

Letter from the Chair

After more than a decade of working as an Alliance, Cascade began its second decade reaching out and working with the region. Cascade crystallized its planning efforts to ensure future water for its 400,000 residents and 22,000 businesses in Bellevue, Issaquah, Kirkland, Redmond, Tukwila, the Covington Water District and the Sammamish and Skyway Water and Sewer Districts.



On February 5 the community came together to celebrate new beginnings, from Congressional and Pierce County leaders to Tribes, surrounding cities and homeowners.

We found that the projected demand for water has diminished. Better plumbing codes, WaterSense efficient appliances and a strong conservation ethic in the region have substantially reduced water use. This same trend is being experienced across the region.

Our partners at Seattle and Tacoma water utilities recognized the same long term trend — they have more water available than was projected a decade ago. That creates opportunities for Cascade. Working together, the three suppliers will explore sharing existing resources before developing new supplies, including Cascade’s supply at Lake Tapps.

Cascade completed its first full year of operations at Lake Tapps. We also received our water right from the State of Washington, so we can use water from the lake for a regional water supply. While we don’t anticipate building a treatment plant and producing drinking water for decades, we will operate the lake to benefit the environment and salmon runs in the Puyallup and White Rivers, and maintain a healthy lake for use as a regional recreational resource. We are extremely proud of our new role in the Lake Tapps community.

Operating Lake Tapps has been a privilege — and a challenge. We have taken our ownership seriously. We have begun to fix infrastructure, and we began the eradication of milfoil. We worked with the Lake Tapps community to ensure a full season of recreational lake levels, and we ensured future water for the communities around Lake Tapps, providing Auburn, Bonney Lake, Buckley and Sumner with water resources for their future needs. And the State Department of Ecology issued a package of five water rights that give Cascade the authority to use the lake for municipal water supply — the first new water supply approved in decades.

It has been an honor to serve as the Chair of Cascade’s Board of Directors during this very exciting time of transition and progress. We look forward to continued efforts at planning together as a region to maximize every drop of our precious water resources. We commend our residents and businesses for actively conserving and using water efficiently.

Lloyd Warren
Chair, Board of Directors

CEO Report



As Cascade begins its second decade, and I complete my second year as CEO, it is my privilege to report that Cascade continues to move efficiently and effectively forward to ensure future water supply for its members. Our planning process is underway and Cascade continues to be a strong steward both environmentally and fiscally.



CERTAINTY OF QUALITY WATER SUPPLY

Cascade has ensured members a long term water supply with the purchase of Lake Tapps and by obtaining water rights from the state. Our planning was revised to reflect diminishing demand like we are seeing all over the country. Cascade this year convened a working group of stakeholders to follow this planning process, and their work provided regional insight into the process. We have also spent this year learning about the operations of the White River/Lake Tapps system, addressing everything from deferred maintenance we encountered to tackling and eradicating milfoil. The operation is a full time effort — one well worth the work.

MANAGEMENT AND FINANCIAL EFFICIENCY

Cascade’s operations in 2010 carefully reflected a conservative financial approach. We continue to budget carefully and stay within our limits during the difficult financial times — mindful of our members and their ratepayers. Our small but nimble staff has lent its expertise to members and other cities in the Lake Tapps area, saving them money and maximizing Cascade’s ability to serve the region.

REGIONAL PARTNERSHIPS AND RELATIONSHIPS

In 2010, Cascade memorialized its partnerships with all key players in the region around Lake Tapps. Adding to the outstanding relationships Cascade already has with the Tribes in the region and the Lake Tapps homeowners, Cascade in February signed an agreement with the cities surrounding the lake (Auburn, Bonney Lake, Buckley and

Sumner) to ensure they would have water to meet their needs for the future. Cascade and the four cities will meet on a regular basis.

HONORS AND AWARDS

I was honored to join a diverse national coalition in issuing a landmark report. “Charting New Waters: A Call to Action to Address U.S. Freshwater Challenges,” that was presented to the Obama Administration.

This year, US EPA named Cascade its 2010 WaterSense Promotional Partner of the Year and the American Water Works Association recognized Cascade’s outreach programs.

Cascade was also named the 2010 Infrastructure Assistance Coordinating Council of Washington’s Creative Solutions Award for its work with the four cities in creating the White River Municipal Water Resource Agreement.

LOOKING AHEAD

Our work in 2010 has been very productive, but much remains to be done. Cascade will be finalizing its transmission and supply planning this year, setting the stage for our future water needs. We will also continue to work on administrative efficiencies, and will set baselines for water quality and environmental benchmarking to measure changes in the future.

A handwritten signature in cursive script that reads "Chuck Clarke".

Chuck Clarke
CEO, Cascade Water Alliance

2010 Cascade Board Members



LLOYD WARREN
Board Chair
Commissioner, Sammamish Plateau
Water and Sewer District



JOHN MARCHIONE
Board Vice Chair
Mayor, City of Redmond



JIM HAGGERTON
Board Secretary/Treasurer
Finance and Management
Committee Chair
Mayor, City of Tukwila



GRANT DEGGINGER
Board Member
Public Affairs Committee Chair
Councilmember, City of Bellevue



DAVID KNIGHT
Board Member
Resource Management Committee
Chair
Commissioner, Covington Water
District



JON AULT
Board Member
President, Skyway Water and Sewer
District



PENNY SWEET
Board Member
Deputy Mayor, City of Kirkland



JOHN TRAEGER
Board Member
President, Issaquah City Council

Alternate Board Members

Robert Brady
Commissioner, Sammamish Plateau
Water and Sewer District

Jeff Clark
Commissioner, Covington Water
District

Joyce Clark
Vice President, Skyway Water and
Sewer District

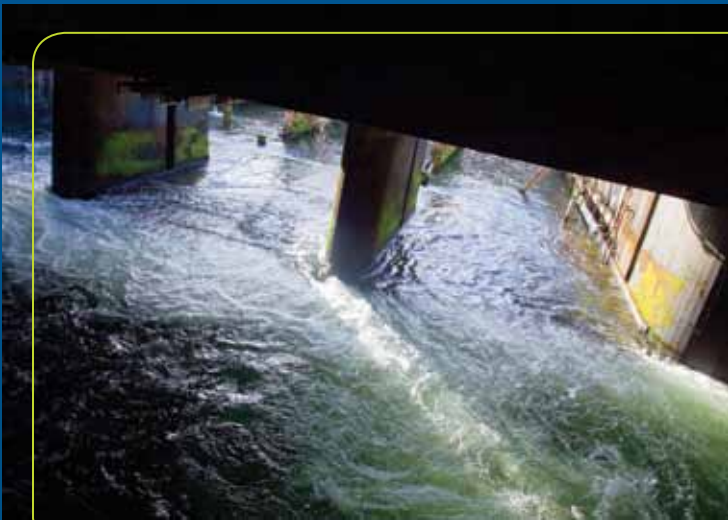
Don Davidson
Mayor, City of Bellevue

Doreen Marchione
Councilmember, City of Kirkland

Hank Margeson
Councilmember, City of Redmond

Mark Mullet
Councilmember, City of Issaquah

Verna Seal
Councilmember, City of Tukwila



Cascade in the Region



Kirkland — Cascade's WaterSense Road Show came to the Farmer's Market

1

2

Seattle — Partners in water supply

3



Bellevue — Cascade's WaterSense Road Show visited Bellevue Sustainability Fair



Tukwila — Cascade's WaterSense Road Show visited Tukwila Days

6



Skyway W... Sewer Dis... provided over 60 re... purchased clothes w...

7

Tukwila

Auburn — Working together to ensure water for the future

Auburn



Powerhouse — 100 years of providing service

Tacoma — Partners in water supply

Tacoma

Powerhouse

Sumner — Working together to ensure water for the future

Sumner



Bonney Lake — Working together to ensure water for the future

Bonney Lake

MAP LEGEND

- Cascade Member Service Area
 - Cascade Member Boundary
 - City Boundary
- 0 1 2 4 6
Miles



Redmond — Cascade's WaterSense Road Show came to Redmond Derby Days

2



Sammamish Plateau Water & Sewer District — Cascade's WaterSense Road Show visited Sustainable Sammamish

4

Lake
Sammamish

Cascade's
and
Bellevue's
fair

5



Issaquah — Cascade developed a lab for Issaquah Middle School students to learn about water savings and visited Issaquah Salmon Days

Water and
District — Cascade
rebates to
residents who
high efficiency
washers.

8



Covington Water District — Cascade's WaterSense Road Show visited Covington Days



Lake Tapps — Cascade began operations by treating milfoil



White River — Partnering with the Muckleshoot Indian Tribe and Puyallup Tribe of Indians to protect fish and habitat

Buckley

Buckley — Working together to ensure water for the future

White River

Our Members

- 1 City of Kirkland
- 2 City of Redmond
- 3 City of Bellevue
- 4 Sammamish Plateau Water and Sewer District
- 5 City of Issaquah
- 6 Skyway Water & Sewer District
- 7 City of Tukwila
- 8 Covington Water District

Our Partners

Auburn
Bonney Lake
Buckley
Sumner
Lake Tapps community
Puyallup Tribe of Indians and Muckleshoot Indian Tribe
Seattle Public Utilities
Tacoma Water

Lake Tapps Operations

Why is Lake Tapps important to Cascade’s members miles away? Because it is the first new source of drinking water in the region in decades, and will eventually provide the next two or three generations of residents in Cascade member areas with drinking water.



Joe Mickelson, Cascade’s Lake Operations Manager, in the century old Powerhouse

Cascade took ownership of Lake Tapps in late 2009 and spent much of 2010 assessing the lake, the White River project infrastructure and determining how Cascade was going to operate the lake.

MILFOIL CONTROL

The most pressing problem was milfoil. Cascade held three public meetings and determined that eradication was essential for the health of the lake. Treatment began in the summer and will continue over the next few years as Cascade monitors the need for additional efforts.

2010 FLOWLINE OUTAGE

Cascade needed to take a very thorough look at the entire operation of the White River project. This meant halting water flow through the lake so crews could assess its condition. With help from the Muckleshoot and Puyallup Indian Tribes, tens of thousands of fish had to be removed and returned to the White River. Once the water was gone, more than 160,000 cubic yards of sediment was removed to allow water to move freely. Crews assessed and began to repair the wooden flume. Repairs are also being made to the Fish Screen Facility to meet regulatory requirements.

STREAMFLOW AND WATER QUALITY MONITORING

Cascade, in cooperation with the US Geological Survey (USGS), installed new streamflow gages, upgraded existing gages, added water quality monitoring stations on the White River and conducted extensive water quality monitoring in Lake Tapps.

INSTALLATION OF SIGNS AND BUOYS

For safety purposes, Cascade marked and signed areas on Lake Tapps in which stumps are located by installing buoys that float on the surface just above the stumps.

LAKE LEVEL CONTROL

The refill of Lake Tapps began in mid-February but because of low winter lake levels (less than 530 feet) for dike repairs and the driest March on record, Cascade was not fully able to refill until the first week of May. Once full pool was achieved, it was maintained until October 31. Active drawdown began in November. Cascade plans to only drain the lake down to the 535 to 537 foot range to protect the dikes from winter storms and allow residents to repair and maintain docks and bulkheads.



Protecting the fish as Cascade inspects the entire White River Project

2010 Cascade Conservation Program

Conserving water today means Cascade will not need to purchase as much water and could even develop new supply in the future — this keeps costs to members and ratepayers down. Cascade saved approximately 400,000 gallons per day in 2010 — water that can be used to meet the current demand or left in streams and aquifers. Cascade’s conservation savings are enough to provide water to more than 1,000 homes every day. Cascade was so successful that EPA named Cascade its 2010 WaterSense Promotional Partner of the Year and the American Water Works Association recognized Cascade’s outreach programs.

MAJOR CONSERVATION ACTIVITIES IN 2010

Leak Detection Mailers	95,617
WaterSense Toilet Rebates for Residences	4,600
Commercial WaterSense Toilet Installations	495
Commercial Irrigation System Upgrade Projects	18
Rain Sensor Installations	181
Irrigation System Inspections / Audits	16
WashWise Clothes Washer Rebates	2,300
Commercial Kitchen Upgrades	14
Apartment Showerhead Installations	265
Apartment Aerator Installations	682
Conservation Items Distributed Though On-Line Order Page	2,000
Conservation Items Distributed Through Road Shows	10,000
Conservation Videos Distributed on DVD	1,675



Cascade staff member speaks to Tukwila resident about actions to help conserve water in the home.



Redmond Mayor John Marchione accepts Cascade’s WaterSense Promotional Partner of the Year Award from Nancy Stoner, EPA assistant administrator



Issaquah Middle School students calculated savings from new showerheads and aerators provided by Cascade.

Looking Ahead

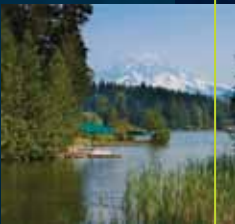
CASCADE’S TRANSMISSION AND SUPPLY PLANNING PROCESS

Cascade updated its water demand forecast and analysis of supply alternatives as part of its long-term planning process. They developed and analyzed a number of supply “portfolios” – combinations of various supply alternatives which to meet projected demand to 2060 and beyond. Six portfolios were initially developed and three were reviewed from the perspective of reliability, cost and risk.

As discussions related to wholesale purchase of water from Seattle Public Utilities (SPU) and Tacoma Water progressed, a preferred portfolio took shape. Cascade could meet members’ demands through continued use of their independent supplies, continued purchases of wholesale water from SPU and Tacoma Water and ultimate development of Lake Tapps as a new regional water supply. This mix of major sources could be supplemented by a variety of smaller sources, such as reclaimed water, enhanced groundwater sources and enhanced conservation efforts. The final plan will be submitted for review and approval by the State Department of Health and King County in 2011.

WORKING WITH THE LAKE TAPPS COMMUNITY

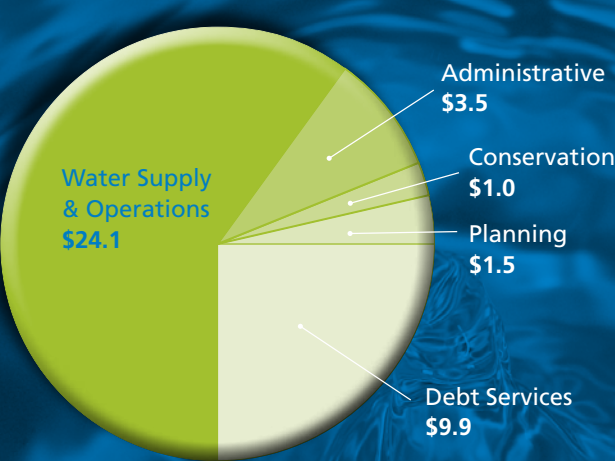
Operating Lake Tapps is a very big job. Only by working with all government agencies that have authorities in, on and around the lake to address health, safety, recreation and other concerns can the lake and the Lake Tapps communities thrive. To that end, Cascade and the other governments initiated a public process that will take residents’ concerns and identify options of addressing the issues. That process got underway in late December with a survey, to be followed up by a series of meetings in the first quarter of 2011, with actions in place by next summer.



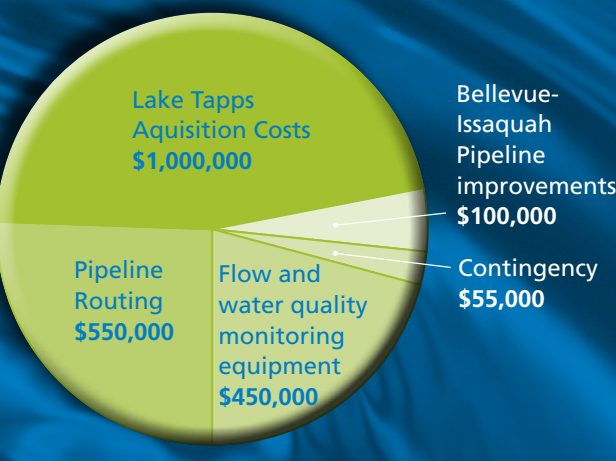
2010 Finance and Budget

Cascade sells water wholesale to its members, which sell water to individual residents and businesses. The Board adopts a biennial budget and sets rates annually.

2010 Operating and Debt Service Budget
\$ in millions (\$40 million total)



2010 Capital Budget
\$ in millions (\$2,155,000 total)



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11400 SE 8th Street, Suite 440
Bellevue, WA 98004

cascadewater.org



2010 ANNUAL REPORT

Water knows no boundaries

That is why, as a region, water utilities are planning together to make the most efficient use of current drinking water supplies before additional supplies are developed. This saves water, the environment and costs.

Planning together means Cascade members will have water in the future; fish will be protected; Lake Tapps will remain a beautiful recreational gem; communities around the lake will also have water for the future, and the region will have certainty of water for both the quality of life and economic vitality.



Planning together today...
for tomorrow