



WASHINGTON SUBURBAN SANITARY DISTRICT

2023 Green Bond Annual Report





WSSC Water employee Jeff Bell wears many hats and performs multiple functions managing our watershed's health.

There are 6,000 square acres of watershed surrounding the Triadelphia and T. Howard Duckett reservoirs along the Patuxent River in Montgomery and Prince George's Counties. The reservoirs are a source of drinking water for approximately 600,000 customers.

Managing the watershed's health means maintaining an active fish nursery. Further, WSSC Water has partnered with the American Chestnut Association to plant chestnut trees and add multiple beehives to improve the watershed's health.



Environmental Stewardship Program

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March 2024

Cover: Potomac Overlook, Montgomery County, MD



Table of Contents

05

Introduction

06

Green Bond Framework and Project Activities

07

Green Bond Reporting

09

Green Bond Project Implementation

10

WSSC Water Results

12

Green Bond Impact Summary

13

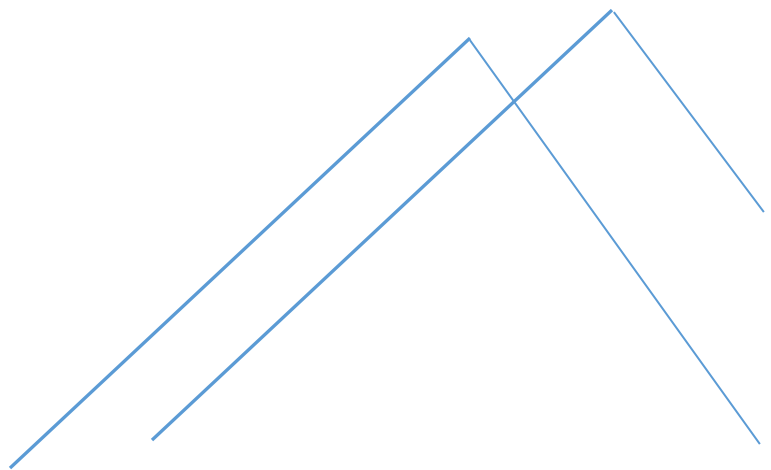
Green Bond Project Impact (Highlights)

14

Green Bond Eligible Projects

17

Independent Accountants' Report





We are pleased to publish our 2023 Green Bond Annual Report, which documents our commitment to protecting our local environment while we provide our community with safe, clean, reliable water every day.

WSSC Water continually strives to improve our sustainability efforts. Using innovative financing approaches like Green Bonds allows us to be responsible environmental stewards in a cost-effective manner. These efforts benefit our customers and our communities.

Regina Y. Speed-Bost
Chair
WSSC Water Commission



At WSSC Water environmental stewardship is a daily commitment and is reflected in the work we do to maintain excellent water quality. Our use of Green Bond financing for our environmentally beneficial capital projects allows us to protect our local environment in a fiscally responsible manner while providing safe, clean reliable water to our customers.

The 2023 Green Bond Annual Report provides important detail on our extensive efforts to protect our local resources on behalf of our customers and build a sustainable future for our community.

Kishia L. Powell, P.E.
General Manager/CEO
WSSC Water

Environmental Stewardship Program Protects Our Resources

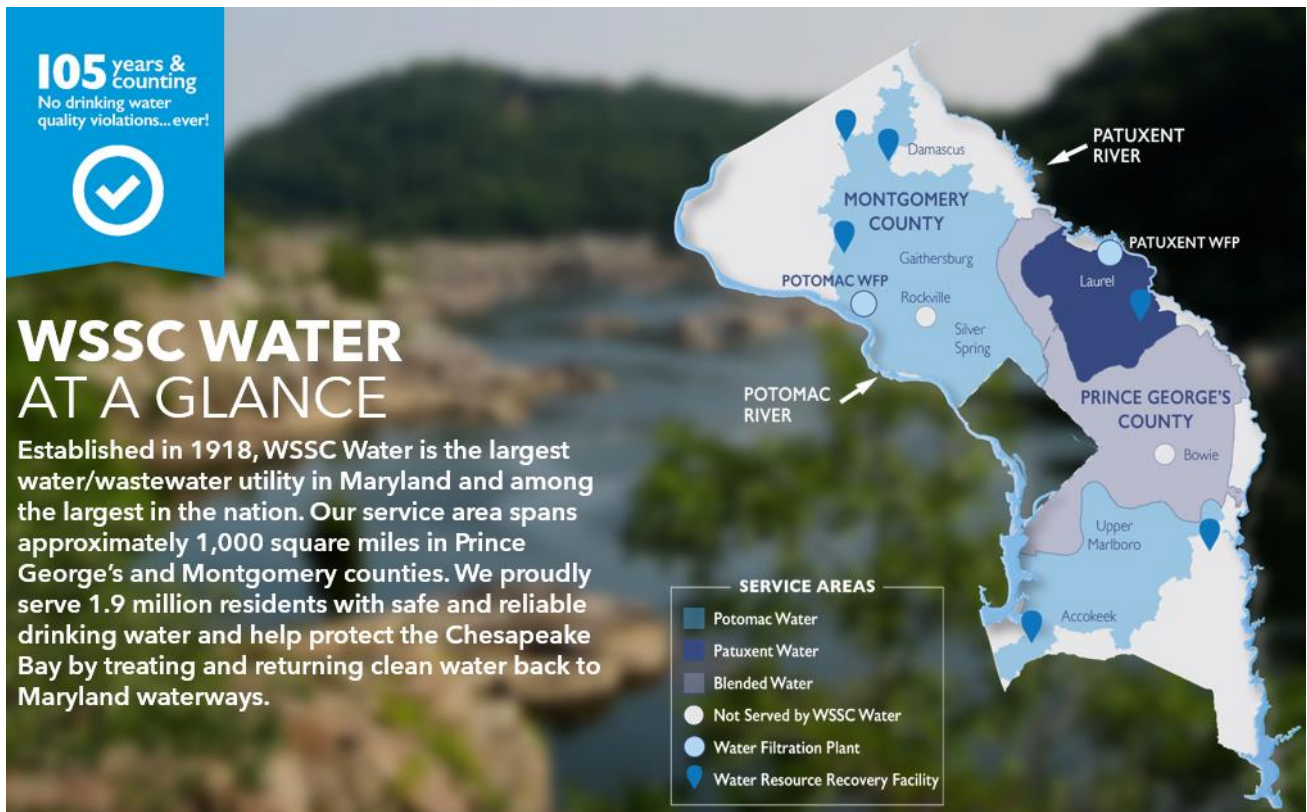
Introduction

WSSC Water's mission is to provide safe and reliable water, life's most precious resource, and return clean water to our environment, all in an ethical, sustainable, and financially responsible manner.

Guided by that mission, WSSC Water is committed to protecting the natural environment of Prince George's and Montgomery counties as we carry out our mandate to provide sanitary sewer and drinking water services. Our environmental stewardship core value reflects this commitment, which guides and incorporates behavior and decision making into WSSC Water's investments

in green buildings, pollution prevention and control, renewable energy, water quality, and climate change adaptation.

WSSC Water has a network of approximately 5,800 miles of water pipeline and more than 5,500 miles of sewer pipeline.





Green Financing Framework

Environmental stewardship guides and incorporates behavior and decision making into WSSC Water's investments in green buildings, pollution prevention and control, renewable energy, water quality, and climate change adaptation.

In line with this commitment, WSSC Water issues green bonds per its Green Financing Framework, a guide to managing "green-bonded" projects. The framework addresses the four components of the Green Bond Principles, as provided by the International Capital Market Association: Use of Proceeds, Evaluation and Selection Process, Management of Proceeds, and Reporting.

To be eligible for green bond proceeds, projects must meet criteria in one or more of the following areas:

1. Green buildings/ facilities;
2. Pollution prevention and control;
3. Renewable energy;
4. Water quality and
5. Climate change adaptation.



General Manager and CEO Kishia L. Powell testified before the U.S. Senate Committee on Environment and Public Works outlining challenges faced by the water sector, such as:

- regulatory requirements like PFAS; and
- need for additional federal funding.

Green Bond Project Activities

WSSC Water identifies candidate projects aimed at making its infrastructure greener. The projects must involve one or more of the following activities:

Green buildings/ facilities

- Installation of high-efficiency heating, ventilating and air conditioning units;
- Installation of high-efficiency light-emitting diode (LED) lighting fixtures;
- Use of cool roof materials; and
- Installation of high-efficiency water and wastewater processing equipment, pumps, motors, and valves.

Pollution prevention and control

- Lead clean-up and removal;
- Protection of environmentally sensitive areas from sewer overflow;
- Construction of new sewer and recycled water supply systems;
- Sewer system rehabilitation to prevent overflow in waterways;
- Sewer line blockage assessments and
- Enhanced nutrient removal (nitrogen and phosphorus) and discharge processes to protect waterways.

Renewable energy

- Installation of new equipment and systems to produce biogas and electricity.

Water quality

- Sewer and water line reconstruction for cleaner drinking water;
- Leak detection technologies;
- Advanced mixing systems;
- Installation of technologies to reduce chemical use and
- Construction of an intake channel to reduce drinking water contamination and treatment.



Climate change adaptation

- Address safety standards including the Probable Maximum Flood criteria and maximum credible earthquake loadings;
- Install enhanced power reliability equipment at water resource recovery facilities and wastewater pumping stations to prevent sanitary sewer overflows and
- Reduce biosolids production to enhance the health of the Chesapeake Bay and reduce greenhouse gas emissions and other air pollutants.

Projects focused on the activities above are eligible to be funded in whole or in part by allocating the green bond proceeds.

Green Bond Reporting

ICMA Green Bond Principles 2021 Categories

WSSC Water impact reporting is organized according to the ICMA Green Bond Principles 2021.

- Renewable energy (including production, transmission, appliances, and products);
- Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances, and products);
- Pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- Environmentally sustainable management of living natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate-smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);
- Terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments);
- Clean transportation (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- Sustainable water and wastewater management (including sustainable infrastructure for clean or drinking water, wastewater treatment, sustainable urban drainage systems, river training and other forms of flooding mitigation);
- Climate change adaptation (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems);
- Circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services); or certified eco-efficient products.
- Green buildings that meet regional, national, or internationally recognized standards or certifications for environmental performance.



Monitoring and Project Reporting

WSSC Water manages all projects it supports –including green bond projects. WSSC Water selected contractors construct the projects per the project agreement. The management process comprises regular reports by the implementing contractor on project activities, including monthly review of project progress. Throughout the implementation phase, the project's progress, outcomes, and impacts are monitored by WSSC Water's project manager, division manager, and finance staff to obtain data to evaluate and measure the objectives' effectiveness. Project information is available on the WSSC Water website and includes detailed documents (e.g., Project Description Forms or PDFs). In addition, WSSC Water's Green Bond Program webpage contains summaries and key impact indicators of the green bond projects, along with links to relevant documents containing more detailed project information.

Ensuring Compliance

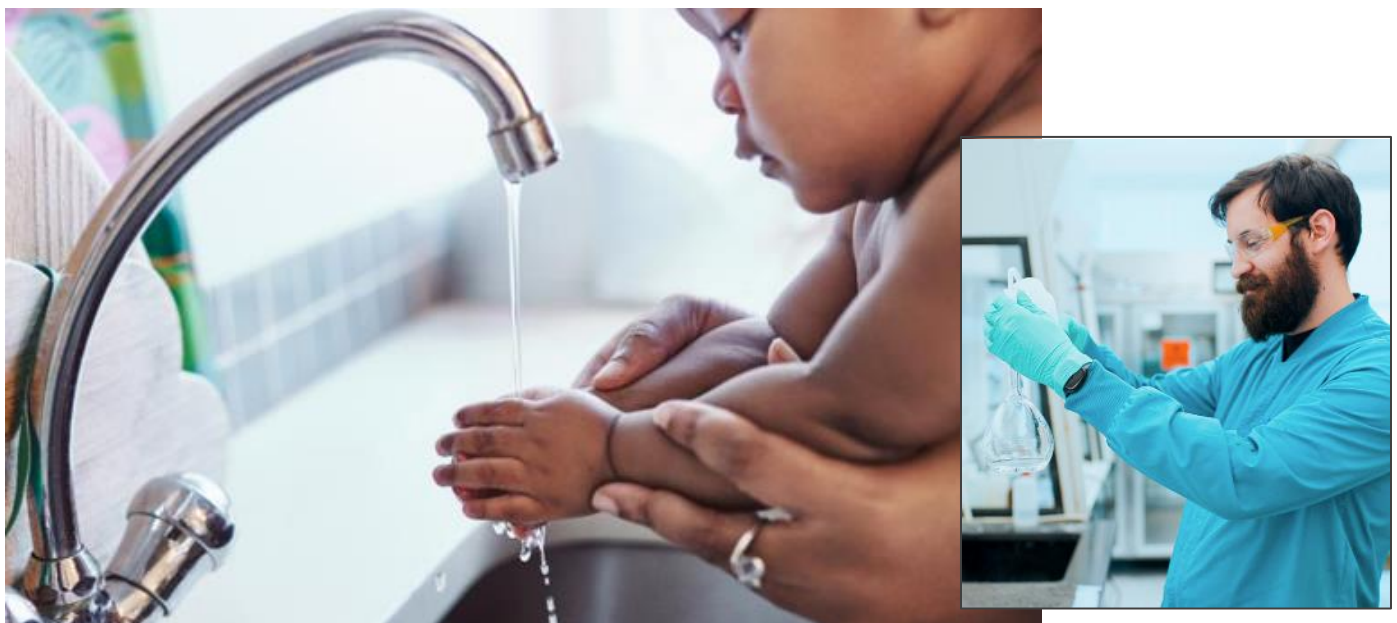
Projects eligible under the Green Bond Program comply with WSSC Water's environmental statement, procurement policies and other procedures addressing project integrity. Compliance is assessed at the individual project level and through independent reviews of about a quarter of all projects. Project-level reviews by accounting, budget, and procurement ensure adequate controls and management capacity are in place. In addition, WSSC Water's internal auditors or Inspector General may conduct, when necessary, a post-review of a closed project(s).

WSSC Water's Finance Department follows procedures specific to its Green Bond Program. These include selecting and reporting on eligible projects, maintaining the separate green bond bank account, and reviewing portfolio implementation progress to provide updated information for impact reporting purposes.

See www.wsscwater.com/greenbond for more information on WSSC Water's Green Bond Program and Green Financing Framework.

See www.wsscwater.com/fin for finance information on WSSC Water.

See www.wsscwater.com/es2 for more information on WSSC Water's Environmental Stewardship Program.

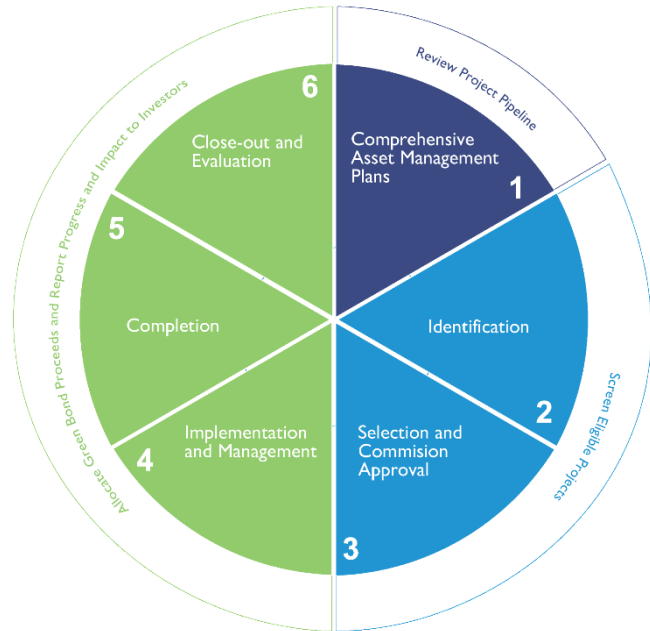


Green Bond Project Implementation

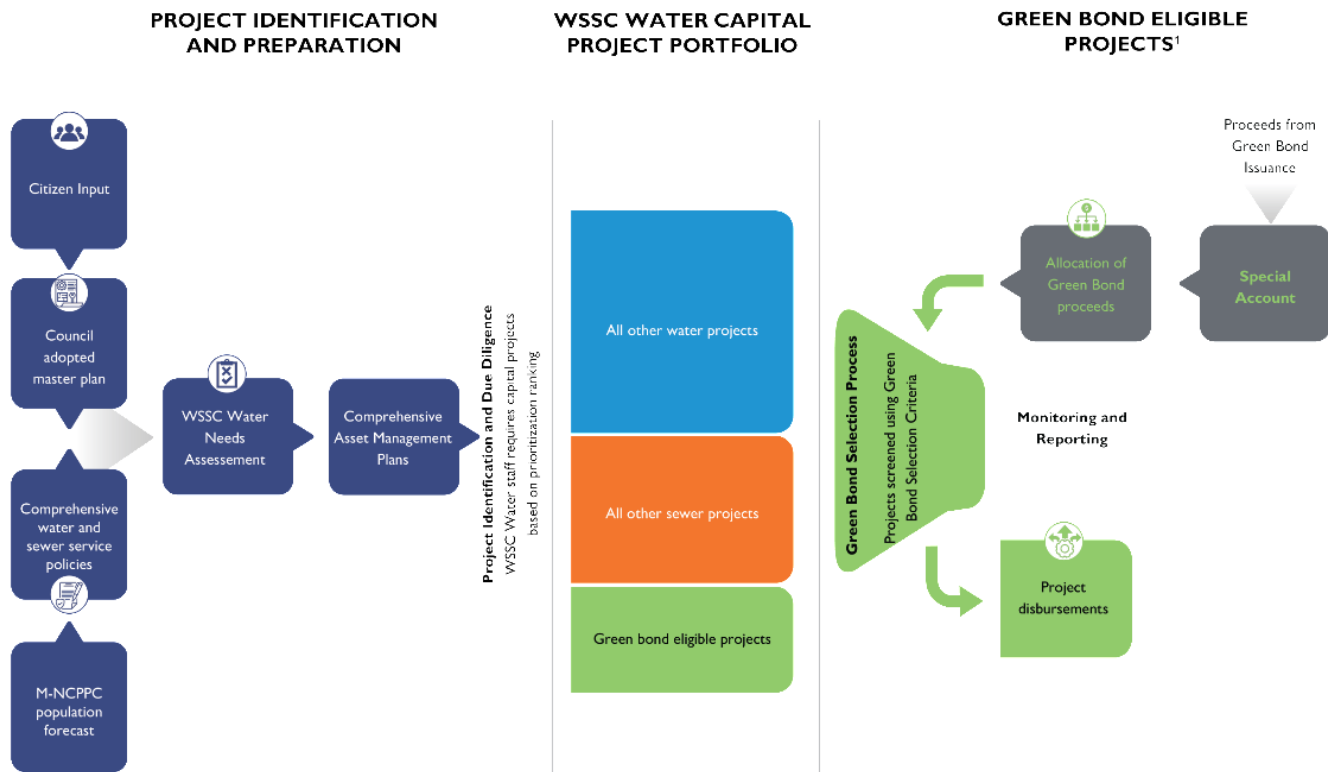
Selecting Projects for Financing

All projects, including green bond projects, undergo a rigorous review and approval process to ensure they meet WSSC Water and stakeholder priorities. The process includes early screening to identify potential environmental impacts and design alternatives to mitigate such impacts. WSSC Water’s capital programs are approved by its commissioners – a board representing its member counties.

The lifecycle of a project financed by WSSC Water follows six stages as shown in the graph, right. WSSC Water designated green bond projects follow the same stages and undergo three more steps as shown in the outer circle of the graph. From the outset projects are identified that meet the green bond eligibility criteria.



Earmarking and Allocating Green Bond Proceeds



The green bond selection process includes earmarking and allocating WSSC Water’s green bond proceeds to a special account. They are invested following WSSC Water’s investment policy until used to support eligible green bond projects. Disbursement requests for eligible projects take place per established policies and procedures. Disbursements are often made over several years, depending on when each project milestone is reached. As disbursements for green bond projects are made, corresponding amounts from the special account are transferred quarterly to the general investment pool.



WSSC Water Results

WSSC Water's commitment to sustainability is reflected in our energy management program, greenhouse gas reduction program, and environmental outreach efforts. Examples include:



Renewable Energy

The mission of the WSSC Water Energy Management Program is to support environmental stewardship and efficient procurement practices that are strategic priorities. Due to the high cost and environmental impacts of energy demand and consumption, energy management is critical to WSSC Water performing at the highest service levels in these areas. Wind, solar and hydropower are just a few of the technologies WSSC Water employs for energy efficiency during the water filtration and treatment processes.

- WSSC Water adopted a greenhouse gas (GHG) emission reduction goal to reduce emissions by 100 percent by 2050.
- Solar photovoltaic power at six megawatts (MW) is at two water resource recovery facilities and one off-site facility. Standard Solar was recently awarded a contract to design, build, own and operate an additional 12 MW wholesale solar site in Western Maryland. WSSC Water will own 100 percent of the carbon offsets from the power generated plus Renewable Energy Credits (RECs) beginning in year four of operation. The project is projected to be completed in late 2024.
- WSSC Water receives 33 percent of its energy from wind power and owns the associated RECs.
- WSSC Water operates three 700-horsepower pump turbines at Rocky Gorge Water Pumping Station. Brighton Dam facility operates two 250-horsepower hydro turbine generators with a production capacity of 1.8 million kilowatt hours (kWh) of electricity annually.
- The Piscataway Bioenergy Plant will recover approximately three MW of renewable energy from wastewater biomass, reduce greenhouse gas production by 11,800 tons/year, reduce biosolids output by 50 - 55 percent of current

output, reduce lime demand by 4,100 tons/year, maintain permitted nutrient load limits to the Chesapeake Bay, reduce grease discharge to sewers by five million gallons/year, and produce pathogen-free Class A Biosolids.



Pollution Control and Prevention

The Maryland Department of the Environment uses the revenue from the Bay Restoration Fund to fund improvements to wastewater treatment plants owned by utilities throughout the state, including WSSC Water.

- The Sewer Basin Reconstruction capital project supports a viable infrastructure and reduces the risk of sanitary sewer overflows or SSOs. In FY 2023, the State of Maryland provided \$3.4 million in grants towards this program to reduce pollution and restore the Chesapeake Bay watersheds.



Clean Transportation

WSSC Water received a \$30,000 grant from the Maryland Energy Administration to purchase six electric vans. Funds were based on the savings from using electric versus gas-powered vans.

WSSC Water also installed an EV charging station at the Temple Hills Depot employee and visitor parking lot.



Climate Change Adaptation

WSSC Water is already dealing with the impacts of extreme weather brought on by the changing climate.

We proactively initiated a five-year climate change study to ensure we are fully prepared for this new normal.

- WSSC Water evaluates upgraded facilities for climate change resiliency consistent with Maryland's adaptation and resiliency objectives.



Environmental Outreach

Education: WSSC Water conducts free environmental education programming annually for more than 2,500 school-aged children. Through partnerships with local school districts and environmental non-profit organizations WSSC Water staff have assisted with the professional development of over 200 educators a year. Educators learn about issues facing local waterways, the importance of source water protection, and how to bring these topics into their classrooms.

Source Water Protection: The Patuxent Watershed Protectors program is a community service opportunity for local groups to adopt one of WSSC Water's recreation areas to assist in keeping our two Patuxent River drinking water reservoirs trash free. These reservoirs serve as the drinking water source for one-third of WSSC Water's customers but are also popular outdoor recreation areas. WSSC Water has convened regional outreach, technical and policy committees focused on reducing winter deicing products and their negative impact on our drinking water sources and the environment.

Community Programming: WSSC Water's staff assist with the planning of environmental programming across our service area. Depending on the year, staff assist with planning the Montgomery County Greenfest, H₂O Summit, and Patuxent River Conference. Staff also regularly host informational tables and sessions at regional environmental festivals and summits.

American Chestnut Foundation: The Maryland Chapter of the American Chestnut Foundation has four orchards on WSSC Water property around the Patuxent River. The hundreds of trees in these orchards advance the efforts of The American Chestnut Foundation to restore the American chestnut tree to its former range throughout the Appalachian region.



WSSC Water hosted Montgomery County Public School middle and high school teachers at our Brighton Dam recreation area. This was part of Chesapeake Bay Foundation's week-long professional learning experience focused on climate change and environmental justice.

Green Bond Impact Summary



Issuance In the past year, WSSC Water issued its fourth green bond for \$20 million in funding to support pollution control and prevention, and sustainable water management. Due to WSSC Water receiving the highest credit rating for debt issuance, a premium of \$0.5 million was included in the total funding. An additional \$11.2 million has been allocated to green bond projects based upon income on short-term investments and premiums received at bond closing due to WSSC Water’s strong credit rating.

WSSC Water received the 2023 National Environmental Achievement from NACWA for inventive efforts to educate the public on the effects of wastewater treatment and pollution control on the environment.

Allocation and Disbursements In FY 2023, the projects selected for WSSC Water’s green bond project portfolio have a total allocation of \$152.6 million. Of this, \$152.6 million in green bond proceeds were disbursed to support these projects.

NACWA also recognized as part of the Peak Performance Awards for water resource recovery facilities. This award recognizes the extraordinary success in complying with permit limits and Clean Water Act standards.

By Project

As of June 30, 2023, Sustainable Water Management comprised the largest portion of our green bond-eligible projects portfolio. They comprised approximately 70 percent of all green bond allocations.

Amounts in \$ Millions	Allocated ¹			Disbursed ²	Project Status
	Pollution Prev/ Control	Sustainable Water Mgmt	Total		
Potomac WFP Consent Decree Program	\$45.9	\$0.0	\$45.9	\$38.8	Active
Potomac WFP Pre-Filter Chlorination & Air Scour Improvements	0.0	8.1	8.1	8.5	Completed
Large Diameter Water Pipe & Large Valve Rehabilitation Program	0.0	98.7	98.7	105.3	Active
Total	\$45.9	\$106.7	\$152.6	\$152.6	
Percentage	30%	70%	100%		

Notes:

Amounts may not add up due to rounding

¹ Allocated amount for eligible projects for which the loans are disbursing. Allocated amounts represent funding starting from the first issuance on July 1, 2019.

² Green Bond proceeds allocated to support financing of disbursements to eligible projects. Disbursed amounts represent those funds disbursed and expensed starting from July 1, 2019.



Green Bond Project Impact

WSSC Water commits to reporting on key performance indicators (KPIs) until the full allocation of the proceeds.

1 Pollution Prevention and Control Projects

At least 50 Percent

Removal of Potomac River intake solids



3,000 full garbage trucks of trash a year.

FY 2023 Achievement

Potomac Water Filtration Plant (WFP) Consent Decree Program: The project is proceeding on schedule. Long-term improvements are currently in design. Improvements completed include increasing the pipe in the Solids Handling Building, installation of belt filter press, the addition of a second, 60-ton, cake storage bin.

Solids removal has improved from a 2017 baseline of 59.7 percent (revised from prior reporting) percent to 70.7 percent (revised lower from prior reporting).

2 Sustainable Water Management

Reduce

Amount of water used for filter backwash process



10,000 gallons of water per year.

Four Miles

Minimum miles of large diameter water mains replaced per year



Replace the equivalent length of 70 football fields per year.

FY 2023 Achievement

Large Diameter Water Pipe & Large Value Rehabilitation Program: To ensure a reliable water distribution system, WSSC Water completed 5.6 miles of large diameter pipe work in FY 2023 for 16.1 miles since FY 2020.

Green Bond-Eligible Projects

Target Results and Allocated and Disbursed Amounts



Pollution Control and Prevention



Sustainable Water Management



The Fats, Oils and Grease (FOG) program inspects food service establishments to reduce FOG entering the wastewater collection system.



FOG, part of WSSC Water’s Regulatory Services, was established in 2007 as part of Sanitary Sewer Overflow Consent Decree.

There are 4,000 FOG inspections annually, and food service establishment compliance has increased from 33% in 2007 to nearly 97% in 2023.





Target Results

No.	Link for More Information	Project Name (Number) and Description	Eligibility Criteria ¹	Project Life (Years)	Target Results ²		UN SDG 17 Goals ³
					Pollution Prevention /Control	Sustainable Water Management	Goals
1		The Potomac WFP Consent Decree Program (W-73.33) to meet the new discharge limitations identified in the Consent Decree.	P	50	Increase in the percent of river solids removed		Goal 6: Clean Water and Sanitation Goal 14: Life Below Water Goal 15: Life on Land
2		Large Diameter Water Pipe & Large Valve Rehabilitation Program (W-161.01) rehabilitate or replace large diameter water transmission mains and large system valves that have reached the end of their useful life.	SW	35-100		Miles of large diameter water mains replaced annually	Goal 6: Clean Water and Sanitation




na - Indicator is not applicable for this project. ~ - Indicator is not measured/reported for this project.

¹Column indicates whether the project aims to address: renewable energy (R), energy efficiency (E), pollution prevention/control (P), environmentally sustainable management land use of living natural resources and natural resources (S), terrestrial and aquatic biodiversity conservation (T), clean transportation (C), sustainable water and wastewater management (SW), climate change adaptation (CC), circular economy adapted products, production technologies and processes or certified eco-efficient products (EP), and green buildings (G)

²Target results are expected impacts based on estimates developed at the time of project approval and materializing at the end of the project implementation period (6 years in most cases). Results reported are based on the entire project. Actual impacts may differ from these estimates and do not represent the actual results in a specific year.

³The mapping of eligible projects to the United Nations' Sustainable Development Goals (UN SDG).

Allocated and Disbursed Amounts

No.	Link for More Information	Project Name (Number) and Description	Green Bond Financing		
			Allocated \$'s million ¹	WSSC Water Share (%) ²	Disbursed \$'s million ³
1		The Potomac WFP Consent Decree Program (W-73.33) to meet the new discharge limitations identified in the Consent Decree.	45.9	100%	38.8
2		Potomac WFP Pre-Filter Chlorination & Air Scour Improvements (W-73.22) construction of pre-filter chlorination and filter air scour systems. (COMPLETED OCTOBER 2021)	8.1	100%	8.5
3		Large Diameter Water Pipe & Large Valve Rehabilitation Program (W-161.01) rehabilitate or replace large-diameter water transmission mains and large system valves that have reached the end of their useful life.	98.6	100%	105.3
			152.6		152.6

Total amounts may not add up due to rounding.

¹ The allocated amount is the Green Bond eligible portion of project proceeds and reported in US\$ millions.

² The percentage shows the share of the total financing that WSSC Water provides. This share could be used to apportion total results to WSSC Water when a project is co-financed.

³ The disbursed amount is the amount of Green Bond proceeds expended by the project and reported in US\$ millions.

ATTESTATION OF 2023 ANNUAL GREEN BOND REPORT



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT ACCOUNTANTS' REPORT

Commissioners of the
Washington Suburban Sanitary Commission
Laurel, Maryland

We have examined management's assertion in the Washington Suburban Sanitary Commission Water (WSSC Water) 2023 Green Bond Annual report that the net proceeds of the September 9, 2020, \$47,545,000 Consolidated Public Improvement Bond of 2020 (Second Series) (Green Bonds) and the net proceeds of the September 28, 2021, \$21,520,000 Consolidated Public Improvement Bond of 2021 (Second Series) (Green Bonds) and the net proceeds of the February 28, 2023, \$18,450,000 Consolidated Public Improvement Bond of 2023 (Second Series)(Green Bonds) for the year ended June 30, 2023 were allocated and disbursed to support projects in accordance with the use of proceeds requirement in the *Green Bond Framework*, as provided by the International Capital Market Association. WSSC Water's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination was not conducted for the purpose of evaluating the environmental benefits of the eligible projects, the eligible project's design and outcomes conform with third-party published principles, standards, or frameworks, such as *Green Bond Framework*, and any information included in *WSSC Water's 2023 Green Bond Annual Report*. Accordingly, we do not express an opinion or any other form of assurance other than on management's assertion regarding allocation and disbursement of proceeds.

In our opinion, management's assertion in the *WSSC Water 2023 Green Bond Annual Report* that the net proceeds of the September 9, 2020, \$47,545,000 Consolidated Public Improvement Bond of 2020 (Second Series) (Green Bonds) and the net proceeds of the September 28, 2021, \$21,520,000 Consolidated Public Improvement Bond of 2021 (Second Series) (Green Bonds) and the net proceeds of the February 28, 2023, \$18,450,000 Consolidated Public Improvement Bond of 2023 (Second Series)(Green Bonds) for the year ended June 30, 2023 were allocated and disbursed to support projects in accordance with the use of proceeds requirement in the *Green Bond Framework*, as provided by the International Capital Market Association is fairly stated, in all material respects.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 8, 2024



There are multiple opportunities for WSSC Water employees to take care of the environment in our communities. This year's volunteer actions included tree maintenance, road cleanups and trail maintenance.

Furthermore, students earned student service-learning hours for their time.

WSSC Water and local partners also joined together to support cleanup opportunities. Local partners included the Anacostia and Potomac watersheds, Rock Creek Conservancy and Project Clean Stream.



Environmental Stewardship Program

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March 2024