop the operating and capital budgets we need to sustain and improve services. Formal deployment of the performance measurement and process improvement system is planned for 2009.

- ✶ Energy Conservation - Electricity continues to represent a significant portion of DC WASA's operating costs, budgeted at $32.1 million, or 12 percent of our $259.8 million revised FY 2009 operations and maintenance budget. This is due, in part, to several factors that include deregulation in the District, rising oil prices, changes in inclement weather patterns, record global demand for power and oil, and regional transmission and grid changes. DC WASA has hired an Energy Manager to promote conservation and efficient use of electricity.

Rates

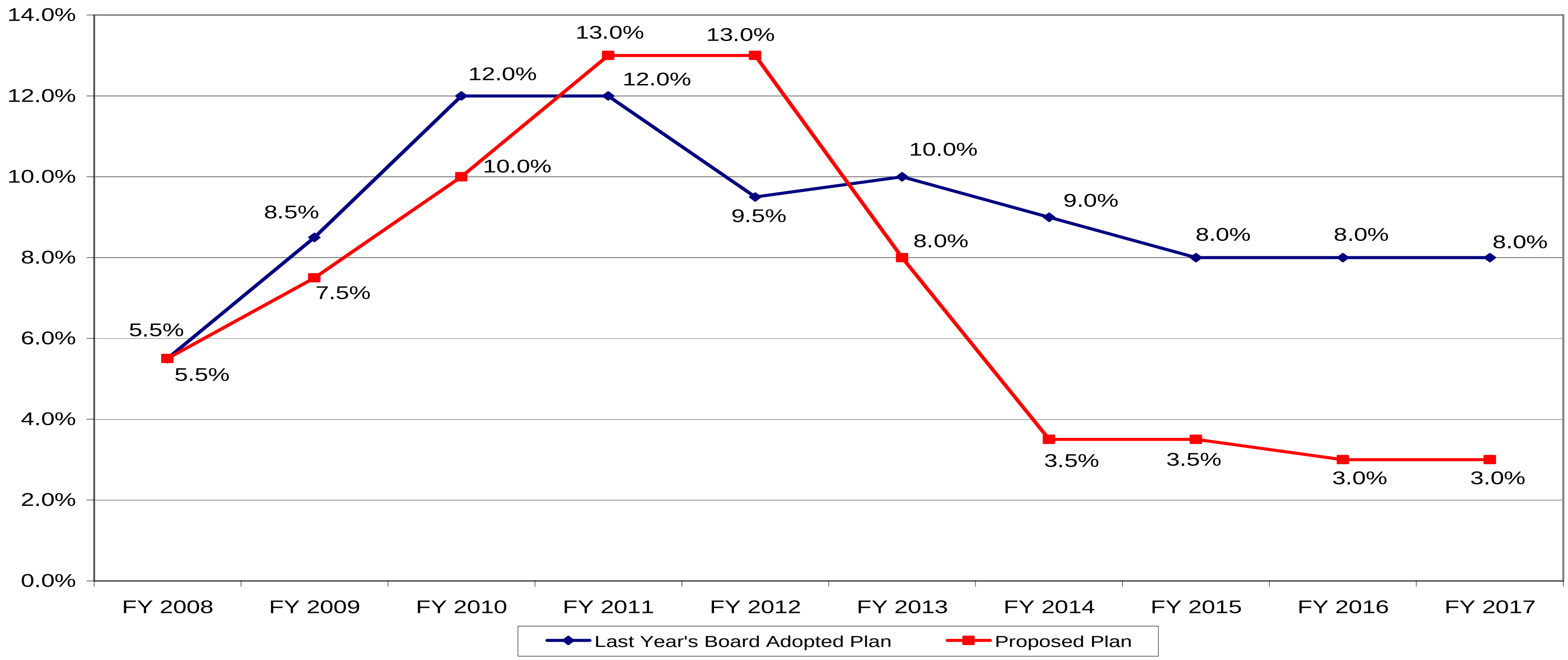
The proposed rate increases included in the FY 2008 – 2017 financial plan are driven by the following initiatives:

- ✶ Increasing debt service expenditures, driven by DC WASA's $3.2 billion capital improvement program (cash disbursements basis), which increases on average by 14.5 percent over the ten-year planning period.
- ✶ The initial phases of DC WASA's twenty-year CSO Long Term Control Plan, totaling $771.8 million (which is included in the DC WASA ten-year CIP)
- ✶ Biosolids Management Digester project, which has increased by almost $100 million and will be completed within 4 years.
- ✶ Internal improvement programs – Operating budget savings at Blue Plains beginning in FY 2014 due to the implementation of the digester project.
  - Increasing operating expenditures, driven primarily by increases in chemical cost, electricity and personnel.
  - Operation and maintenance increase on average of 3.7 percent annually over ten year period.

Due to these ongoing and new initiatives, from FY 2008 – FY 2017, DC WASA's water and sewer rates are projected to increase by 3.0 percent to 13 percent annually, with cumulative rate increases totaling 70.0 percent, as shown in the chart below. Projected retail rate increases are higher by 0.5 to 2.5 percent annually over last year's plan due to increases in District ratepayer-funded projects in the CIP and a higher base level of operations and maintenance expenditures, particularly in chemicals and electricity due to the recent trend of rising oil prices.

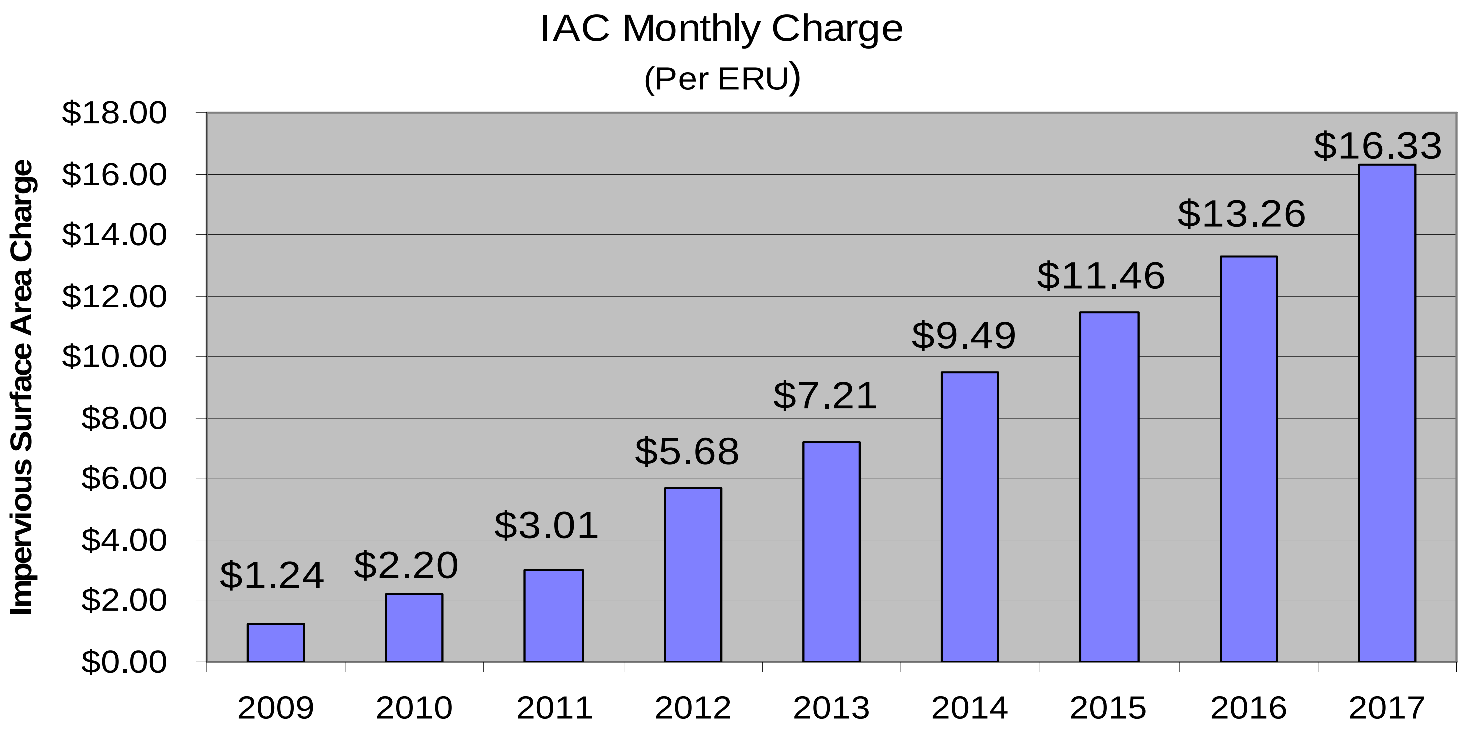
Proposed FY 2010 Rate & Fee Increase & Structure Changes

Projected Retail Rate Increases
FY 2008 – FY 2017



The proposed retail water and sewer rate increase for FY 2010 is 10.0 percent with annual rate increases ranging from 3 to 13 percent. In addition, the proposed increase in the combined Right-of-Way and Pilot fees is 9.6 percent, to recover the full amount charged to DC WASA by the District.

The proposed monthly IAC charge for FY 2010 is $2.20 per ERU (Equivalent Residential Unit); an increase of $.96 over the proposed FY 2009 charge.



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Rate Comparisons to Other Utilities

DC WASA's current and proposed rates and fees remain very competitive with other water and wastewater providers in the mid-Atlantic and the eastern United States. In fact, the FY 2008 independent budget review noted that DC WASA's recent rate increases have been much lower than other similar utilities. As shown in the charts in Section IV, DC WASA's proposed monthly residential bill (including the IAC, the District's revised stormwater rate PILOT and ROW fees) is slightly less than the average of other utilities in DC WASA's benchmark group. Without the stormwater and the PILOT and ROW fees, DC WASA's proposed average monthly residential bill is $3.90 or 7 percent less. The proposed future rate increases over the ten-year planning period are also consistent with the infrastructure needs identified by regional and national providers.

Customer Assistance Programs

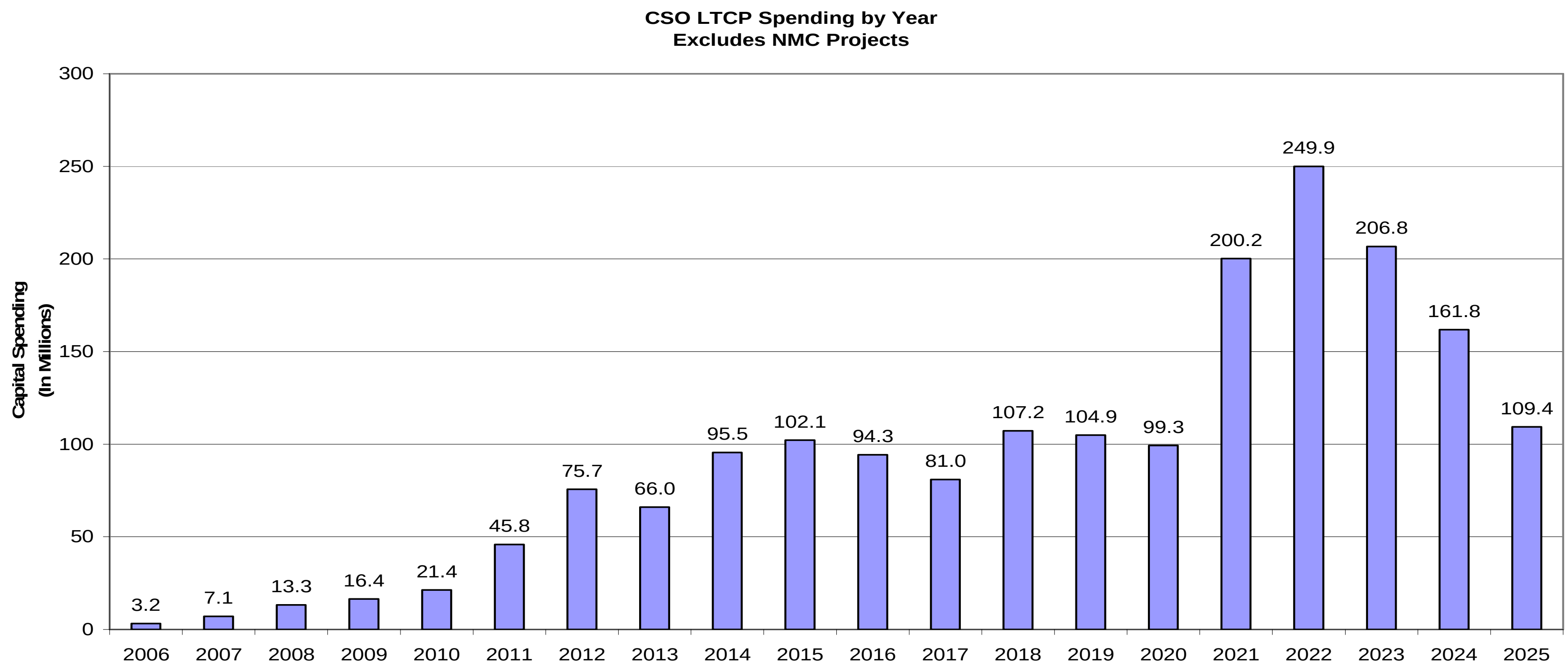
We are continuing our commitment to help improve the quality of life for those of our customers who are least able to pay, by providing relief through our customer assistance programs (CAP). Through CAP, we provide eligible customers a discount of 4 Ccfs per month on their water bills. Since it began, participation in CAP has continued to increase. In FY 2008, a total of 5,814 customers received a discount on their bills. In FY 2009, the Board approved rule making to expand this program to include an additional 4 Ccfs per month on the sewer portion of the bill. This program expansion is retroactive to October 1, 2008 and will more than double the potential relief for eligible customers. The District Department of Environment, Office of Energy, administers this program for the Authority and several other Utilities in the area.

Rate Stabilization Fund

This year's plan reflects continued funding of the rate stabilization fund, including a contribution of $10.0 million in FY 2009. The total balance in the fund as of October 2008 is $53.6 million. The fund is projected to be fully utilized in FY 2008 through FY 2017 to help level out proposed rate increases in those years. Additional contributions to the rate stabilization fund are determined each year based on actual financial performance and the latest ten-year plan.

Combined Sewer Overflow Long-Term Control Plan

In December 2004, the Board reached agreement with the federal government on the proposed CSO LTCP and entered into a related consent decree. Capital costs for this twenty-year plan total approximately $2.2 billion, and this year's plan includes $771.8 million of projected CSO LTCP disbursements. Projected spending by fiscal year is shown in the next chart.



In February 2009 an independent review was performed to ensure the impervious surface area charge (IAC) will generate sufficient revenues to meet approved CSO LTCP financing needs of $2.2 billion. The independent review concluded that the (IAC) rate structure complies with the requirements of the Clean Water Act and the DC WASA Board of Directors policy on predictable and stable rate adjustments. This project is on schedule to “Go-Live” in May 2009. In October 2008 the District of Columbia City Council conducted a public hearing on the “Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008”. The City Council took action on this legislation in December 2008 allowing DC WASA to separate its sewer charges to more equitably reflect the costs with the users of each service. The DC WASA Board of Directors is scheduled to take action and approve the impervious surface area charge (IAC) in April 2009 to be effective May 2009. Under this program, the typical residential customer will pay a monthly IAC in FY 2009 to FY 2017 ranging from $1.24 to $16.33 per Equivalent Residential Unit (ERU). . If additional federal assistance is provided, the IAC increases would be lower than the ten-year plan assumes. No external funding beyond the special congressional appropriation of $106 million has been received.

Current vs. Impervious Rate Structure
Impact by Customer Class

Rate Structure	Single Family Residential	Multi- Family Residential	Commercial	DC Gov't	Fed Gov't	District Housing Authority
Current	21%	22%	34%	4%	15%	3%
Impervious Rate	24%	11%	36%	7%	21%	1%

Note: *Based on December 2008 data.*

Revenues

The proposed FY 2009 receipts projection totals $353.0 million, an increase of $6.6 million, or 1.9 percent over actual FY 2008 receipts:

1. *Residential, commercial and multi-family receipts* are projected to increase by approximately $5.7 million, or 3.4 percent, due to the Board-approved 7.5 percent rate increase.
2. *Federal revenues* are projected to increase by $1.9 million or 6.1 percent
3. *Wholesale receipts* are projected to increase by $4.5 million, or 7.2 percent, reflecting higher budgeted costs at Blue Plains due to electricity and chemicals price increases.
4. *Projected* utilization *of $25 million in rate stabilization fund balances.*
5. *Other revenues* are projected to decrease by $6.3 million, mainly due to $3.7 million decline in projected interest earnings in FY 2009 as compared to FY 2008 actuals and $3.1 million reduction in the amount of indirect cost reimbursement for capital projects for FY 2009 vs. FY 2008. The FY 2009 revenue has been adjusted to reflect the one time receipt of FY 2007 payments in early FY 2008.

Total Revenue Contribution from Impervious Surface Area Charge

6. Residential, commercial and multi-family receipts are projected to be $2.4 million
7. Federal revenues are projected to be $0.7 million
8. Municipal revenues are projected to be $0.2 million
9. District of Columbia Housing Authority revenues are projected to be $0.03 million

DC WASA plans to unbundle the sewer rate and start to bill retail customers the impervious surface area charge beginning May 2009

The proposed FY 2010 receipts projection totals $389.8 million, approximately $36.8 million, or 10.4 percent, higher than revised FY 2009 projections. This increase is due primarily to:

10. Proposed water and sewer rate increase of 10.0 percent
11. Proposed monthly adjustment of the IAC by $0.96 per ERU
12. Proposed utilization of $24.6 million in rate stabilization fund balances
13. Proposed increase of 9.6 percent in the Right of Way and PILOT fees: 10.3 percent PILOT & 7.7 percent for ROW
14. Projected consumption decline, conservatively estimated at one percent annually
15. Projected decrease in revenues due to the proposed expansion of the customer assistance program to include the first 4 Ccf of volumetric sewer services

Additional details on revenue projections for each class of customers are described below.

Residential, Commercial & Multi-Family - FY 2009 projections reflect an increase of $5.7 million or 3.4 percent from FY 2008, due primarily to the following reasons.

- In FY 2008, DC WASA's collections on its retail receivables was very strong, with accounts receivable over 90 days declining from $7.1 million on October 1, 2007 to $6.1 million as of September 30, 2008. While DC WASA will continue its aggressive collection efforts, we have conservatively assumed no additional increase in cash receipts due to improved collections performance in 2009.
- Board-approved retail rate increase of 7.5 percent effective October 1, 2008.
- Expansion of the customer assistance program, which reduces projected revenues by approximately $1.4 million.

Proposed FY 2010 receipt projections reflect an increase of $22.7 million, or 13.2 percent, due to the following reasons:

- Proposed water and sewer rate increase of 10 percent.
- One percent decrease in consumption due to conservation.

- Continued implementation of the customer assistance program, which reduces projected revenues by approximately $1.5 million.
- Proposed IAC increase from $1.24 to $2.20.

Rate Stabilization Fund Utilization – The ten-year plan and near-term revenue projections assume utilization of $25.0 million in FY 2009 and $24.6 million in FY 2010 of rate stabilization fund balances. Prior years' plans also assumed the use of these funds which is necessary as DC WASA reaches its peak years of spending in the CIP. Utilization of RSF monies allows DC WASA to implement future rate increases in a gradual and predictable manner while still meeting Board and indenture policies on cash reserves and debt service coverage.

Federal - Revised FY 2009 federal revenues are projected to total $33.5 million, an increase of $1.9 million, or 6 percent over FY 2008. Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2009 billing was prepared in April 2007), and are based on then-current consumption estimates and projected rate increases as included in the then-current ten year plan. These estimates are then reconciled with actual consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2009 estimated vs. actual consumption and rate increases will be included in the FY 2012 billing, prepared in April 2010). Federal revenues in the ten year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, revised FY 2009 federal revenues reflect the final billing sent to the federal government in April 2007, net of the adjustment for the prior year (FY 2006) reconciliation. In FY 2010, federal revenues are projected to be $41.4 million, or 23.7 percent increase over FY 2009.

Municipal & D.C. Housing Authority – FY 2009 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at $14.5 million, an increase of $0.8 million. In FY 2010, receipts from these organizations are projected to total $16.8 million, an increase of $2.3 million, or 15.9 percent, due to the proposed retail rate increase of 10 percent and continued conservation. Another reason for this increase in FY 2010 is the inclusion of proportionate impervious surface area charges among respective categories of customers.

Metering Fee – Metering fee collections totaled $5.5 million in FY 2008, and are expected to remain stable in FY 2009 & FY 2010. It recovers the costs associated with installing, operating, and maintaining meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from $2.01 for a 5/8 inch meter (typical size of a residential customer meter) to $41 to $182 for larger meters (typically used for large commercial customers).

Right of Way and Payment In Lieu of Taxes (PILOT) Pass-Through Fees – Similar to other Washington area utilities, DC WASA has implemented fees that pass through the costs of the District's Right of Way fee (ROW) and Payment in Lieu of Taxes (PILOT) as separate line items on its bill. In FY 2009, these fees increase by $1.0 million, or 7.5 percent to $19.2 million due to the Board's approval of an increase to recover the full cost of the payments DC WASA makes to the District. The total fee of $19.2 million comprises of PILOT fee of $14.1 million and Right-of-Way $5.1 million. In FY 2010, the Board will be considering a proposed 10.3 percent PILOT, and 7.7 percent increase in ROW fee.

Wholesale - DC WASA's wholesale customers are responsible for a proportionate share of operating and maintenance expenses (associated only with shared facilities primarily at Blue Plains) based on their respective share of wastewater volume discharged. In addition, each user is responsible for a proportionate share of related indirect costs. FY 2009 wholesale revenues are projected at $67.3 million an increase of $4.5 million over FY 2008. In FY 2010 wholesale revenues are project to increase $1.2 million or 1.9 percent over the FY 2009 level.

Stormwater – DC WASA's FY 2009 and FY 2010 receipts include $0.5 million from the District's stormwater rate that will be used to fund DC WASA's share of the District's stormwater permit compliance activities. The stormwater rate was implemented in July 2001, and appears as a separate line item on DC WASA's retail customers' bills. In FY 2004, the District received a new stormwater permit which has significantly increased compliance costs for all participating agencies. In November 2008 the District's +-Department of the Environment (DDOE) implemented a new stormwater rate to cover the compliance costs. In FY 2009 this District fee increased for the residential customers from $0.58 to $1.98, Multi-family from 1.4 percent to 4.4 percent, and others (commercial, federal, District government) from 2.0 percent to 6.3 percent of water and sewer charges. This fee increased to ensure that the District of Columbia can comply with the separate storm sewer system (MS4) permit issued by the U.S. Environmental Protection Agency (US EPA). As DC WASA implements the IAC, DDOE is reviewing their rate policies with the intent to transfer to an impervious surface billing methodology in the future. The FY 2008 – 2017 financial plan assumes that all incremental costs borne by DC WASA for stormwater permit compliance activities will be covered by the stormwater rate, and that no DC WASA funds will be advanced to pay for these activities.

Other major assumptions underlying the revenue projections contained in the FY 2008 - 2017 financial plan include:

- From FY 2009 – FY 2017, a one percent reduction in water sales is assumed for all customer categories, based on historical trends in consumption levels.

- Four percent average revenue increase between FY 2009 and 2017 from wholesale customers, consistent with operating and maintenance expense increase assumptions and the goals of the Blue Plains internal improvement plan.

- Based on the current interest rate environment, interest projections conservatively assume a 1.6 percent and 2.35 percent earnings rate in FY 2009 and FY 2010 respectively on operating funds. Beyond FY 2011 interest rates are assumed at 5.0 percent.

- The majority of other non-operating revenues, totaling $12.7 million in FY 2009, are projected to remain relatively stable over the ten year plan, and include such items as:

* Reimbursement from Arlington County and Falls Church for debt service issued for pre-1997 Washington Aqueduct capital improvements - $0.5 million

* DC WASA’s share of the District’s stormwater fee - $0.5 million

* Fire protection charge to the District of Columbia will match the actual cost of capital and operating expenses per independent cost of service study.

* Recovery of indirect costs from DC WASA’s IMA partners – $2.2 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance and Budget, General Counsel, and Human Resources functions).

* Other miscellaneous fees and charges, including service line replacements, developer-related fees, etc. - $7.6 million

Operating Expenditures

As in past years, debt service continues to be the fastest growing expenditure in the ten-year financial plan as a result of DC WASA's $3.2 billion capital improvement program, growing at an average annual rate of 14.5 percent, from 21.4 percent of total operating expenditures in FY 2008 to 38.9 percent in FY 2017. All other operating expenses are projected to grow at an average annual rate of 3.7 percent, due to continue implementation of the internal improvement plans that are projected to result in operating savings.
The following chart provides detail for the FY 2009 and FY 2010 operating budgets.

COMPARISON OF FY 2009 & FY 2010 OPERATING BUDGETS
(In $000's)

	FY 2009 APPROVED	FY 2009 REVISED	Percent Change	FY 2010 APPROVED	Percent Change
Personnel Services	92,235	92,917	0.7%	96,493	3.8%
Contractual Services	69,599	71,755	3.1%	76,493	6.6%
Water Purchases	23,601	25,766	9.2%	29,395	14.1%
Chemicals & Supplies	27,183	29,560	8.7%	29,172	-1.3%
Utilities	37,821	38,656	2.2%	41,842	8.2%
Small Equipment	873	786	-10.0%	791	0.6%
Lead Abatement	1,000	-		-	
Long Term Control Plan	370	370		560	51.4%
Subtotal Operations & Maintenance	252,683	259,811	2.8%	274,746	5.7%
Debt Service	91,240	84,244	-7.7%	98,290	16.7%
PILOT	14,210	14,079	-0.9%	15,487	10.0%
Right of Way Fee	5,100	5,100	0.0%	5,100	0.0%
Subtotal Debt Service & PILOT / ROW	110,550	103,423	-6.4%	118,877	14.9%
TOTAL OPERATING	363,234	363,234	0.0%	393,623	8.4%
Less Personnel Services Charged to Capital Projects	(8,400)	(8,400)	0.0%	(8,400)	0.0%
TOTAL NET OPERATING	354,834	354,834	0.0%	385,223	8.6%

The revised FY 2009 budget totals $363.2 million, the same level as the Board-approved FY 2009 budget. While operations and maintenance expenditures increase by 2.8 percent, debt service costs were reduced by 7.8 percent, due to restructuring and refinancing of the variable interest loans to fixed interest rates. A description of the assumptions and major issues in each major expenditure category follows.

- ***Personnel service expenditures*** are $0.7 million, or 0.7 percent higher than the approved FY 2009 budget. This increase is attributable to lower vacancy rates as filled positions have increased in recent years. Fringe benefits were adjusted based on current market rates.

- ***Contractual service expenditures*** increase by $2.2 million, or 3.1 percent, over the approved FY 2009 budget due primarily to funding for various contractual services throughout the organization. Funding was also added to improve water main infrastructure repair/replacement needs and for professional services to maximize our new business processes, such as MAXIMO.

- ***Water purchase expenditures*** increase by $2.2 million or 9.2 percent over the approved FY 2009 budget. This directly relates to chemical cost increases for the Washington Aqueduct's water treatment processes.

- ***Chemicals and supplies expenditures*** increase by $2.4 million, or 8.7 percent, from the approved FY 2009 budget due to higher unit prices for the majority of chemicals used at the Blue Plains advanced wastewater treatment plant.

- ***Utilities expenditures*** increase by $0.9 million, or 0.9 percent, primarily due to rising electricity costs. Electricity, budgeted at $32.2 million, or 12.4 percent of the revised FY 2009 budget, continues to be the largest portion of the Authority's utilities budget. Electricity prices have been extremely volatile for the past several years, due to rising oil prices, heavy global demand for power and oil, and the after effects of Hurricanes Katrina and Rita in FY 2005. We continue to utilize the five-year electricity contract entered in FY 2005 for electricity generation. In FY 2008, DC WASA was successful in purchasing its electricity for an average cost of $109 per megawatt hour compared to an estimated average cost of $128 per megawatt hour had DC WASA acquired its electricity through the PEPCO Standard Offer Service (SOS). This represented an estimated savings of $5.8 million in FY 2008. We continue to mitigate the Authority's exposure from higher energy prices that occur during peak demand periods by periodically locking in portions of our electricity load, especially for the summer and winter periods. Working with our electric energy service company, we continue to monitor the electricity market on a continuing basis and explore alternatives that could yield additional cost savings.

As environmental stewards, DC WASA continues to implement environmentally responsive and responsible polices and programs that protect the region's waterways, air, and land. As a continued commitment to this goal, DC WASA hired its first energy manager in FY 2008, to perform among other things, explore various green energy initiatives that would enable the organization to (a) reduce its carbon footprint through conservation efforts, and (b) increase efficiency in energy consumption. We are beginning the development of a ten year energy management plan which will be guided by the Board's 2008 – 2013 Strategic Plan. This plan will evaluate our energy baseline, establish quantitative and qualitative goals as well as identify resource requirements. Approval of this plan is anticipated during fiscal year 2009.

The proposed FY 2010 budget totals $393.6 million, an 8.4 percent increase over the revised FY 2009 budget. This increase is primarily due to increasing debt service costs associated with DC WASA's capital improvement program. The FY 2010 operations and maintenance budget (net of debt service, PILOT/ROW fee) increases by 5.7 percent, due primarily to projected increases in water purchases (driven by chemical cost increase), utilities (driven by electricity), and contractual services. Specific information regarding each department is included in Section VII.

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Beginning in FY 2010, the ten year financial plan reflects the following major assumptions:

- One to three percent increase over approved FY 2010 levels in most expense categories, reflecting implementation of the Blue Plains and other departmental internal improvement programs.
  - Beginning in FY 2013, operating expenses are projected to increase by three percent, reflecting completion of the internal improvement programs.

- Three percent increase in water purchase costs, based on historical Washington Aqueduct budget trends.

- Payment in lieu of taxes (PILOT) to the District of Columbia increases at the same rate as DC WASA water rate increases, in accordance with the memorandum of understanding with the District.

- The net right of way payment to the District of Columbia stays level at $5.1 million through FY 2013 consistent with the memorandum of understanding with the District.

Capital Financing Program, Cash Position, & Long-Term Debt

The FY 2008 - 2017 financial plan anticipates capital disbursements of $3.2 billion. The financing of DC WASA's capital program comes from four primary sources, as more fully described below. The amount of EPA grant funding is defined by annual federal appropriations, while jurisdictional capital contributions are based on a fixed percentage of Blue Plains and other shared facilities. The remainder of the program is funded with DC WASA debt and pay-go financing from operations. The amount of pay-go financing is equal to the amount available after fully funding the six months' operating reserve and meeting Board policies on the level and timing of rate increases and debt service coverage.

During FY 1999, DC WASA developed a comprehensive financing plan with the dual goals of 1) securing the lowest cost of capital possible, and 2) maximizing administrative and operating flexibility. The plan includes the following components:

- *Utilize available pay-as-you-go financing to pay down higher cost, taxable U.S. Treasury notes for the Washington Aqueduct* Rather than permanently funding DC WASA's share of Aqueduct improvements with higher cost, taxable U.S. Treasury notes, DC WASA uses available pay-go funds. In FY 2007, DC WASA issued Series 2007B (taxable auction rate securities) bonds in the amount of $59 million, see section VI for further discussion.
- *Establish an interim financing program to finance construction* – In early FY 2002, DC WASA developed a $100 million commercial paper program for this purpose which has been extremely successful. In FY 2009 DC WASA will evaluate resizing the commercial paper program with the intent of increasing it to be in line with the CIP.
- *Issue permanent financing every twelve to 18 months to take out interim financing proceeds*.

Additional details on each financing source are described below.

	FY 2008 - 2017 Plan Total	Percent of Total
Revenue Bonds/Commercial Paper	$ 1,813,928,773	61%
Wholesale Capital Payments	787,773,340	26%
EPA Grants & CSO Appropriations	301,564,065	10%
Interest Income on Bond Proceeds	26,789,604	1%
Pay-Go Financing	55,759,061	2%
Total Sources	**$ 2,985,814,843**	**100%**

- ***EPA Grants*** - DC WASA currently receives 55 - 80 percent EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts. In general, the District of Columbia projects carried out by DC WASA are supported by approximately one percent of the available annual funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. In addition, DC WASA has received $106.1 million in Congressional appropriations for the CSO LTCP.

- ***Wholesale Capital Payments*** - Nearly 60 percent of the capacity of DC WASA's wastewater treatment facilities are contractually committed to provide wholesale service to suburban jurisdictions under various contracts. Montgomery and Prince George's Counties (through the Washington Suburban Sanitary Commission (WSSC)), Fairfax County, and the Loudoun County Sanitation Authority pay a proportionate share of capital-related costs equal to their share of contracted capacity at Blue Plains.

- ***Revenue Bonds/ Commercial Paper*** – Debt issuance represents 61 percent of funding for the ten year capital program. A common ratio used by the rating agencies to measure leverage and debt burden is the ratio of debt to net fixed assets (plant). In FY 1999, DC WASA's debt to plant ratio was 36 percent, and, based on the current capital improvement program, is projected to increase to 55 percent through FY 2017. In addition, debt service as a percentage of total operating expenditures remains at 39 percent or less through the ten-year planning period, even with substantial new debt issuance projected during this period.

- ***Pay-Go (Internal) Financing*** - The amount transferred from operations to the capital program each year is equal to the amount remaining in cash reserves after the six month operating and maintenance reserve and rate stabilization fund goals have been satisfied. Approximately two percent of total funding for the FY 2008 - 2017 plan is projected to come from pay-go financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. Pay-go funds will be used in a manner consistent with our financial policies: 1) to fund items with shorter useful lives where bond financing is less appropriate, such as capital equipment; and 2) to achieve the lowest cost of capital possible, including using pay-go funds to reduce higher cost debt.

FY 2009 & 2010 Debt Issuance Plans & Debt Service Assumptions

Permanent Financing – we successfully issued $290.3 million of tax-exempt subordinate lien fixed rate revenue bonds in April 2008. The bonds were issued to refund all of the Series 2004 (auction rate securities) bonds and a portion of the 2007B (taxable auction rate securities) bonds. Taxable commercial paper was issued to refund $44 million of the 2007B bonds. Based on current capital spending projections, we believe that the balance - $66 million of our commercial paper financing will be utilized beginning the first quarter of 2009. We envision issuing our next permanent financing in January 2009. In order to yield the best possible interest rate savings, we evaluate our debt portfolio on a regular basis.

Our interest rate assumption on new bond issues in FY 2009 and beyond is 6.5 percent, in line with historical interest rate trends. On variable rate debt, the ten year plan assumes interest rates of 3.25 percent through the life of the plan, plus ongoing fiscal charges for broker-dealers, ratings, etc. This assumption is based on average short-term rates since 1998. For appropriations purposes, we have assumed higher interest rates on variable rate debt than in the ten-year plan in order to provide us with sufficient flexibility to address short-term peaks in interest rates, if required, without going through the Congressional approval process, which can be lengthy.

Cash Position & Reserves

Cash balances totaled $247.3 million at the end of FY 2008. As described below, this includes $43.6 million for rate stabilization and $64.6 million for the special Congressional appropriation DC WASA received in FY 2003 through FY 2008 for the CSO LTCP, net of reimbursements to date. Over the next ten years, cash balances are projected to remain close to the Board-required reserve levels, with the operating and maintenance reserve totaling $125.5 million in FY 2009 and growing to approximately $157.7 million in FY 2017, based on projected growth in operations and maintenance expenses.

In FY 2004 and FY 2008, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy: 1) Changing the timing of when DC WASA is required to meet its overall operations and maintenance reserve requirement from September 1 to an average daily balance basis, resulting in a more conservative calculation; and 2) revising the indenture-required renewal and replacement reserve requirement from two percent of original plant in service to $35 million, with a requirement to revisit this reserve level every five years in conjunction with the indenture-required system assessment prepared by DC WASA's independent rate consultants.

DC WASA's base six month operating reserve includes the following components:

PROJECTED FY 2009 YEAR-END CASH RESERVES (1)
(In 000's)

BOARD-ADOPTED OPERATING RESERVE (180 Days O&M)		
60 Day Operating Reserve (Indenture-Required)	$	33,084
Renewal & Replacement Reserve (Indenture-Required)		35,000
District of Columbia General Obligation Reserve		138
Undesignated Reserve		57,232
TOTAL OPERATING RESERVE	$	125,454
Reserve for Rate Stabilization Fund		53,600
DC Insurance Reserve		1,000
TOTAL OTHER RESERVES	$	54,600
TOTAL CASH RESERVES	$	180,054

(1) Excludes special CSO LTCP funding & debt service reserve funds

Indenture-Required Operating Reserve - This reserve is required by DC WASA's bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately $33.1 million in FY 2009.

Renewal & Replacement Reserve - This reserve is funded at $35.0 million based on the revisions approved by the Board to the financing policies in 2004 and 2008. As noted above, the level of this reserve will be reviewed every five years by DC WASA’s independent rate consultants in conjunction with the indenture-required assessment of the physical condition of the system.

District of Columbia General Obligation Bond Reserve - This reserve is required under DC WASA's memorandum of understanding with the District of Columbia regarding payment of District general obligation bonds that DC WASA is responsible for. This reserve is equal to ten percent of the subsequent fiscal year's debt service, or $0.4 million in September 2009.

Undesignated Reserve - After allocating portions of the 180 day operating and maintenance reserve to the reserves listed above, the amount that remains (approximately $57.2 million projected for FY 2009) is DC WASA's undesignated reserve, and is available for other contingencies.

DC WASA has other reserves that are available to it in very specific circumstances:

Rate Stabilization Fund - Consistent with the Board's financial policies and as envisioned in the bond indenture, this fund is to be established to mitigate large annual rate increases. At the end of FY 2008, the balance in this fund totaled $43.6 million. Future deposits to the rate stabilization fund will be determined annually based on financial performance in that fiscal year and updated ten-year capital and operating forecasts.

Debt Service Reserve Funds - The supplemental bond indenture associated with each bond issue require DC WASA to maintain a debt service reserve fund for its Series 1998 senior lien bonds and its Series 2003 subordinated lien revenue bonds. The Series 1998 was funded with bond proceeds; the Series 2003 reserve was funded through the purchase of a surety bond. This reserve which is in addition to the 180 day operating and maintenance reserve, is held by DC WASA's trustee and can only be used in the event that net revenues are insufficient to meet the next debt service payment. DC WASA earns interest on this reserve that is included in other operating revenue and is used to offset annual debt service payments. (The amount of interest earnings that DC WASA can retain on the debt service reserve fund is limited by federal arbitrage restrictions.)

Long-Term Operational and Financial Issues

Currently, there are a number of important emerging issues that we are closely monitoring to ensure reliable and efficient service to our customers. We continue to broaden our planning horizon for projects or operational changes that may be necessary to address regulatory as well as other emerging issues.

Capital Improvement Program Inflationary Increases

The regional and national construction industries have seen record inflation costs for materials such as steel, copper, aluminum and cement over the last several years as documented annually by Engineering News Record. The price of oil also impacts this industry as the cost of transporting materials around the world becomes higher, as well as the cost of other construction materials. This results in higher bid prices for our capital work. Additionally, this region has experienced so much development over the last decade that a less-competitive bidding environment also contributed to capital project inflation. As the economic climate in the country changes drastically, we have been reviewing the market place, the financing available to potential contractors and our current programs to assess the impact of the market on our CIP budget and planning. These inflationary pressures may impact our mandatory projects such as the CSO LTCP and BTN

Funding for Chesapeake Bay Restoration Initiatives

Our partners in Virginia and Maryland have provided state revenues to support nutrient removal from local waterways. In the State of Maryland, the Bay Restoration Fund was established through a tax on each water, sewer and septic bill and raises approximately $66 million a year. The General Assembly of Commonwealth of Virginia provides grants through the State Water Quality Improvement Fund to support environmental projects for nutrient control costs and has dedicated $50 million a year to the fund. The General Assembly of the State of Pennsylvania recently passed a bond referendum to provide $400 million in bond issuance to support various water, sewer and wastewater investments throughout the state. DC WASA has enjoyed support seeking federal funding from several environmental organizations for Blue Plains Nitrogen Removal project, and we welcome their partnership. We continue to support and urge the District of Columbia to provide similar local mechanisms for their residents and businesses to lighten the impact to the DC retail ratepayers.

Water and Sewer System Facility Planning

During FY 2008, DC WASA completed two very significant infrastructure assessment and planning efforts. In February 2008 a Sewer System Facility assessment was submitted. This document culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of recommended activities by priority for system improvement. In August 2008 DC WASA received a Water System Facilities Plan Update (update to a plan completed in 2000). This document assessed all water system infrastructures and made prioritized recommendations for improvements to the water pumping, transmission, storage and distributions systems. Both documents are under review by staff for presentation of recommendations to the Board of Directors. These documents will provide the basis for future Capital Improvement Projects in DC WASA's 10-year CIP. However, several high-priority projects identified in those assessments have been included in this capital budget.