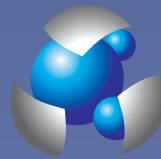




ANNUAL REPORT 2010



**WATER
RESEARCH
FOUNDATION®**

To our subscribers and all others interested in clean, healthy, affordable drinking water:

Like so many other organizations, 2010 was spent listening intently to our constituents and responding by improving how we do business.

Our mission hasn't changed—but how we work to achieve it has.

We remain committed to being the nation's foremost resource on credible drinking water-related research.

At the same time, we knew we needed to execute better. We surveyed our members. We conducted follow-up phone surveys. We held focus groups. Most importantly—we listened. From the extensive subscriber feedback we received we focused on the following key priorities for 2010:

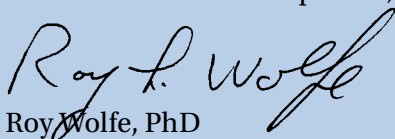
- Targeting our communications to our key audiences so that each would realize the maximum advantage of their association with Water Research Foundation
- Streamlining our business processes so that we could deliver research to help solve the most pressing subscriber challenges in a more timely manner while also reducing the human capital required to conduct that research

Throughout 2010, Water Research Foundation made great strides to become more nimble, to be the true partner our subscribers expect and the information resource that the public and private sectors can leverage in their pursuit of providing healthy, affordable drinking water to their communities.

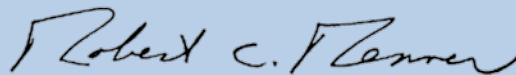
Many of the enhancements undertaken in 2010 will become even more apparent in 2011. These improvements come at a time when water quantity and quality issues are becoming more pressing in many areas of the country and throughout the world.

In the pages that follow, you will find a summary of our key accomplishments for the past year. We are pleased with our progress in 2010 and confident that, moving forward, we will continue to be the undisputed leading provider of scientifically sound research on drinking water issues.

We want to thank our subscribers for their continued support. Without you and the hundreds of volunteers who share their time and expertise, we would not be able to conduct the research that benefits so many.



Roy Wolfe, PhD
Chairman, Board of Trustees



Robert C. Renner PE, BCEE
Executive Director



Accelerating the Research Process to Meet Subscriber Needs



Responding to subscriber feedback, Water Research Foundation revamped the management of its research programs to help solve the most pressing subscriber challenges in a timelier manner while optimizing the level of effort needed from volunteers to undertake all aspects of our work.

Throughout 2010, the Board of Trustees' Research Strategy Committee assessed existing Foundation processes and developed specific recommendations aimed at achieving three critical goals:

- Focus on solving the most pressing subscriber problems more completely
- Minimize the timeframe from identification of need to delivery of results
- Reduce the level of effort for volunteers without compromising quality of results

The Committee's recommendations, subsequently approved by the full Board of Trustees in January 2011, took effect immediately. As part of this restructuring, which does not impact overall funding committed to research, the number of discrete research programs was reduced from six to three, as follows:

- **The Focus Area Program** identifies a limited number of broadly relevant subscriber issues and solves them with a targeted, multi-year research response. Sixty percent of the annual research budget is allocated to this program, which incorporates and replaced the Solicited and Strategic Initiative Programs.





- **The Emerging Opportunities Program** enables the Foundation to respond quickly to emergent subscriber challenges and research ideas identified throughout the year. Twenty percent of the annual research budget is dedicated to this program that replaced the Unsolicited, Rapid Response, and Partnership programs.
- **The Tailored Collaboration Program** enables the Foundation to partner with utility subscribers on research that may be more limited or regional in impact. This program is unchanged and funding increased from 15 to 20 percent of the annual research budget.

Going forward, all parties involved in and interested in drinking water research, including subscribers, researchers, regulators, and other stakeholders, can expect Foundation research that more completely addresses their needs.

The Water Research Foundation at Work: California Water and Energy Coalition

In early 2010, Water Research Foundation reached out to its subscribers throughout California to learn more about their greatest issues and concerns. The answer: sustainability. An amazing 18 percent of all energy consumed in California is used to move and treat water. Given that consumption of both water and energy is expected to increase, how can water and energy utilities work better together to manage the future demands of both? While high-level discussions on related topics have been held in the past, ongoing consultations amongst operational-level utility staff who have the real-world, hands-on experience has been lacking. That had to change. The Foundation identified this unmet need and spearheaded the creation of a comprehensive solution involving interested parties. From this, the California Water and Energy Coalition was born.

In March 2010, the Foundation convened the Coalition's first meeting to explore how energy and water utilities along with other interested parties might better work together on issues of common concern. Representatives from numerous utilities were joined by the State Departments of Health and Water Resources, the California Public Utilities Commission and the California Energy Commission. Subsequent stakeholder workshops clarified the need to assemble a continuous and formalized stakeholder group to tackle the complex issues surrounding the nexus of water and energy.

The stated mission of the Coalition is to "collaboratively develop, amongst the water and energy industries, approaches to providing a sustainable and cost-effective supply of water and energy in an environmentally responsible manner." Its goals include:

- To provide a common forum for water and energy suppliers to network, share knowledge, identify mutual needs, and take action through the identification of research, demonstration projects, and data gathering needed to ensure reliable water and power service into the future.
- To serve as a driver for information exchange between the two industries and their regulatory agencies.



- To provide a platform for identifying partnerships and funding opportunities for projects aimed at addressing cross-industry issues.
- To enable increased financial collaboration and partnerships in communicating with the public about water and energy related efficiency, conservation, and pricing.

In addition to a significant number of water utilities from throughout the state, the Foundation has been able to secure the active participation of numerous regional and national organizations with directly related interests, including:

- Southern California Edison
- Metropolitan Water District of Southern California
- Water Environment Federation
- Water Environment Research Foundation
- American Water Works Association
- National Water Research Institute

The California Water and Energy Coalition is but one example of the Foundation delivering concrete solutions to help its subscribers address the operational challenges they face in providing safe, affordable drinking water. It is Foundation support that brought all these interested parties together and provided the leadership necessary to form the Coalition.

Research Priorities in 2010: Helping Subscribers Tackle the Tough Problems

In 2010, Water Research Foundation was again at the forefront of a number of key issues impacting the drinking water industry. Our research priorities addressed, and in some cases even anticipated subscriber needs. Highlights of our key priorities follow:

Issue #1: Perchlorate

The challenge: In February 2010, USEPA, reversing the agency's earlier decision, announced its plans to develop a regulation for perchlorate under the Safe Drinking Water Act. A standard for perchlorate in the few parts per billion range would affect a significant percentage of U.S. drinking water systems.

Our response: The Foundation expanded our solid base of perchlorate treatment research by sponsoring a rapid response research project to assess the current

state-of-the-science in treating very low concentrations of perchlorate in drinking water. We also provided subscribers with a synopsis of perchlorate regulatory activity and established treatment and removal options. This research will help establish a solid benchmark of the current state of the science and existing regulations from which EPA and other interested parties can make informed public policy decisions.

Issue #2: EDC/PPCP Communication

The challenge: Much ongoing research on endocrine-disrupting compounds (EDCs) and pharmaceuticals and personal care products (PPCPs) in water focuses on traditional contaminant issues such as occurrence, removal, and human health relevance. At the same time, utilities face significant challenges in communicating effectively with customers about these very broad classes of contaminants. Continued media coverage has kept these compounds in the public eye without providing meaningful information about their significance.

Our response: The Foundation continued to focus on this issue during 2010 through our EDC/PPCP Strategic Initiative, funding





new work to develop a water utility handbook on EDCs/PPCPs for public outreach and education and adding funds to broaden an existing project on assessing customer perceptions and attitudes towards EDCs and PPCPs in drinking water.



Issue #3: Utility Finance

The challenge: Continued economic uncertainty, inability to raise rates to keep pace with the cost of providing service, and lack of readily available capital continued to challenge utility finances during 2010.

Our response: The Foundation built on its extensive past research on utility finances by developing two new projects in 2010: one addressing revenue gaps through improved financial and management practices, and another on minimizing utility financial and legal liability associated with infrastructure failures.

Issue #4: Climate Change and Adaptation

The challenge: Climate change, regardless of the underlying cause, poses potentially unprecedented long-term challenges for drinking water suppliers.

Our response: The Foundation launched a strategic initiative in 2008 to provide utilities with tools to identify and assess climate change-related vulnerabilities and develop effective adaptation strategies. Several new projects pursuant to this objective were initiated during 2010, including:





- A study of the effects of climate change on the occurrence, frequency, and severity of algal blooms;
- A project to evaluate application of adaptive management techniques to address climate change impacts on water infrastructure; and
- A project aimed at helping utilities improve their effectiveness in communicating climate change impacts, and associated costs and risks, to customers and other stakeholders.

Issue #5: Sustainable Communities

The challenge: Sustainable water supply and management is a critical element in the planning, design, and development of communities that are built or modified to promote economic, social, and environmental sustainability. An increasing number of utilities are being challenged to contribute to and help ensure long-term sustainability of their municipalities.

Our response: During 2010, the Foundation developed a study to improve understanding of potential water impacts associated with resource-efficient “green” buildings, and another to assess the potential for

utilities to use the water footprint concept as a tool to support more sustainable planning and development. The Foundation also partnered with AWWA on a project exploring the feasibility of a sustainability rating tool for water utilities.

Issue #6: Infrastructure Management

The challenge: Utilities are increasingly challenged with the management, repair, updating, and replacement of aging physical infrastructure.

Our response: The Foundation has long been a leader in providing infrastructure management solutions to subscribers. Our resources range from tools and technologies for condition assessment repair, rehabilitation, and replacement to sophisticated approaches for strategically planning capital improvement programs and targeting capital investments. In 2010, the Foundation invested more than \$1 million in new research related to sustainable infrastructure, including studies on managing leakage, effectively ensuring the quality of infrastructure components prior to installation, and projecting investment needs over the full life cycle of infrastructure assets.

Foundation Research Completed in 2010

In 2010, Water Research Foundation published 64 research reports and hosted 19 related Webcasts. These ranged from highly technical studies of contaminant monitoring and treatability to assessment of water usage trends and development of best management practices for customer call centers and water distribution systems. All help subscribers better understand the different challenges facing drinking water utilities while providing clear direction to improve water quality and system operations. All these materials are available to subscribers at www.WaterRF.org. Below are highlights of just a few of our most popular research projects completed in 2010.

Assessment of Inorganics Accumulation in Drinking Water System Scales and Sediments (Foundation project #3118)

The potential for the accumulation and intermittent release of trace inorganic and radiologic contaminants within water distribution systems has gained attention in the drinking water community over the past several years. This research effort investigated the accumulation of regulated inorganic contaminants and naturally-occurring radionuclides in distribution system pipe

scales and accumulated sediments. The research emphasized regulated metals, metalloids, and radionuclides, specifically: antimony, arsenic, barium, cadmium, chromium, nickel, lead, radium, selenium, thallium, uranium, and vanadium. The findings from this study provide practical utility guidance for managing these contaminants as well as clear direction for future research.

Effect of Nitrification on Corrosion in the Distribution System (Foundation project #4015)

Although chloramination offers many benefits, one disadvantage is that it can facilitate nitrification. This research is the first comprehensive study of nitrification as it occurs in on-premise plumbing.

Two complimentary aspects of this issue were investigated: the impact of water quality and pipe corrosion on nitrification occurrence





in drinking water systems and the impact of nitrification on water quality and pipe corrosion. The research demonstrated that plumbing materials had profound impacts on the incidence of nitrification in homes. A decision tree summarizing many of the key findings was developed to help utilities understand the potential magnitude of nitrification impacts on lead and copper leaching in premise plumbing and in their systems.

Innovative Applications of Treatment Processes for Spent Filter Backwash (Foundation project #3114)

Recycling spent filter backwash (SFBW) water can increase water recovery; however, contaminants in untreated SFBW can negatively impact water treatment processes and/or water quality. Treatment of SFBW can eliminate carryover of these contaminants.

This study evaluated SFBW treatment processes with a multi-pronged approach: (1) summarizing previous pilot studies on standard- and high-rate processes, (2) conducting pilot- and full-scale studies on high-rate processes at drinking water treatment facilities, and (3) assessing membrane treatment alternatives at bench scale. Processes evaluated include standard- and high-rate dissolved air floatation (DAF), sand-ballasted coagulation, high-rate solids contact clarification, and microfiltration/ultrafiltration membranes. The web tool developed for this study allows users to evaluate cost and footprint implications of high-rate SFBW treatment options described in the project report. Users can also review the preliminary design reports for two case study sites.

Drinking Water Source Protection Through Effective Use of TMDL Processes (Foundation project #4007)

The Clean Water Act (CWA) requires states to provide opportunities for stakeholder involvement in the preparation of the 303(d) list of impaired water bodies where standards are not being met, and in the subsequent total maximum daily load (TMDL)





development process. Greater involvement in the TMDL process can yield a number of benefits to drinking water utilities including improved source water quality, reduced treatment processes and costs, reduced disinfection byproducts, increased reservoir volumes, and good public relations.

The goal of this project was to provide water utilities with information and tools that help them better understand and use the TMDL process to protect and improve their source water quality. The project pursued two objectives: (1) identifying successful strategies used by utilities to protect their source waters through the TMDL regulatory process, and (2) identifying specific measures that are being used to include drinking water objectives in TMDLs. The project developed seven case studies from utilities involved in or preparing to become involved with the development of TMDLs for their source waters.

North American Residential Water Usage Trends Since 1992 (Foundation project #4031)

This research quantified the residential water use changes across North America observed during the past 30 years and

sought to understand water usage behavior patterns and trends. The results can be correlated with future trends for planning purposes, or utilities can replicate the research at their own utility.

This study had three components: a national survey of 43 utilities, case studies of 11 utilities, and a more in-depth examination of residential water use in Louisville, KY. The main finding of the research was that water use decreased by about 0.44% annually (381 gallons) per residential customer account. This equals 13.2% compounded over 30 years, implying that a residential customer would use 11,673 gallons less per year in 2008 than in 1978.

Criteria for Optimized Distribution Systems (Foundation project #4109)

The Foundation collaborated with the Partnership for Safe Water (PSW) on this project to define and develop a continuous



distribution system operation. Of particular interest was developing a self-assessment approach that defined critical components and objectives of optimized distribution system operations, and also defined parameters that could be used to measure the degree of optimization. Another goal was the development of guidelines to better optimize distribution systems with minimal capital investment.

The project team concluded that three key metrics could be used to measure and manage the degree of distribution system optimization: chlorine residual, pressure, and main breaks and leaks in the distribution system. The project justified and provided targets for these key metrics that enable water utilities to define an optimized distribution system. This had not previously been done, and based on these results a new and important expansion of PSW is being launched that will encourage improved management of distribution systems.

problem-solving mode, i.e., resolving billing and other complaints, answering questions, and handling field-related issues. With the enormous advances in customer contact center technologies and heightened awareness of the importance of customer service and satisfaction, water utilities can significantly expand and optimize the call center into a utility-wide resource to raise the levels of service, promote customer satisfaction and, ultimately, reduce costs to the utility.

This study identifies a variety of future trends and associated positive and negative impacts on the customer contact center and provides a toolkit, along with supporting research, to help utilities make the transition to an optimized contact center.

Water Research Foundation Research in Action: Las Vegas Valley Water District

The Foundation produces the world's foremost research into drinking water related issues. But what value does it really deliver to its subscribers?

The Las Vegas Valley Water District (District) is but one example of a subscriber that utilized Foundation research to significantly enhance overall operation efficiency; specifically, reducing pumping costs by more than \$825,000 a year, while capitalizing on a number of unexpected benefits.

Spiraling Costs

Water to supply the population of Las Vegas is pumped primarily from Lake Mead, located at lower elevation and miles away from the District's water system. The District has to pump the water through its distribution system, consisting of 24 pressure zones, which consumes tremendous amounts of energy.

The District was anxious to minimize pumping costs while reducing water age in its distribution system. The District had been seeing increased levels of trihalomethanes (THMs), which

increase as water ages. It took advantage of the opportunity to participate in a Foundation study exploring ways to reduce the electrical load on a water system without compromising water quality.

Modeling for Accuracy

Leveraging the Foundation's study findings (Total Energy and Water Quality Management System (EWQMS), project #458) the District created an EWQMS to help solve its energy management and water quality challenges. The EWQMS is comprised of various software solutions that systematically gather and model data on daily water age, energy consumption and costs, calibration issues, and pumping schedules.

Millions Saved, Unexpected Benefits Realized

"Once we started using the EWQMS, we became more systematic in how we operated our water distribution system," said Laura Jacobsen, PE, Planning Manager for the District. "It enabled us to quickly identify distribution problems, reduce the levels of THMs and optimize the pumping schedule—which ultimately reduced power consumption."

In addition, the technology unveiled unexpected benefits, including:

- Enhanced emergency response through rapid identification of impacts on customers
- Improved pressure complaint resolution
- Streamlined operational troubleshooting

In just four years, Jacobsen estimates the District saved \$3.3 million by using the EWQMS to improve how it delivers water. "The framework the Foundation's research provided opened up new opportunities for energy cost savings," Jacobsen said. "Savings on this project alone more than paid for our annual investment to the Water Research Foundation."



Thank You to Our Board and Volunteers!

It is the passion and dedication of our volunteers that make the Water Research Foundation successful.

The high level of expertise that exists within our Board of Trustees and throughout the nearly 700 committee volunteers is invaluable in propelling the Foundation's work upward and forward.

On behalf of all those who benefit from your generous support, we thank you.



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Orange County Water District





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Theodore Spencer
Climate Center, Natural Resources Defense Council



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Greater Cincinnati Water Works

Rick Sakaji
East Bay Municipal Utility District

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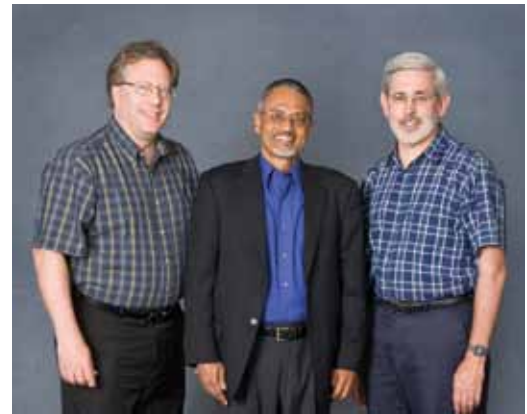
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Distribution System Water Quality Strategic Initiative Expert Panel

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Harold Reed
American Water

Steve Whipp
United Utilities Water

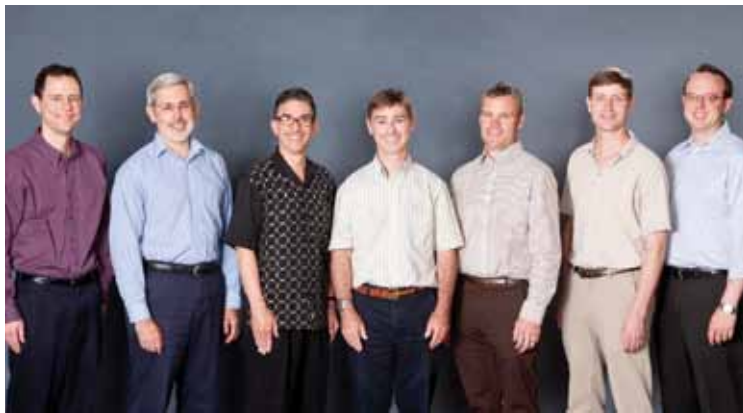
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Angela Langowski

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Statements of Financial Position

December 31, 2010 and 2009

Assets	2010	2009
Current Assets		
Cash and Cash Equivalents:		
Cash – US Currency	\$ 2,138,176	\$ 855,154
Cash – Foreign Currency (US Equivalent)	2,317,887	2,753,457
Total Cash and Cash Equivalents	<u>4,456,063</u>	<u>3,608,611</u>
Investments, Current Portion	3,024,519	1,971,210
Receivables:		
Project Co-Funding	1,299,547	1,380,797
Subscription, Net of Allowance for Doubtful Accounts	690,434	861,950
American Water Works Association	8,870	45,279
Interest and Other	79,704	114,496
Total Receivables	<u>2,078,555</u>	<u>2,402,522</u>
Prepaid Expenses and Other Assets	105,656	217,667
Total Current Assets	<u>9,664,793</u>	<u>8,200,010</u>
Investments, Net of Current Portion	10,889,121	12,550,266
Property and Equipment, Net	90,975	119,783
Total Assets	<u>\$ 20,644,889</u>	<u>\$ 20,870,059</u>
Liabilities and Net Assets		
Current Liabilities		
Payables:		
Research Contracts	1,358,256	\$ 2,280,737
Trade	161,043	152,046
American Water Works Association	13,732	22,095
Total Payables	<u>1,533,031</u>	<u>2,454,878</u>
Accrued Expenses	249,595	354,866
Deferred Revenue:		
Project Co-Funding	2,378,190	1,618,385
Total Current Liabilities	<u>4,160,816</u>	<u>4,428,129</u>
Accrued Pension Liability	849,588	1,096,026
Total Liabilities	<u>5,010,404</u>	<u>5,524,155</u>
Unrestricted Net Assets	15,634,485	15,345,904
Total Liabilities and Net Assets	<u>\$ 20,644,889</u>	<u>\$ 20,870,059</u>

The above information was derived from the audited financial statements. The full audit statements may be obtained upon request.

Statements of Activities

December 31, 2010 and 2009

	2010	2009
Support And Revenue		
Research Subscription Funding	\$ 12,967,264	\$ 12,030,903
Project Co-Funding	4,001,421	6,788,074
Membership Dues	71,709	164,730
Investment Income	472,140	460,701
Other	63,818	107,232
Total Support and Revenue	<u>17,576,352</u>	<u>19,551,640</u>
Expense		
Program Services:		
Research Programs	12,042,612	16,578,452
Research Management	1,257,568	1,273,303
Communications and Marketing	629,884	707,885
Subscriber Services	617,756	524,446
Other	287,736	348,459
Total Program Services	<u>14,835,556</u>	<u>19,432,545</u>
Supporting Services:		
Management and General	2,199,584	2,522,558
Fundraising	403,147	452,006
Total Supporting Services	<u>2,602,731</u>	<u>2,974,564</u>
Total Expense	<u>17,438,287</u>	<u>22,407,109</u>
Change In Net Assets Before Other Items	138,065	(2,855,469)
Other Items		
Change in Pension Liability	75,145	593,876
Unrealized Gain (Loss) on Foreign Currency Exchange	97,950	534,681
Unrealized Gain (Loss) on Investments	(22,579)	84,972
Total Other Items	<u>150,516</u>	<u>1,213,529</u>
Change In Net Assets	288,581	(1,641,940)
Net Assets – Beginning of Year	<u>15,345,904</u>	<u>16,987,844</u>
Net Assets – End Of Year	<u>\$ 15,634,485</u>	<u>\$ 15,345,904</u>

The above information was derived from the audited financial statements. The full audit statements may be obtained upon request.



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