



Washington Aqueduct

Annual Financial Report



FY 2012



Washington Aqueduct

Annual Financial Report

Fiscal Year 2012
October 1, 2011 through September 30, 2012

Prepared by:
Finance and Accounting Office
Washington Aqueduct

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Wholesale Customer Board and Washington Aqueduct Management

The Wholesale Customer Board

Mr. Wyatt Shields, City Manager, City of Falls Church, Virginia
(Current Chair)

Mr. George S. Hawkins, General Manager, D.C. Water
(Chair effective May 4, 2013)

Ms. Barbara Donnellan, County Manager, Arlington County, Virginia
(Chair effective May 4, 2014)

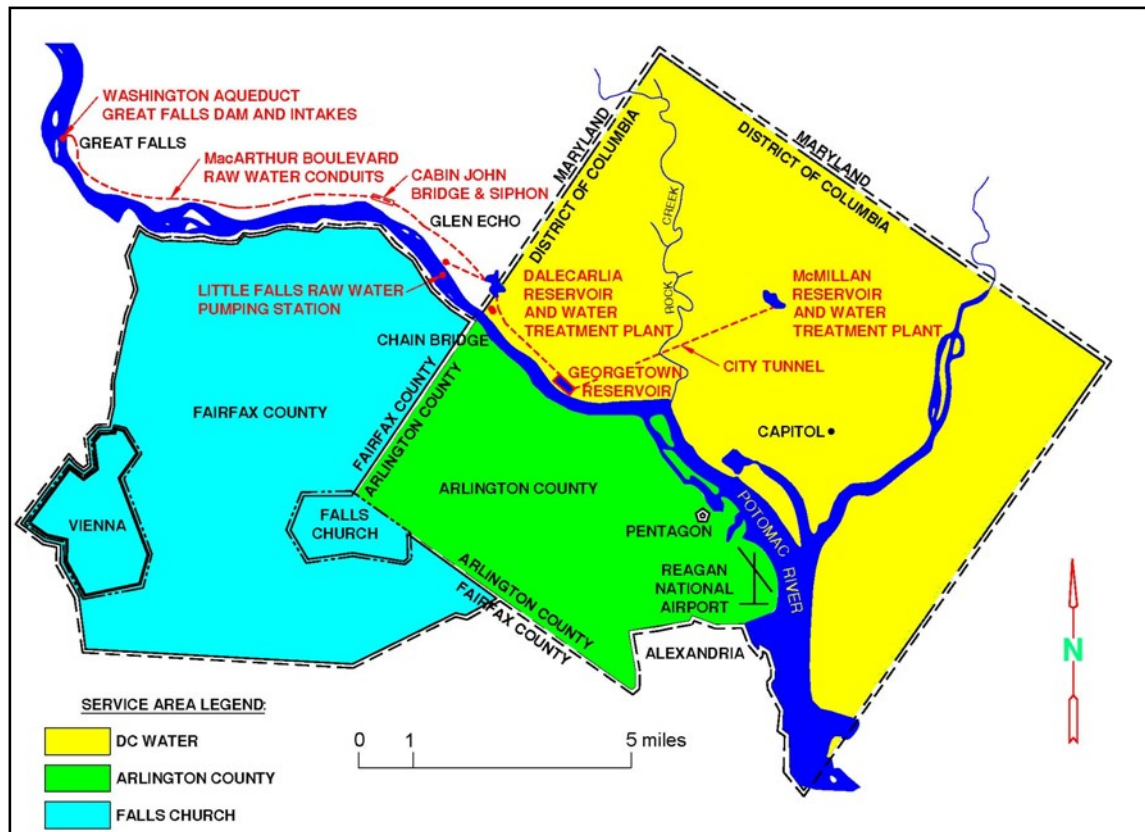
Washington Aqueduct Management

Mr. Thomas P. Jacobus, P.E.	General Manager
Ms. Patricia A. Gamby	Deputy General Manager
Mr. Lloyd Stowe, P.E.	Chief, Plant Operations
Mr. Nathan H. Cole, P.E.	Chief, Planning and Engineering
Mr. L. Jay Nolan	Chief, Maintenance Services
Mr. S. David Bankard	Chief, Administrative Services

Baltimore District, U.S. Army Corps of Engineers

Colonel J. Richard Jordan, III	Baltimore District Engineer
Mr. Gregory E. Johnson, P.E.	Chief Financial Officer

Service Area and Major Facilities Map



FY 2012 Key Customer Metrics

	DC Water	Arlington County	City of Falls Church
Water Sold to Customer (MG)	36,930.38	8,318.53	5,702.40
Peak Day Demand (MG)	142.99	34.90	23.40
Average Day Demand (MG)	100.90	22.73	15.58
Water Rate* (\$/MG)	\$789**	\$930**	\$950**
Average Day Share	72.48%	16.33%	11.19%

* Water Rate does not include capital improvements

MG=Million Gallons

** Customer rates vary due to demand from different service elevations, DC Water owning and pumping from Bryant Street Pumping Station and debt service payments

Message from the General Manager



Fiscal year 2012 was a very productive year for Washington Aqueduct. The startup activities at the Residuals Treatment Facilities have proceeded well, and the EPA Region 3 Administrator along with representatives of our wholesale customers and the community were present on September 12, 2012, for a ceremony to recognize this major achievement.

Our employees and our treatment facilities performed very well during two significant weather-related events in 2012. The powerful, and unexpected line of thunderstorms that passed through the DC metropolitan area on June 30 left serious damage in its wake. The water treatment facilities did not lose electrical power and employees made an extraordinary effort to get to work and stay at work to resolve problems from downed trees, debris, and serious interruptions in communications systems.

Washington Aqueduct employees stood ready to react to any damage from Hurricane Sandy, and fortunately there were no major problems locally. But both of these events have revived our thinking about having some additional emergency electrical generation capability immediately available to the treatment plants and the pumping stations. That will be a focus during fiscal year 2013 and we will work with the Wholesale Customer Board to arrive at a strategy to address this.

The quality of the water being produced remains excellent. The Future Treatment Alternatives Study has been completed and is now in the phase of Technical Committee review. During fiscal year 2013 we will make a proposal to the Wholesale Customer Board that incorporates a logical path forward in anticipation of the presence of emerging contaminants and potential new regulations.

The production of water is slightly declining even though there are more customers in the service areas. Keeping the wholesale cost of water as low as possible while at the same time maintaining and improving the infrastructure was a major management focus through fiscal year 2012 and it will remain so in fiscal year 2013.

Thomas P. Jacobus

Thomas P. Jacobus
General Manager
Washington Aqueduct

Washington Aqueduct Overview

Washington Aqueduct provides high quality water to its three wholesale customers who serve the District of Columbia, Arlington County, Virginia and the City of Falls Church service area in Virginia. It has been serving the national capital region since 1853.

It is regulated by Region 3 of the United States Environmental Protection Agency. In performing its daily functions it collaborates with other federal agencies, state and local authorities as well as neighbors and public advocacy groups.

Washington Aqueduct is part of the U.S. Army Corps of Engineers. In 1998 via a memorandum of understanding, the Army and the wholesale customers agreed to form a Wholesale Customer Board for the purpose of addressing the cost, quality and availability of water furnished by Washington Aqueduct. Through the ongoing activities of the Wholesale Customer Board and Washington Aqueduct, technical and financial topics are addressed and resolved.

Performance Measures

Performance measures have been established to address nine key areas.

Goal 1: Provide an adequate supply of potable water.

Measure 1.1 Number of days water is provided as demanded by Washington, DC

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	366	365	365	365	366
Actual	366	365	365	365	366

Measure 1.2 Number of days water is provided as demanded by Arlington County, VA

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	366	365	365	365	366
Actual	366	365	365	365	366

Measure 1.3 Number of days water is provided as demanded by Falls Church, VA

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	366	365	365	365	366
Actual	366	365	365	365	366

Goal 2: Protect the drinking water consumer from both microbial risk and adverse health effects due to chemicals in the the drinking water

Measure 2.1 Days Average Filtered Water Turbidity is less than 0.1 NTU (regulatory limit is 0.3 NTU)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	346	346	346	346	346
Actual	366	365	359	365	365

Measure 2.2: Percentage of treated water samples in compliance with regulatory requirements

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	100	100	100	100	100
Actual	100	100	100	100	100

Measure 2.3: Number of chemical substances monitored for presence in the water supply system-wide

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	178	178	163	174	170
Actual	213	213	216	239	228

Note: FY 2011 target increased from 163 to 174 due to additional monitoring for radiologicals, asbestos and nitrosamines. FY 2012 target decreased with no requirement for additional monitoring of radiologicals.

Measure 2.4: Number of months per year EPA water quality report is completed by the 10th of the month

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	10	10	10	10	10
Actual	12	12	12	12	12

Measure 2.5 : Number of months per year required bacteriological samples are analyzed within holding times and with appropriate quality control

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	12	12	12	12	12
Actual	12	12	12	12	12

Measure 2.6: Number of months per year required chemical samples are analyzed within holding times and with appropriate quality control

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Target	12	12	12	12	12
Actual	12	12	12	12	12

Water Demand and Supply to Wholesale Customers:

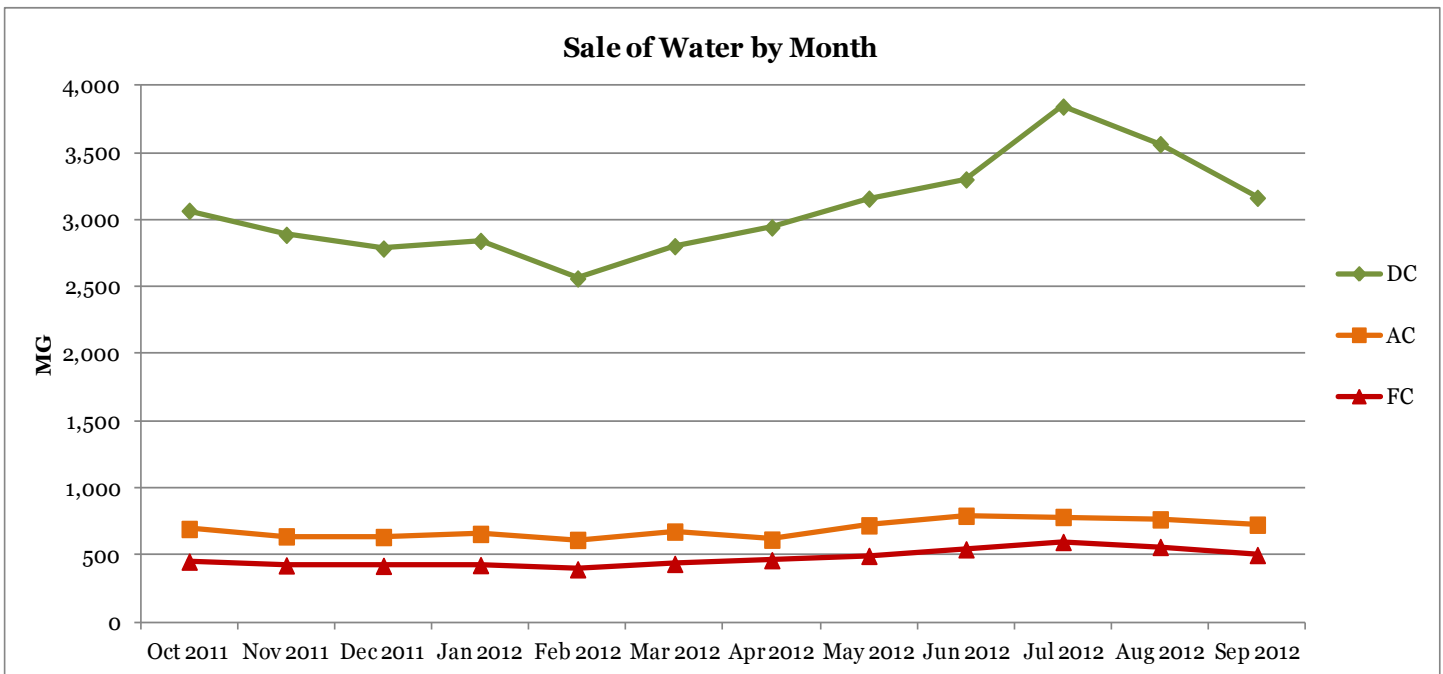
Demand for water has declined slightly. During fiscal year 2012, Washington Aqueduct produced and delivered 50,951 million gallons of water. This production was just over 1% lower compared to fiscal year 2011.

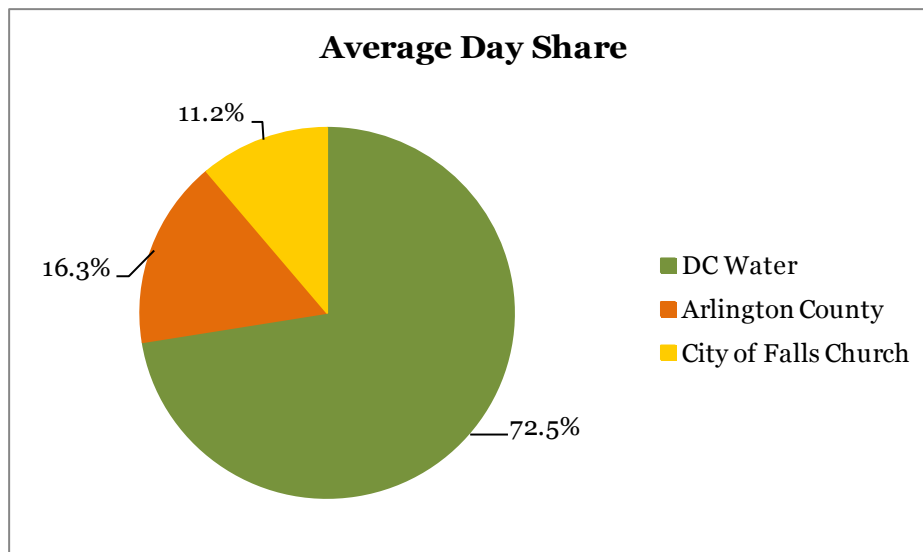
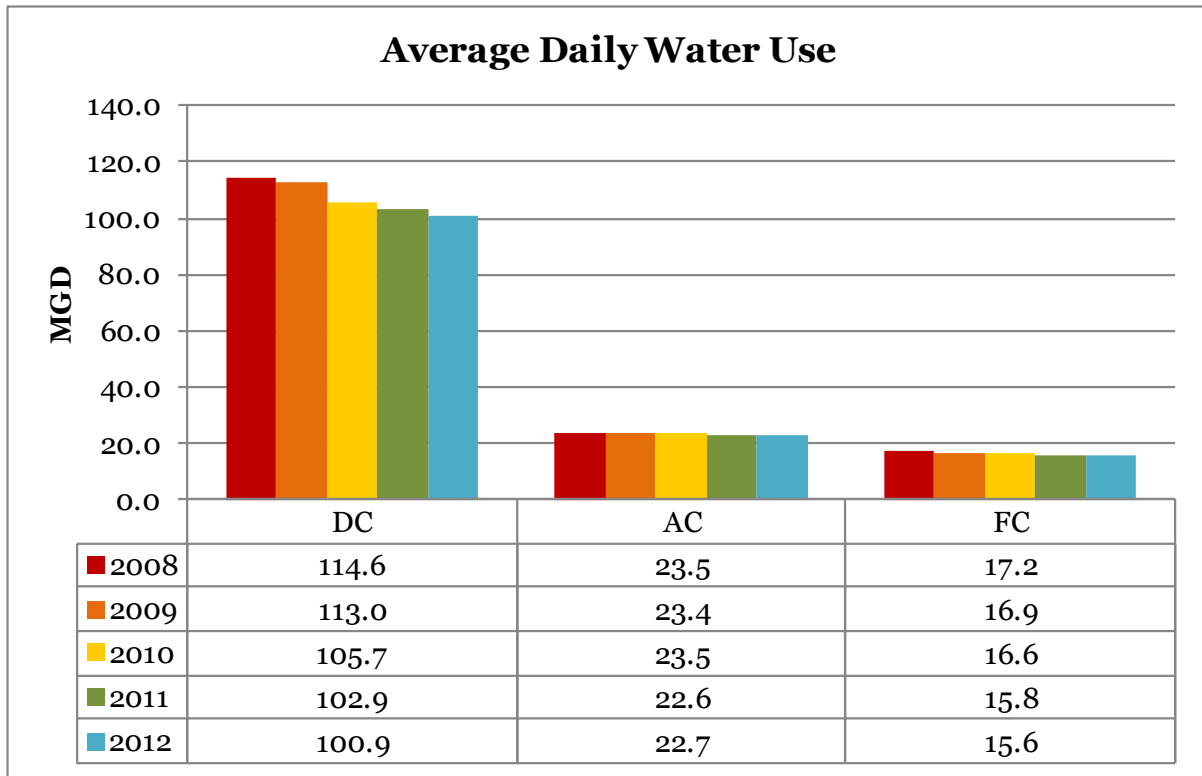
Water demand varies by month with the period of highest consumption being the summer months. Water purchased by each wholesale customer can change due to population

changes, water conservation practices, consumer habits, reliability of transmission infrastructure and other factors. Water demand varies by month and this variation can be seen in the chart below. Water purchased by each customer can change over time, the change in demand over time can be seen on the opposite page.

Water Delivered to Customers (MG)

	DC	AC	FC	Total
FY 2012	36,930.29	8,318.53	5,702.40	50,951.22
FY 2011	37,556.24	8,259.04	5,772.92	51,588.20
Change	-1.7%	+0.7%	-1.2%	-1.2%



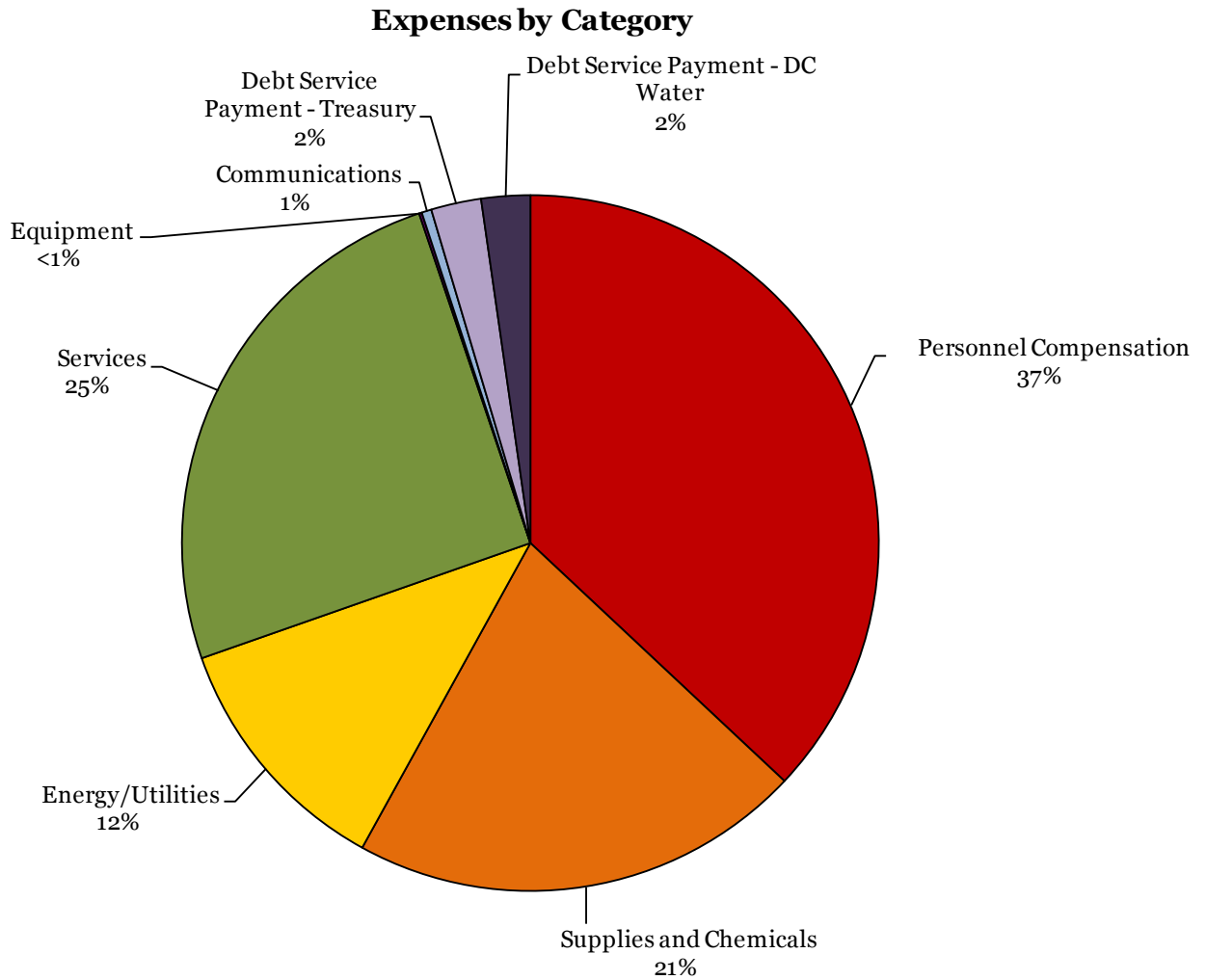


Operations and Maintenance Cost Analysis

Washington Aqueduct's total operations and maintenance (O&M) expenditures were \$39,978,066 for FY 2012. The fiscal year 2012 operating budget was approved at \$47.2 million. This budget was revised due to additional cost information to \$44.5 million while setting water rates. Fiscal year 2012 expenditures were \$5.0 million lower than the revised

budget, attribution is shown on the chart on the opposite page.

O&M expenses were lower by \$0.7 million compared to FY 2011. This level of stability is due to fixed cost of energy through 2013, relatively stable chemical prices, level costs associated with service agreements and good predictability based on historical data.



Category	FY 12 Approved Budget	Revised FY 12 Budget (for Water Rates)	Actuals	Actual-to-Budget	Overrun/ (Underrun)
Revenue (Water Sales)	\$ 47,277,854	\$ 44,521,557	\$ 42,291,512	95%	\$ (2,230,045)
Operating Expenses					
Personnel	\$ 16,286,789	\$ 15,851,083	\$ 14,787,477	93%	\$ (1,063,606)
Supplies and Material	\$ 11,200,000	\$ 9,500,000	\$ 8,407,509	89%	\$ (1,092,491)
Energy	\$ 6,823,200	\$ 6,623,200	\$ 4,641,365	70%	\$ (1,981,835)
Services	\$ 10,134,243	\$ 10,134,243	\$ 10,071,606	99%	\$ (62,637)
Equipment	\$ 598,800	\$ 598,800	\$ 51,306	9%	\$ (547,494)
Telecommunications	\$ 250,000	\$ 250,000	\$ 182,379	73%	\$ (67,621)
Total O&M Expenses	\$ 45,293,032	\$ 42,957,326	\$ 38,141,642	89%	\$ (4,815,684)
Debt Service Payment - US Treasury	\$ 1,079,100	\$ 658,509	\$ 464,206	70%	\$ (194,303)
Debt Service Payment - DC Water	\$ 905,722	\$ 905,722	\$ 905,722	100%	\$ -
Total Operating Expenses	\$ 47,277,854	\$ 44,521,557	\$ 39,511,570	89%	\$ (5,009,987)

Personnel: As of September 30, 2012, Washington Aqueduct employed 149 full-time employees. The authorized strength was 179. In order to maintain a sustainable organization, optimally meet mission requirements and enhance capabilities in certain area, attracting and retaining talent remains a key priority in the coming year and beyond.

Supplies and Material: Supplies and material primarily consist of chemicals, parts, small IT purchases and other miscellaneous items. Washington Aqueduct spent \$8,407,509 as compared to the budget of \$9,500,000 and FY 2011 costs of \$7,952,151. The increase from FY 2011 is primarily due to a full year of hypochlorite operations.

The chemicals purchased by the Washington Aqueduct are used for: coagulation/flocculation (alum, polymer), disinfection (liquid chlorine, ammonia) and corrosion control (lime, sodium hydroxide, phosphoric acid,). Other uses of chemicals are for filtration aid (sodium hypochlorite), algae control (sodium permanganate, copper sulfate), dental prophylaxis (hydrofluosilicic acid) and taste/odor control

(powder activated carbon). Washington Aqueduct continues to monitor chemical prices and takes actions to acquire better chemical pricing, when appropriate.

Energy: Energy costs consist of electricity, natural gas, heating oil, diesel fuel and gasoline. Energy expenses were \$4,641,365 compared to budgeted \$6,623,200. This is attributed to improvement in electricity prices as we procured a lower government-negotiated rate, which includes at least 5 percent electricity from renewable sources.

Equipment: Equipment consists of fixed equipment (circuit boards, machining equipment, pumps, analyzers, meters, etc.); IT equipment (SCADA RTUs, servers, large-scale printers and Laboratory Information Management System equipment); and various other equipment (safety devices, hand tools, process equipment, gauges, survey equipment, laboratory instruments etc.) A total of \$51,306 was spent this year, this variance is attributed to lower than expected purchases of new equipment.

Services: Washington Aqueduct spent \$10,071,606 in services. These costs represent regional water agreements, administrative services, Architect/Engineer services and operations and maintenance services. The shared administrative services arrangement with the US Army Corps of Engineers provides the best value to our wholesale customers while complying with

federal regulations. A breakdown of the Services expenditures can be seen below.

Communications: Communication services include local, long distance, mobile phone services provided by General Services Administration contractors and private companies. Communication costs have been stable with no major variances.

Category	Definition	Cost
Regional water agreements and water related programs	Regional water agreements with upstream organizations including U.S. Army Corps of Engineers (for Jennings Randolph Reservoir), Washington Suburban Sanitary Commission (for Little Seneca Reservoir), Allegany County (for Savage River Reservoir) and Interstate Commission on the Potomac River Basin. Water Research Foundation membership on behalf of all three customers and participation in the Association of Metropolitan Water Agencies	\$559,600
Shared admin services	Accounting systems, human resources, payroll support, procurement, audit, internet hosting, software licenses, office of counsel and worker's compensation claims	\$1,315,567
Facilities services	Guard contract, grounds maintenance, janitorial contract, trash and disposal contracts	\$1,497,625
AE services/studies	Architect and engineer services for feasibility studies.	\$349,307
Operations and maintenance services	O&M contracts for dredging, laboratory equipment, leased vehicles, external analyses, transportation, rental of equipment, software and hardware maintenance contracts, emergency repairs, HVAC and other miscellaneous maintenance contracts.	\$6,349,507

Principal Financial Statements and Notes

Balance Sheet

As of Sep 30, 2012

(Nearest dollar)

Assets		
Cash or Cash Equivalents (Note 2)		\$ 32,482,865
Funds with U.S. Treasury		
Accounts Receivable:		\$ 7,010,588
Water Bill(s) - DC Water	\$ 2,737,142	
Water Bill(s) - Arlington County	\$ -	
Water Bill(s) - City of Falls Church	\$ -	
Treasury loan due from Arlington County	\$ 1,949,570	
Treasury loan due from City of Falls Church	\$ 2,323,625	
Misc	\$ 250	
Travel Advances		\$ 2,715
Inventory (Warehouse Stock)		\$ 47,411
Property, Plant and Equipment		
Land		\$ 1,264,636
Construction-in-Progress:		\$ 143,915,003
In-house	\$ 979,118	
Contractors	\$ 125,043,491	
Other Government Activities	\$ 17,892,394	
Buildings, Improvements and Renovations		\$ 86,197,681
Acquisition Cost	\$ 167,094,876	
Accumulated Depreciation	\$ (80,897,194)	
Other Structures and Facilities		\$ 47,958,780
Acquisition Cost	\$ 127,717,894	
Accumulated Depreciation	\$ (79,759,114)	
Equipment		\$ 939,280
Acquisition Cost	\$ 2,668,935	
Accumulated Depreciation	\$ (1,729,654)	
<u>Total Assets</u>		<u>\$ 319,818,959</u>
Liabilities		
Treasury Loan (Note 5)		\$ 4,273,195
Accounts Payable		\$ 1,574,819
Contract Holdbacks		\$ 180,300
Misc		\$ 70,894
<u>Total Liabilities</u>		<u>\$ 6,099,208</u>
Net Position/ Cumulative Results of Operations		\$ 313,719,752

Statement of Net Costs

For period ending September 30, 2012

(Nearest dollar)

Operating and Maintenance Costs:

Personnel Compensation		\$	14,787,477
Supplies and Chemicals		\$	8,407,509
Energy/Utilities		\$	4,641,365
Services		\$	10,071,606
Regional Water Agreements & Water related programs	\$	559,600	
Administrative Support	\$	1,315,567	
Facilities related services	\$	1,497,625	
Architect/Engineering Services	\$	349,307	
Operation, Maintenance and Engineering undertakings	\$	6,349,507	
Equipment		\$	51,306
Communications		\$	182,379

Subtotal	\$	38,141,642
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Financing Costs:

Debt Service Payment - Treasury	\$	930,702
Debt Service Payment - DC Water	\$	905,722

Subtotal	\$	1,836,424
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Capital Improvements:

Residuals Processing Facilities	\$	8,530,154
Security Improvements Phase II	\$	4,066,714
DPS HVAC Improvements	\$	1,262,570
Sodium Hypochlorite and Casutic Soda	\$	923,610
McMillan PS Motor Upgrades	\$	766,524
LFPS Motor Upgrades	\$	311,909
McMillan Chemical Building Renovations	\$	195,481
1st High Service Reservoir Improvements	\$	182,926
DPS Building Renovations	\$	182,464
Sample Line Replacement	\$	160,252
Booster Pumping Station Upgrades	\$	70,606
McMillan HVAC Improvements	\$	100

Subtotal	\$	16,653,210
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Overall Costs (O&M, Capital and Financing)	\$	56,631,276
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Note 1: Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations, cost allocation and status of capital program of the Washington Aqueduct, as required by the Memorandum of Understanding of Wholesale Customer Board. The financial statements have been prepared from the books and records of the U.S. Army Corps of Engineers in accordance with the Department of Defense (DoD) Financial Management Regulation (FMR) and are presented on the accrual basis of accounting as required by GAAP for federal entities governed by Federal Accounting Standards Advisory Board (FASAB).

Basis of Accounting

These financial statements are prepared from Corps of Engineers Financial Management System (CEFMS) and uses United States Standard General Ledger (USSGL) which provides a uniform Chart of Accounts and technical guidance to be used in standardizing accounting of a federal agency. CEFMS meets all of the requirements for accrual accounting. All transactions are recorded on an accrual accounting basis required by GAAP. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through specific general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

Property, Plant and Equipment

Property, Plant, and Equipment are capitalized at the

historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years and the acquisition cost exceeds \$25,000. Construction in Progress (CIP) is used to accumulate the cost of construction or additions and betterments to fixed assets. Project costs are transferred from CIP to the placed-in-service accounts when an asset or addition or betterment is determined to be substantially complete and contributing to the mission. Accumulated costs remain in CIP until these criteria are met.

Unexpended Obligations

Washington Aqueduct obligates funds to provide goods and services for outstanding orders not yet delivered. The financial statements do not reflect this liability for payment for goods and services not yet delivered, unless title passes to the government.

Fund Accounting

Washington Aqueduct does not receive federal funding. Washington Aqueduct generates its O&M funding by sale of water to its three wholesale customers. Capital funding also comes from wholesale customers who share in project costs according to the formulas established by the Water Rate Model. In 1996, the U.S. Army Corps of Engineers received one-time borrowing authority from the U.S. Treasury to finance capital improvements at Washington Aqueduct in fiscal years 1997 through 1999.

Washington Aqueduct uses fund accounting to track budget, obligations and expenditures of different streams. These appropriation symbols are summarized below:

Department	Transfer Dept.	Appropriation Fiscal Year	Symbol	Purpose
99	N/A	X	9829	Operations and Maintenance
99	N/A	X	9883	Capital Improvements
99	N/A	X	3128	Treasury Loan
96	N/A	X	4902	Payroll Reconciliations

Note 2: Purchaser Escrow Account

As part of the water sales agreements, escrow accounts were established with each customer. Escrow accounts are not only a mechanism to mitigate financial risks but also allow customers to earn interest on balances. Washington Aqueduct has sole withdrawal authority on these accounts and withdraws funds for operations and capital improvements. Customers own the initial deposits and interest earned on balances. Collective balance as of September 30, 2012 was \$12,648,659 and is not

shown as an asset on balance sheet. This table gives information on withdrawals from escrow accounts as well as ending balances as of September 30, 2012.

Escrow balances along with O&M true-up plays an important role in setting water rates for next year. Washington Aqueduct works with customers to ensure that water rate increases are gradual and continuous with no major spikes.

Statement of Funding

(for period ending Sep 30, 2012)

	DC Water	Arlington County	City of Falls Church	Total
Operating withdrawals				
10/4/2010	\$ 2,712,226.94	\$ 783,506.01	\$ 566,602.90	\$ 4,062,335.85
10/24/2011	\$ 2,594,677.90	\$ 708,529.92	\$ 502,314.74	\$ 3,805,522.56
11/28/2011	\$ 2,401,620.44	\$ 560,528.22	\$ -	\$ 2,962,148.66
12/28/2011	\$ 2,345,080.50	\$ 645,801.30	\$ 428,545.00	\$ 3,419,426.80
1/13/2012	\$ -	\$ 594,465.30	\$ -	\$ 594,465.30
1/28/2012	\$ 2,203,455.00	\$ -	\$ 401,755.00	\$ 2,605,210.00
2/16/2012	\$ 2,122,677.18	\$ 589,908.30	\$ 398,430.00	\$ 3,111,015.48
3/23/2012	\$ 2,167,815.87	\$ 545,879.27	\$ 314,564.81	\$ 3,028,259.95
4/12/2012	\$ 1,946,777.52	\$ 569,941.20	\$ 373,920.00	\$ 2,890,638.72
5/25/2012	\$ 2,136,705.60	\$ 627,629.10	\$ 412,205.00	\$ 3,176,539.70
6/27/2012	\$ 2,246,944.68	\$ 511,529.07	\$ 354,233.03	\$ 3,112,706.78
7/24/2012	\$ 2,416,485.00	\$ 671,004.30	\$ 469,015.00	\$ 3,556,504.30
8/16/2012	\$ 2,529,564.48	\$ 677,391.16	\$ 431,535.31	\$ 3,638,490.95
9/4/2012	\$ -	\$ 729,120.00	\$ 567,625.00	\$ 1,296,745.00
9/19/2012	\$ 2,958,291.30	\$ -	\$ -	\$ 2,958,291.30
9/19/2012	\$ -	\$ 712,370.70	\$ 532,475.00	\$ 1,244,845.70
Subtotal	\$ 30,782,322.41	\$ 8,927,603.85	\$ 5,753,220.79	\$ 45,463,147.05
Treasury loan related withdrawals				
11/29/2011	\$ -	\$ 65,679.44	\$ 421,482.90	\$ 487,162.34
3/5/2012	\$ -	\$ 65,679.43	\$ 89,280.19	\$ 154,959.62
6/8/2012	\$ -	\$ 60,141.93	\$ 84,476.97	\$ 144,618.90
9/1/2012	\$ -	\$ 59,931.44	\$ 84,029.69	\$ 143,961.13
Subtotal	\$ -	\$ 251,432.24	\$ 679,269.75	\$ 930,701.99
Capital related withdrawals				
1/10/2012	\$ 916,750.00	\$ 193,750.00	\$ 139,500.00	\$ 1,250,000.00
3/26/2012	\$ 2,519,190.00	\$ 544,755.00	\$ 386,055.00	\$ 3,450,000.00
6/28/2012	\$ 2,920,800.00	\$ 631,600.00	\$ 447,600.00	\$ 4,000,000.00
Total Fiscal Year Withdrawals	\$ 37,139,062.41	\$ 10,549,141.09	\$ 7,405,645.54	\$ 55,093,849.04
Escrow Account Balance	\$ 9,423,471.17	\$ 1,950,615.14	\$1,274,573.07	\$ 12,648,659.38
Monthly Costs	\$ 2,246,739.75	\$ 578,282.25	\$ 431,006.67	\$ 3,256,028.67
Operating Coverage (in months)	4.2	3.4	3.0	

Note 3: Sale of Water

Sale of Water/Statement of Revenue

(for period ending Sep 30, 2012)

Water Sold (MG)				
	DC	AC	FC	Total
Oct 2011	3,068	694	451	4,213
Nov 2011	2,888	639	423	3,950
Dec 2011	2,786	634	419	3,840
Jan 2012	2,843	658	425	3,926
Feb 2012	2,563	613	394	3,570
Mar 2012	2,804	675	434	3,913
Apr 2012	2,944	615	462	4,020
May 2012	3,158	722	494	4,374
Jun 2012	3,302	793	543	4,637
Jul 2012	3,845	784	598	5,227
Aug 2012	3,565	766	561	4,891
Sep 2012	3,165	726	500	4,391
FY 2012	36,930.37	8,318.53	5,702.40	50,951.30
FY 2011	37,556.24	8,259.04	5,772.92	51,588.20
Change	-1.7%	0.7%	-1.2%	-1.2%

Revenue			
DC	AC	FC	Total
\$2,420,557.32	\$645,801.30	\$428,545.00	\$3,494,903.62
\$2,278,931.82	\$594,465.30	\$401,755.00	\$3,275,152.12
\$2,198,154.00	\$589,908.30	\$398,430.00	\$3,186,492.30
\$2,243,292.69	\$611,558.70	\$403,845.00	\$3,258,696.39
\$2,022,254.34	\$569,941.20	\$373,920.00	\$2,966,115.54
\$2,212,182.42	\$627,629.10	\$412,205.00	\$3,252,016.52
\$2,322,421.50	\$571,671.00	\$438,710.00	\$3,332,802.50
\$2,491,961.82	\$671,004.30	\$469,015.00	\$3,631,981.12
\$2,605,041.30	\$737,322.60	\$515,565.00	\$3,857,928.90
\$3,033,768.12	\$729,120.00	\$567,625.00	\$4,330,513.12
\$2,812,619.31	\$712,370.70	\$532,475.00	\$4,057,465.01
\$2,496,877.29	\$675,440.40	\$475,190.00	\$3,647,507.69
\$29,138,061.93	\$7,736,232.90	\$5,417,280.00	\$42,291,574.83

Note 4: Cost Allocation

Operating costs were allocated to customers using the average-day model (also known as 100% commodity) and one-plant model. This model was adopted effective October 1, 2009. In this model, peak day is not a factor, rates are more predictable and cost of the treated water is uniformly distributed no matter which plant is used for production. Adoption of this new model increases customer satisfaction and is expected to benefit all three customers in the long run.

Once costs are allocated to customers and their share is determined (including any debt service payments), total costs are compared against withdrawals from escrow account. This approach ensures that escrow withdrawals are consistent with customer share. Combining customer share, escrow withdrawals, and beginning of the year trueup positions, gives the end-of-the-year true-up position, which is a factor in rate setting for the next fiscal year.

		Cost Allocation			
		DC Water	Arlington County	City of Falls Church	
Total Operating & Maintenance Expenses	\$ 38,141,642	\$ 27,178,250	\$ 6,552,097	\$ 4,411,295	
		71.3%	17.2%	11.6%	
Debt Service:					
Debt Service Payment - Treasury	\$ 930,702	\$ -	\$ 251,432	\$ 679,270	
Debt Service Payment - DC Water	\$ 905,722	\$ 688,348.61	135,858.28	81,514.97	
Allocated Customer Share	\$ 39,978,066	\$ 27,866,599	\$ 6,939,387	\$ 5,172,080	
Debt Service payment to DC Water	\$ (905,722)	\$ (905,722)			
Customer Share (net of Debt Service to DC Water)	\$ 39,072,344	\$ 26,960,877	\$ 6,939,387	\$ 5,172,080	

Note 5: Treasury Loan

The U.S. Army Corps of Engineers received borrowing authority from the U.S. Treasury to finance FY 1997, FY 1998 and FY 1999 capital improvements through amendments to the Safe Drinking Water Act. Three promissory notes totaling \$75.0 million were executed. In turn, the District of Columbia,

Arlington County and the City of Falls Church, Virginia entered into agreements with the U.S. Army Corps of Engineers to repay the debt. Washington Aqueduct continues to pay Treasury loan on behalf of Arlington County and City of Falls Church. DC Water has fully paid their portion of the debt.

Status of Treasury Loan

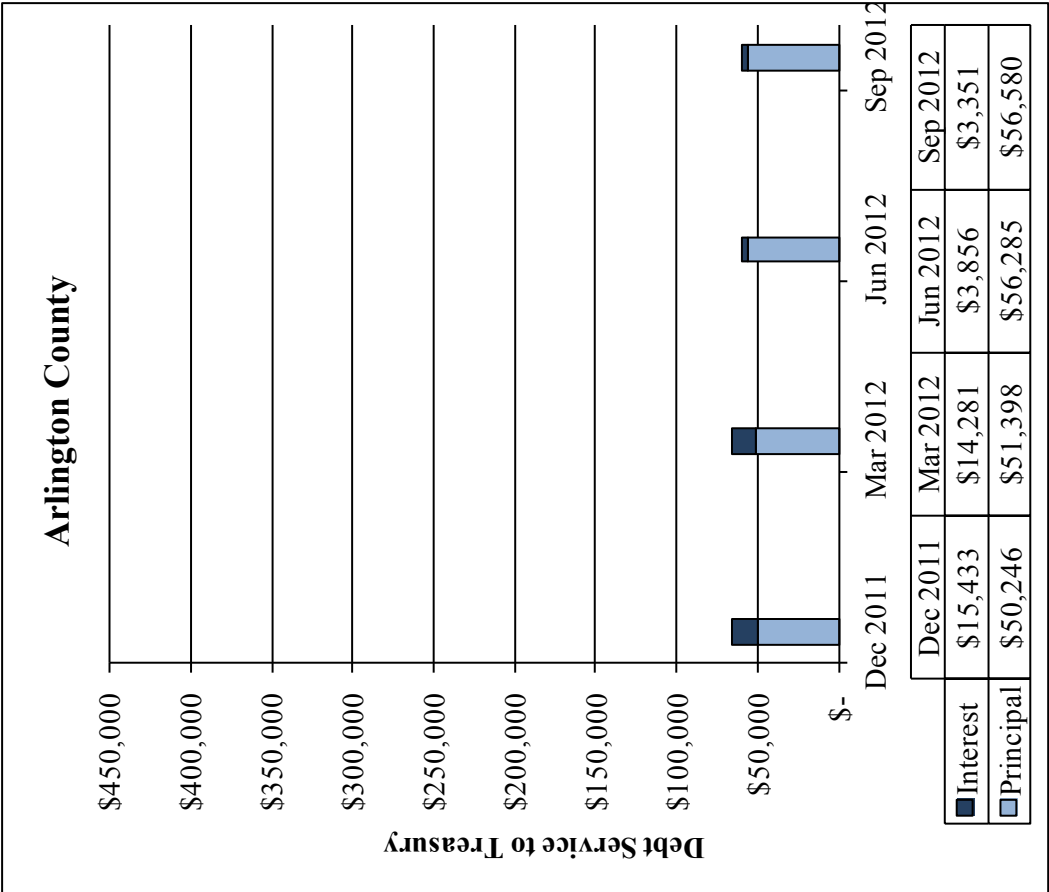
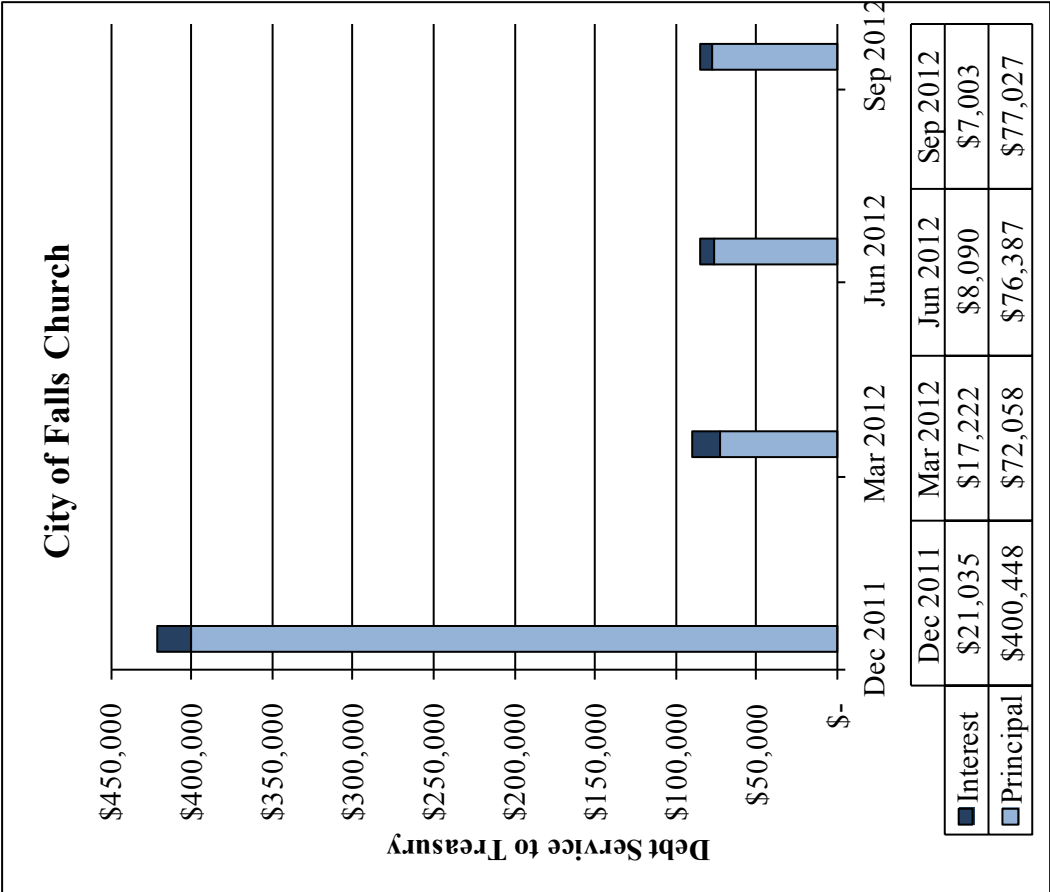
as of
9/30/2012

	Principal		
	<u>Original</u>	<u>Repaid</u>	<u>UPB</u>
WASA			
FY 97 Note	\$ 22,171,905.63	\$ 22,171,905.63	\$ -
FY 98 Note	\$ 18,121,320.29	\$ 18,121,320.29	\$ -
FY 99 Note	\$ 16,755,201.40	\$ 16,755,201.40	\$ -
Subtotal	\$ 57,048,427.32	\$ 57,048,427.32	\$ -
Arlington County	Original	Repaid	UPB
FY 97 Note	\$ 4,196,067.80	\$ 4,196,067.80	\$ -
FY 98 Note	\$ 3,657,819.91	\$ 2,468,710.89	\$ 1,189,109.02
FY 99 Note	\$ 3,090,999.00	\$ 2,330,538.01	\$ 760,460.99
Subtotal	\$ 10,944,886.71	\$ 8,995,316.70	\$ 1,949,570.01
Falls Church			
FY 97 Note	\$ 2,558,033.22	\$ 1,497,187.23	\$ 1,060,845.99
FY 98 Note	\$ 2,190,859.80	\$ 1,161,366.55	\$ 1,029,493.25
FY 99 Note	\$ 2,153,799.60	\$ 1,920,513.56	\$ 233,286.04
Subtotal	\$ 6,902,692.62	\$ 4,579,067.34	\$ 2,323,625.28
Totals			
FY97 Note	\$ 28,926,006.65	\$ 27,865,160.66	\$ 1,060,845.99
FY98 Note	\$ 23,970,000.00	\$ 21,751,397.73	\$ 2,218,602.27
FY99 Note	\$ 22,000,000.00	\$ 21,006,252.97	\$ 993,747.03
Total	\$ 74,896,006.65	\$ 70,622,811.36	\$ 4,273,195.29

Key notes about treasury loan are:

- The outstanding principal at the end of Fiscal Year 2012 was \$4,273,195.29. This amount is shown as receivables from Arlington County and City of Falls Church, Virginia. DC Water does not have any remaining Treasury loan debt.
- The remaining debt balance is scheduled to be paid off in FY 2022. A roll-off profile is included in the financing schedule.
- Average cost of these borrowings was 1.86% in Fiscal Year 2012. This is based on credit worthiness rating of Arlington County and City of Falls Church as determined by rating agencies.
- In FY 2012, total payments of \$930,702 were made. Total principal payments were \$840,430 and there was no capitalized interest.

Treasury Loan Payments



9/30/2012

Treasury Loan Roll-off Profile

	Matures 2018	Matures 2019	Matures 2020	Matures 2021	Matures 2022	Matures 2023	Totals
1997 Loan							
Total Borrowed	\$ 12,100,668.00	\$ 12,004,937.00	\$ 433,815.00	\$ 4,386,586.65	\$ -	\$ -	\$ 28,926,006.65
Principal Repaid	\$ 11,708,351.56	\$ 11,556,013.46	\$ 415,724.40	\$ 4,185,071.24			\$ 27,865,160.66
Unpaid Principal	\$ 392,316.44	\$ 448,923.54	\$ 18,090.60	\$ 201,515.41	\$ -	\$ -	\$ 1,060,845.99
1998 Loan							
Total Borrowed	\$ 506,000.00	\$ 7,709,534.00	\$ 7,574,500.00	\$ 7,600,418.00	\$ 579,548.00	\$ -	\$ 23,970,000.00
Principal Repaid	\$ 488,974.07	\$ 7,412,460.40	\$ 6,708,160.51	\$ 6,642,491.93	\$ 499,310.82	\$ -	\$ 21,751,397.73
Unpaid Principal	\$ 17,025.93	\$ 297,073.60	\$ 866,339.49	\$ 957,926.07	\$ 80,237.18	\$ -	\$ 2,218,602.27
1999 Loan							
Total Borrowed	\$ 306,000.00	\$ 2,198,000.00	\$ 2,198,000.00	\$ 8,252,000.00	\$ 9,714,000.00	\$ 1,530,000.00	\$ 22,000,000.00
Principal Repaid	\$ 275,339.22	\$ 1,952,330.57	\$ 1,952,330.57	\$ 7,534,583.18	\$ 9,714,000.00	\$ 1,530,000.00	\$ 21,006,252.97
Unpaid Principal	\$ 30,660.78	\$ 245,669.43	\$ 245,669.43	\$ 717,416.82	\$ -	\$ -	\$ 993,747.03
Totals							
Total Borrowed	\$ 12,606,668.00	\$ 20,020,471.00	\$ 10,206,315.00	\$ 20,239,004.65	\$ 10,293,548.00	\$ 1,530,000.00	\$ 74,896,006.65
Principal Repaid	\$ 12,197,325.63	\$ 19,243,813.08	\$ 9,076,215.48	\$ 18,362,146.35	\$ 10,213,310.82	\$ 1,530,000.00	\$ 70,622,811.36
Unpaid Principal	\$ 409,342.37	\$ 776,657.92	\$ 1,130,099.52	\$ 1,876,858.30	\$ 80,237.18	\$ -	\$ 4,273,195.29

Note 6: Loan Payable to DC Water

Washington Aqueduct also makes a debt service payment to DC Water. This loan covers all capital financing provided to the Washington Aqueduct before the treasury loan was issued. Key features of these debt service payments follow.

- The loan payment, payable to DC Water, is charged to all three customers as part of their calculated water rate. This loan is allocated as: DC Water (76%), Arlington County (15%) and the City of Falls Church (9%).

- In FY 2012, Washington Aqueduct issued \$75,476.82 monthly credit to DC Water in the water bills for debt service payment.

- Starting in FY 2015, only Jennings Randolph's debt service remains on DC Water's books. This loan is paid by DC Water to the US Army Corps of Engineers (Baltimore District) on an annual basis. This will conclude in FY 2041.

A detailed schedule of customer allocation and monthly credit to DC Water is shown below:

Fiscal Year	Total Debt Service	Customer Allocation			Monthly Credit (to DC Water)
		DC Water 76%	Arlington County 15%	City of Falls Church 9%	
2013	\$ 859,268.42	\$ 653,044.00	\$ 128,890.26	\$ 77,334.16	\$ 71,605.70
2014	\$ 837,293.23	\$ 636,342.85	\$ 125,593.98	\$ 75,356.39	\$ 69,774.44
2015	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2016	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2017	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2018	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2019	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2020	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2021	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2022	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2023	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2024	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2025	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2026	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2027	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2028	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2029	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2030	\$ 805,191.29	\$ 611,945.38	\$ 120,778.69	\$ 72,467.22	\$ 67,099.27
2031	\$ 805,191.18	\$ 611,945.30	\$ 120,778.68	\$ 72,467.21	\$ 67,099.27
2032	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2033	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2034	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2035	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2036	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2037	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2038	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2039	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2040	\$ 669,171.23	\$ 508,570.13	\$ 100,375.68	\$ 60,225.41	\$ 55,764.27
2041	\$ 669,171.85	\$ 508,570.61	\$ 100,375.78	\$ 60,225.47	\$ 55,764.32

Note 7: Capital Schedules

CIP Status (by Year)

(As of 9/30/2012)

Year	Authorized	Expended	Undelivered Orders	% Obligated	Uncommitted
Prior	\$ 1,644,141	\$ 1,644,141	-	100.0%	\$ -
2000	\$ 6,300,000	\$ 6,300,000	-	100.0%	\$ -
2001	\$ 4,850,000	\$ 4,850,000	-	100.0%	\$ -
2002	\$ 7,900,000	\$ 7,900,000	-	100.0%	\$ -
2003	\$ 10,650,000	\$ 10,650,000	-	100.0%	\$ -
2004	\$ 16,400,000	\$ 16,397,530	2,470	100.0%	\$ -
2005	\$ 9,700,000	\$ 9,697,861	2,139	100.0%	\$ -
2006	\$ 11,600,000	\$ 11,600,000	-	100.0%	\$ -
2007	\$ 105,480,000	\$ 105,406,456	73,544	100.0%	\$ -
2008	\$ 10,000,000	\$ 9,980,491	19,508	100.0%	\$ -
2009	\$ 15,992,000	\$ 15,758,035	171,227	99.6%	\$ 62,738
2010	\$ 8,250,000	\$ 7,864,604	334,804	99.4%	\$ 50,593
2011	\$ 10,770,000	\$ 6,489,806	2,063,576	79.4%	\$ 2,216,618
2012	\$ 14,200,000	\$ 1,748,791	1,272,160	21.3%	\$ 11,179,049
Totals	\$ 233,736,141	\$ 216,287,716	3,939,427		\$ 13,508,998

Capital Allocation/Authorizations

(As of 9/30/2012)

		Authorizations								
	Prior	2006	2007	2008	2009	2010	2011	2012	Total	
Active projects										
1a: Legal Obligations										
	Residuals Collection and Processing Facilities	\$10,132,445.32	\$1,000,000.00	\$97,380,000.00	\$5,992,000.00	\$8,092,000.00	\$3,125,000.00	\$4,050,000.00	\$4,600,000.00	\$134,371,445.32
1b: Safe Water in a Safe Manner										
	L.F.P.S. Motor Control Upgrades			\$51,339.63		\$200,000.00		\$500,000.00	\$1,900,000.00	\$2,651,339.63
	Reservoir Maintenance & Improvements - 1st High							\$1,069,000.00	\$6,750,000.00	\$7,819,000.00
	DPS Building Renovation (Incl. Roof)							\$700,000.00		\$700,000.00
	Hypochlorite/Caustic Soda Imps., Dalecarlia	\$88,408.32	\$4,400,000.00	\$4,225,638.44	\$1,865,135.00	\$1,954,834.25		\$1,261,000.00		\$13,795,016.01
	Hypochlorite/Caustic Soda Imps., McMillan		\$2,300,000.00	\$1,400,000.00	\$1,243,000.00	\$2,045,165.75				\$6,988,165.75
	Security Improvements Ph. II, Dalecarlia	\$600,666.09			\$258,855.91	\$1,300,000.00	\$3,579,089.99	\$700,000.00		\$6,179,756.08
	Security Improvements Ph. II, McMillan	\$197,491.72				\$600,000.00	\$1,095,910.01	\$540,000.00	\$300,000.00	\$2,992,257.64
	Fire Alarm System Improvements	\$11,591.68								\$11,591.68
2: Process Improvements and Public Confidence										
	None									
3a: Reliable Water Service										
	McMillan P. S. Motor Upgrades	\$513,593.58		\$163,958.00	\$529,245.78	\$2,000,000.00				\$3,206,797.36
	McMillan Chemical Building Renovations						\$600,000.00		\$600,000.00	\$1,200,000.00
	McMillan East Shaft Pumping Station Renovation							\$50,000.00		\$50,000.00
	McMillan Sample Line Replacement						\$200,000.00		\$200,000.00	\$200,000.00
	Dalecarlia Sample Line Replacement						\$1,150,000.00			\$1,150,000.00
3b: Sustain Infrastructure										
	DPS HVAC Improvements	\$1,322,387.09		\$377,297.51		\$250,000.00				\$1,949,684.60
		\$57,444,141.06	\$11,600,000.00	\$105,480,000.00	\$10,000,000.00	\$15,992,000.00	\$8,250,000.00	\$10,770,000.00	\$14,200,000.00	\$233,736,141.06

Status of Capital Projects (Cumulative)

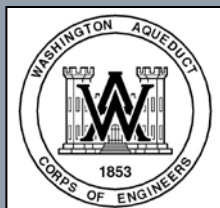
(As of 9/30/2012)

Category	Project	Authorized	Expended	Undelivered Orders	Uncommitted	% Complete	Status	Target completion
1a: Legal Obligations								
	Residuals Collection and Processing Facilities	\$134,371,445.32	\$131,520,236.09	\$570,851.78	\$2,280,357.45	99%	Construction underway	Dec 2012
1b: Safe Water in a Safe Manner								
	Reservoir Maintenance & Improvements - 1st High	\$7,819,000.00	\$183,706.52	\$292,981.93	\$7,342,311.55	15%	Design underway	Dec 2013
	DPS Building Renovation (Incl Roof)	\$700,000.00	\$182,464.07	\$209,073.26	\$308,462.67	24%	Design underway	Jun 2013
	L.F.P.S. Motor Control Upgrades	\$2,651,339.63	\$365,923.10	\$80,816.11	\$2,204,600.42	70%	Design underway	Aug 2013
	Fire Alarm System Improvements	\$11,591.68	\$11,591.68	\$ -	\$ -	0%		
	Hypochlorite/Caustic Soda Imps. Dalecarlia	\$13,795,016.01	\$13,790,968.13	\$2,203.00	\$1,844.88	100%	In closeout	
	Hypochlorite/Caustic Soda Imps. McMillan	\$6,988,165.75	\$6,972,279.75	\$15,886.00	\$0.00	100%	In closeout	
	Security Improvements Ph II, Dalecarlia	\$6,179,756.08	\$5,706,838.69	\$440,868.69	\$32,049.00	92%	Construction underway	Oct 2012
	Security Improvements Ph II, McMillan	\$2,992,257.64	\$1,828,329.03	\$1,083,974.61	\$79,954.00	61%	Construction underway	Oct 2012
2: Process Improvements and Public Confidence								
	None							
3a: Reliable Water Service								
	McMillan Chemical Building Renovations	\$1,200,000.00	\$211,765.54	\$869,496.50	\$118,737.96	100%	Awaiting Award	Dec 2013
	McMillan East Shaft Pumping Station Renovations	\$50,000.00	\$ -	\$ -	\$50,000.00	0%	Planning	Sep 2013
	McMillan P. S. Motor Upgrades	\$3,206,797.36	\$2,988,718.74	\$155,340.56	\$62,738.06	93%	Construction underway	Sep 2012
	Sample Line Replacement, Dalecarlia	\$1,150,000.00	\$263,252.03	\$26,686.10	\$860,061.87	63%	Design underway	Dec 2013
	Sample Line Replacement, McMillan	\$200,000.00	\$ -	\$82,712.00	\$117,288.00	63%	Design underway	Dec 2013
3b: Sustain Infrastructure								
	DPS HVAC Improvements	\$1,949,684.60	\$1,888,216.74	\$10,875.00	\$50,592.86	95%	In Closeout	
	Subtotal - Completed Projects	\$37,711,677.44	\$33,650,368.65	\$2,688,042.46	\$ -			
	Subtotal - Active Projects	\$183,265,054.07	\$165,914,290.11	\$3,841,765.54	\$13,508,998.72			
Grand Total - All Projects		\$233,736,141.06	\$216,287,715.66	\$3,939,426.98	\$13,508,998.72			

Status of Capital Billing

(As of 9/30/2012)

	DC Water	Arlington County	City of Falls Church	Total
Unbilled Carryover Authority (as of 8/31/2011)	\$	916,749.99	\$	193,750.00
	\$	916,749.99	\$	139,500.01
	\$	916,749.99	\$	1,250,000.00
FY 2012 portion of capital authority	\$	10,368,840.00	\$	2,242,180.00
		73.02%		15.79%
	\$	10,368,840.00	\$	1,588,980.00
				11.19%
	\$	10,368,840.00	\$	1,588,980.00
PAY GO Q1	\$	(916,750.00)	\$	(139,500.00)
PAY GO Q2	\$	(2,519,190.00)	\$	(386,055.00)
PAY GO Q3	\$	(2,920,800.00)	\$	(447,600.00)
PAY GO Q4	\$	(4,928,850.00)	\$	(755,325.00)
Total Billing FY 2012	\$	(11,285,590.00)	\$	(2,435,930.00)
	\$	(11,285,590.00)	\$	(1,728,480.00)
	\$	(11,285,590.00)	\$	(15,450,000.00)
Unbilled Carryover Authority (as of 9/30/2012)	\$	-	\$	-
	\$	-	\$	-
	\$	-	\$	-



WASHINGTON AQUEDUCT

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