

Lakewood Water District
2001 Water Quality & Annual Business Report



A Message From Your Board of Commissioners

Dear Customers,

On April 3, 2002, the Tacoma-Pierce County Board of Health (BOH) passed its Resolution #2002-3366 mandating that water systems serving 5,000 people or more provide optimally fluoridated water no later than January 1, 2004. This includes Lakewood Water District.

The Washington State Dental Foundation has approved a grant of \$420,000 to assist the affected purveyors in defraying the cost of fluoridation in 2002. The Tacoma-Pierce County Health Department intends to recommend to its Board at their June 2002 meeting that it approve matching funds, for a total of \$840,000. In order to qualify for some of these "implementation funds," a purveyor must sign a letter of intent prior to June 30, 2002 stating it intends to be included in the funding program.

The Lakewood Water District estimates that the implementation funds available to us, should we sign such a letter of intent, would cover less than 30 percent of the initial known costs to us of the program. The funds would not cover unknown costs described in our earlier message to you nor the annual costs of operating the fluoridation program, if it is installed.

Prior to the adoption of Resolution #2002-3366, the Lakewood Water District provided the BOH with our estimate of the costs to us of such a program and the effect of those costs on our rates, urging the BOH to present the issue to a vote of the public. The BOH elected not to do so and instead issued its mandate.

What to do? Our first decision was to seek a legal opinion as to whether or not the BOH has the legal authority to issue such a mandate binding upon the Lakewood Water District. At a special meeting of the Commissioners held on May 21, we received the opinion that the BOH does not have that authority, that state law grants the power to make decisions as to fluoridation of our water exclusively to us as Commissioners of the Lakewood Water District, and that we in turn have the authority either (1) to direct fluoridation or (2) to submit the issue to a vote of the public. The Commissioners do not feel it is appropriate that we direct the application of any chemicals to our water (unless legally mandated as with the recent chlorination issue) without a vote of the public. Consequently, we have decided to do just that. The issue will likely appear on the ballot in November 2002.

We feel the fluoridation issue should be the subject of free and open debate and a vote of the public. We also feel the possible loss of our share of the implementation funds is a risk we are willing to incur, in order to grant to our customers the opportunity to enter into that debate and to exercise their right to vote. We will abide by the results of that vote.

We fully realize the BOH and possibly others will likely not agree with our decision, and it is possible we may have to defend it in court. We are prepared to do so.

Thank you for allowing us to serve you and for your continuing support.

Best regards,
Your Board of Commissioners



Larry Stinson



W. W. Phillips



Bob M. Hultgren



Mission Statement of Lakewood Water District

Lakewood Water District will provide its customers with water service that meets or exceeds all water quality standards, maintaining policies and practices that benefit the health and welfare of the community.

Year 2001 Water Quality Report

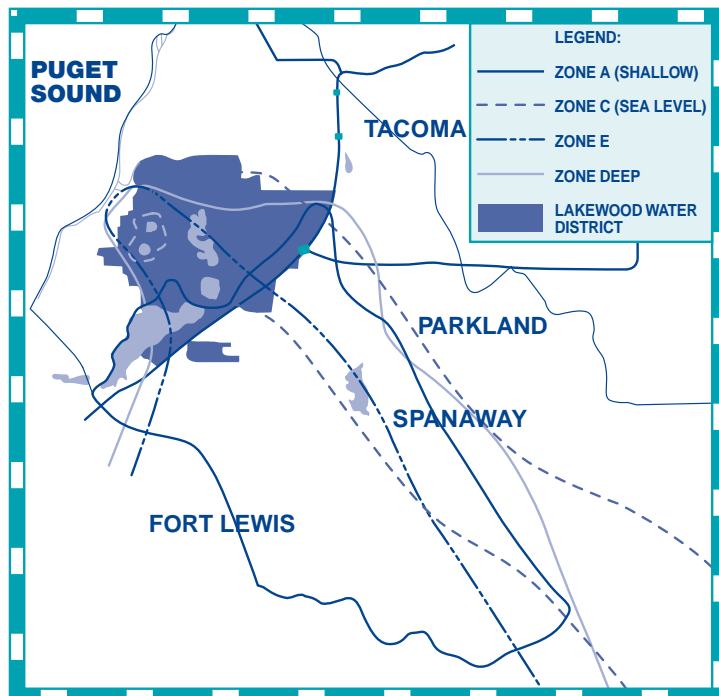
The Source of Our Water

Underground aquifers are the primary source of water in Lakewood Water District. This means that the water you drink is pumped from a series of wells to your home or business via the District's system of pipes and pumps. Currently, Lakewood Water District operates with 31 wells to serve our customers.

The adjacent map shows a view of our service area and an outline of the aquifers from which we draw water.

Since our water comes from underground aquifers, protection of our "wellheads" is very important. Protecting our wellheads means we work hard to secure the integrity of our wells, including keeping them clean and in excellent running condition and not allowing discharge or placement of unhealthy materials into the ground through drainage systems. We also ask our customers to be careful to dispose of hazardous wastes properly so they do not seep into groundwater.

Wellhead protection includes working in concert with the city, county, Department of Ecology and Department of Transportation to ensure we have response and mitigation plans in place to deal with any hazardous material spill which could affect water quality. We must all take care to protect our water source to ensure that our water supply continues to serve us well.



Underground aquifers are the source of water for Lakewood Water District.

For More Information on Water Quality:

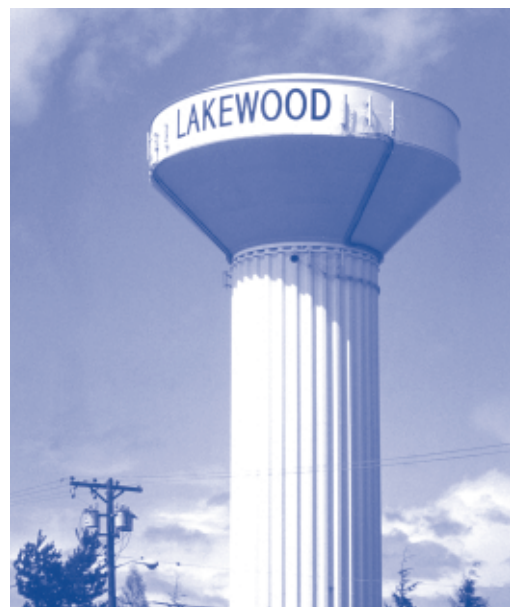
If you would like to learn more about our water, or have questions regarding water quality or what you can do to help keep our water supply clean and safe, please feel free to contact us at Lakewood Water District, or any of the following organizations:

Lakewood Water District
P.O. Box 99729
Lakewood WA 98499-0729
(253) 588-4423
Randall M. Black, General Manager
E-mail: rblack@lakewood-water-dist.org
Web site: www.lakewood-water-dist.org

Washington State Department of Health (WDOH)
Web site: www.doh.wa.gov/ehp/dw

Environmental Protection Agency (EPA)
Web site: www.epa.gov/safewater
Safe Drinking Water Hotline:
1-800-426-4791

Safe Drinking Water E-mail:
hotline-sdwa@epa.gov



Monitoring Your Water Quality

Lakewood Water District staff take great care to monitor the quality of your water to ensure you have the safest, cleanest possible water supply. We follow regulations of the Washington State Department of Health under the Safe Drinking Water Act. Each week, we conduct tests of the water at the source and during the treatment and distribution processes.

The table in this report shows the few compounds detected in the water, along with their detection levels and typical sources. Samples are taken and tested both at our own facility and at independent, state-certified testing laboratories.

Because our source water is underground aquifers, and therefore considered at a low level for possible contaminants, some testing parameters have reduced monitoring requirements. The levels indicated in the following chart are for the 2001 calendar year. If a level was not tested in 2001, levels indicated are for the most recent testing period.

Lakewood Water District tests for many contaminants not listed in our regular water quality testing program.

Most of the tests show no detectable levels. A complete list of those items for which we test, but which are undetected, is available at the District office.

Information from the EPA

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's Safe Drinking Water Hotline (800-426-4791).

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their healthcare providers.

EPA/CDC guidelines on appropriate means to lessen the risk of infections by *cryptosporidium* and microbial contaminants are available from the Safe Drinking Water Hotline (800-426-4791).

Arsenic in Your Drinking Water

Arsenic in your drinking has been reported at less than 10 parts per billion (ppb).

This means that your drinking water currently meets EPA's newly revised drinking water standard for arsenic. In the future, your Consumer Confidence Report will reflect improved laboratory methods that will more accurately detect the level of arsenic (if any) in your drinking water. EPA believes that consumers should be aware of the uncertain health risks presented by very low levels of arsenic. EPA's standard balances the current understanding of arsenic's health effects against the costs of removing arsenic from drinking water.

Lead and Copper in Drinking Water

Lakewood Water District water meets or exceeds all governmental standards regarding lead and copper in drinking water.

The government requires that we test for these elements because significant levels can pose health risks. Infants and children who drink water containing lead in excess of the action level could experience delays in their physical or mental development. Children could show slight deficits in attention span and learning abilities. Adults who drink this water over many years could develop kidney problems, high blood pressure, or may be at an increased risk of getting cancer.

The primary sources for potential lead and copper in drinking water are homes built or replumbed with copper pipes prior to 1985, when lead-based solder was banned. If your home or building is "high risk," you may want to flush water that has been standing for six hours or longer, prior to using it for cooking or drinking. Many people flush until they notice the temperature change – usually less than 30 seconds. Use water-wise practices, though, and use flushed water for watering plants or washing dishes. You should never use HOT water for cooking or drinking, or making baby formula, because hot water can dissolve metals faster.

If your home does not meet the Environmental Protection Agency's "high risk" criteria, you may still be at some risk from lead leaching from brass faucets. You only need to run 6-8 ounces of water to flush what is inside the faucet.



Regulated and Unregulated Contaminants Monitoring Data Tables

This table reflects the maximum allowed levels of certain contaminants, and the levels experienced in Lakewood Water District.

Definitions:

MCLG: (Maximum Contaminant Level Goal) The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

MCL: (Maximum Contaminant Level) The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.

Treatment Technique: "A required process intended to reduce the level of a contaminant in drinking water."

AL: (Action Level) The concentration of a contaminant which triggers treatment or other requirement which a water system must follow.

ND: Not Detected

NA: Not Applicable

ppm: parts per million, or milligrams per liter (mg/l)

ppb: parts per billion, or micrograms per liter (ug/l)

1 mg/L = 1000 ug/L

For aqueous (water) samples:

1 mg/L = 1 part per million (ppm)

1 ug/L = 1 part per billion (ppb)

ug = micrograms

| SUBSTANCE | MCL | HIGHEST LEVEL DETECTED | MCLG | TYPICAL SOURCES | DETECTED RANGE |
|--|-------------------------------|--------------------------------------|---------|-----------------------------|---|
| <i>Samples 2001</i> | | | | | |
| Nitrates | 10 ppm | 2.3 ppm | 10 ppm | Erosion of Natural Deposits | .2—2.3 ppm |
| Total Trihalomethane Potentials T.H.M.P. | 80 ppb | 65.3 ppb | 0 | Disinfection Interaction | 21.6—65.3 ppb |
| Total Coliform | Less than 5% Positive A Month | .07% (Repeat sample tested negative) | 0 | Bacterial Regrowth | Oct. 2001 one sample detected .07% coliform, but no detection with repeat sample taken within 24 hours. |
| Arsenic | 50 ppb | 7 ppb | None | Erosion of Natural Deposits | Under 5 ppb — 7 ppb |
| <i>Samples Last 5 Years</i> | | | | | |
| Lead | 15 ppb | Less than .2 ppb | 0 | Household Plumbing | All samples were under .2 ppb |
| Copper | 1.3 ppm | .57 ppm | 1.3 ppm | Household Plumbing | .04—.57 ppm |

As noted in the chart above, all of the elements for which we test either met or exceeded federal and state standards. A complete Source Water Assessment card is available at the District office. All substances that have been tested for and found to have a positive detection in the last 5 years are included in the report.

Our testing schedule is as follows:

Nitrate: Annually

Radionuclides: Every 4 years. Last done in 2000, with no violation. Next testing due in 2004.

Trihalomethane Potentials (for ground water): Annually

Lead & Copper: Every 3 years at residential water tap. Done in 1999, due again in 2002.

Coliform: 70 samples a month. See Chart

E. Coli: 70 samples a month. No detections in 2001.

Arsenic: Scheduled samples were taken in 2001. All were under the current MCL level of 50 ppb and the proposed MCL of 10 ppb. In 2000,

Lakewood Water District also took the initiative to test lower than the proposed EPA level of 10 ppb. All samples were under 5 ppb, except one sample at 7 ppb.

Asbestos: Every 3 years. Taken in 1999 with no detections. Due again in 2002.

Volatile Organic Chemicals: Tested for in 1999 with no detections. Due 2002.

***Inorganics** - Tested in 2001. No violations. Due 2004.

*The EPA and State offered Lakewood Water District and other qualified water systems an inorganic monitoring waiver for the 1999 – 2001 monitoring period. The waiver is based on source susceptibility, water quality history and that such a waiver would not result in an unreasonable risk to health. Lakewood Water District chose not to request the waiver. We feel the information we receive from the tests helps to ensure the quality of water in our District.

LAKWOOD WATER DISTRICT ANNUAL BUSINESS REPORT

CAPITAL AND REPLACEMENT RENOVATION PROJECTS FOR 2002

During 2002, Lakewood Water District will be constructing the last two of its four planned manganese removal filtration plants. Manganese is a common mineral, typically found in deep wells, which can sometimes appear as a brown discoloration on plumbing fixtures. These plants will allow the District to reduce the amount of flushing and time necessary to remove manganese.

The two tentative plant sites for 2002 are the District's headquarters office property and the U-1 Country Place well site. One should be under construction later this year and the other should begin at the end of year with finish work scheduled in 2003. The District is able to pay for all four of these treatment plants by using funds provided through the State by way of the Public Works Trust Fund. The District pays 15 percent, and the remaining monies come from PWTF loans at a 1 percent interest rate. This provides a tremendous savings to our rate payers. The estimated cost for the two plants is \$750,000 each.

The District has begun construction of recirculation systems on five of the District's storage tanks. These systems will improve water quality aspects, such as odor and taste, after chlorine has been added. These projects are scheduled to be completed by the fall of 2002. The cost for the project is approximately \$650,000.

In late 2002 the District will begin the process of updating its Water Comprehensive Plan. This plan is a five-year strategy which guides and implements capital and replacement projects for upcoming years as well as financial planning and other system improvements. As part of the planning process in 2003, we will encourage the public to give their comments regarding these improvements. The District will continue to carefully manage District affairs in order to review and mitigate all rate impacts. The Comprehensive Plan should be finished by the end of 2003.

Status of 2001 Capital Projects:

The Deepwood Treatment Plant is on line and currently at a production level of one million gallons of water a day. We are very pleased with the performance of this plant. The Angle Lane water treatment plant is currently under construction with completion due in mid 2002. These two treatment plants were scheduled at \$600,000 each and are tracking to come in on-budget.

Completed Replacement and Renovation Projects in 2001:

- Brook Lane R&R—3580 feet of water main with five hydrants and 69 service lines for a cost of \$287,000.
- Wildaire Road R&R—5700 feet of water main with ten hydrants and 72 service lines for a cost of \$439,000.
- Terry Lake Road R&R—1250 feet of water main with two hydrants and 13 service lines for a cost of \$80,372.

Replacement and Renovation Projects for 2002:

In 2001 the District began its touch-reach meter replacement program which will replace all current registers with an electronic version that allows our meter readers to walk up to a meter box, touch a sensor pad, and receive usage information. The District will implement this project over the next three years, at an approximate cost of \$1.2 million. District studies have shown, for every one manually-read meter, three touch-reach meters can be read.

The District will be designing a replacement for the Hemlock Standpipe Tank, located between Hemlock Street and Sharon Street, off 104th Street. Because this tank feeds a high-pressure zone in the area, expansion necessitated the replacement of the current 100,000-gallon tank with a much larger tank to meet fire flow, summertime usage, and system demands. The District will solicit input from its customers on the design and look of this new tank, projected for construction in 2003.

Also in this area, the District will be redeveloping an existing well to bring it up to current high-production standards, enabling us to have additional sources of supply, both for the District's high-pressure area and the normal-pressure zones. The design and engineering of the Hemlock tank will cost approximately \$180,000, and the rehabilitation and replacement of Hemlock well L-1 is estimated at \$110,000.

In the wake of last year's terrorism attack, the District has scrutinized its facilities and has budgeted for a number of security improvements, including lighting, additional warning alarms, and other measures. We have worked with the Lakewood Police to help in the review of these security measures, and the District has set aside \$20,000 for these improvements.

The District's maintenance facilities, including the shop for the field staff, are over 30 years old and do not adequately meet the needs of the employees of Lakewood Water District. As part of last year's 2001 budget, we had scheduled to go forward with plans and remodeling designs for this facility, but because of monetary cutbacks, this project was delayed for a year. In 2002, the District will be doing the planning and design, with construction occurring in 2003, for an estimated cost of \$360,000.

During 2002, we have also scheduled three water main replacements and service line projects. The first project is the 111th Street water main replacement. The other two projects will be in the area between Gravelly Lake Drive and 112th Street. This will be the final work needed to complete the entire block improvement area. The next project will move us over into the American Lake area off Veteran's Drive and will encompass Naomi Lawn, Alameda, Dolly Madison, and Francis Folsum, just to name a few. The total cost for these three projects will be approximately \$750,000.

2001 Completed Other Projects:

- Telemetry System upgrade for better communication for the Lakewood Water District pumping system.
- Replacement of four starters on District wells.
- Automatic transfer switching at the District office and Hemlock Hill well site. This upgrade will allow our generators to start automatically during a power outage to keep these important sites running without delay until District personnel arrive.
- Video inspection and cleaning of Forster-Dunbar & Western State reservoirs.
- Replacement of aerating media and cleaning of aeration towers at Ponders well site.
- District crews have upgraded about 1000 water meters so they can be read with a touch-read wand instead of opening the meter box. This will allow for better accuracy.

2002 Completed Projects:

- District crews have laid new main and installed new services and fire hydrants at Lakewood Towne Center.
- Installed new main and 22 water services at Country Place Condominiums.

**LAKEWOOD WATER DISTRICT
BALANCE SHEET
YEAR ENDED DECEMBER 31, 2001
(unaudited)**

| | |
|--|------------------|
| ASSETS | |
| Utility Plant in Service | \$41,098,525 |
| Accumulated Depreciation | (13,347,477) |
| Net Utility Plant | \$ 27,751,048 |
| CURRENT ASSETS | |
| Cash | 1,369,858 |
| Investments | 4,875,000 |
| Accounts Receivable | 206,126 |
| Materials Inventory | 76,726 |
| Pre-Payments | 228,054 |
| Interest Receivable | 113,061 |
| Total Current Assets | \$6,868,825 |
| Deferred Debits | 68,124 |
| TOTAL ASSETS | \$34,687,997 |
| LIABILITIES & EQUITY | |
| Unappropriated Retained Earnings | \$13,885,402 |
| CURRENT LIABILITIES | |
| Accounts Payable | \$212,447 |
| Customer Deposits Payable | 124,103 |
| Accrued Liabilities | 65,264 |
| Total Current Liabilities | \$401,814 |
| Deferred Credits | 4,917 |
| Bonds Payable | 4,975,000 |
| Contributions in Aid of Construction | 15,420,864 |
| TOTAL LIABILITIES & EQUITY | \$34,687,997 |

FINANCIAL REPORT

The State auditors have completed their review of our 2000 financial statements, and Lakewood Water District is pleased to report that once again on the State Auditor's Report on Financial Statements, the independent review of our operations show no "findings." A copy of the 2000 annual report can be obtained at the District office.

RATE INCREASE EFFECTIVE APRIL 1, 2002

The Board of Commissioners carefully monitor the expenditures and revenues of the District on an ongoing basis. The District has experienced increased power rates from our electricity providers raising our pumping costs by 30 percent from previous years. As a result, the Board of Commissioners has enacted a 10 percent rate increase effective April 1, 2002.

The first bills to reflect the rate increase will be June 1, 2002. Lakewood Water District rates still remain the lowest in the area. Please see the chart on the next page.

NEW ONLINE PAYMENT AVAILABLE

The District offers an easy means for paying your bi-monthly water bill with electronic funds payment. This system allows individuals the opportunity to have their payments deducted directly from their bank accounts. This payment program has successfully been in use for over a year and continues to grow in popularity with our customers.



If you would like to take advantage of this convenient way to pay your bill, application forms can be found on our web site (www.lakewood-water-dist.org) or at the District Office.

Comparison of Lakewood Water District Rates with Surrounding Utilities Residential Costs for Water — Two Month Bill — With 10.00% Rate Increase

| Company Name | Min Svc Charge | Cost per 100 Cu Ft | Total Charge For 1500 Cu Ft |
|--|----------------|--|---|
| Lakewood Water District | \$0.00 | 0-800 cu ft = \$12.65 (Base Rate) 800-2000 cu ft @ \$.65 Over 2000 cu ft @ \$.87 | 700 @ \$.65 = \$4.55 Base Rate = \$12.65 Total = \$17.20 |
| Parkland (253-531-5666) | \$12.00 | \$.60 per 100 cu ft | 1500 @ \$.60 = \$9.00 Svc. Chrg. = \$12.00 Total = \$21.00 |
| Tacoma (Inside City) (253-383-9600) | \$15.36 | \$.693 per 100 cu ft except June thru Sept. when all water used over 500 cu ft is charged @ \$.866 | WINTER: 1500 @ \$.693 = \$10.40 Svc. Chrg. = \$15.36 Total = \$25.76 SUMMER: 500 @ \$.693 = \$3.47 1000 @ \$.866 = \$8.66 Svc. Chrg. = \$15.36 Total = \$27.49 |
| Dupont (253-964-8121) Ex. # 385 | \$0.00 | 0-1000 cu ft = \$32.00 (Base Rate) Over 1000 cu ft @ \$1.12 | 500 @ \$1.12 = \$5.60 Base Rate = \$32.00 Total = \$37.60 |
| Spanaway (253-531-9024) | \$19.50 | 50-1000 cu ft @ \$.70 1000-4999 cu ft @ \$.90 5000 cu ft and over @ \$1.10 Over 7500 cu ft @ \$1.20 | 1000 @ \$.70 = \$7.00 500 @ \$.90 = \$4.50 Svc. Chrg. = \$19.50 Total = \$31.00 |
| Tacoma (Outside City) (253-383-9600) | \$18.44 | \$.832 per 100 cu ft except June thru Sept. where all water used over 500 cu ft is charged @ \$1.04 | WINTER: 1500 @ \$.832 = \$12.48 Svc. Chrg. = \$18.44 Total = \$30.92 SUMMER: 500 @ \$.832 = \$4.16 1000 @ \$1.04 = \$10.40 Svc. Chrg. = \$18.44 Total = \$33.00 |
| Steilacoom (253-581-1900) | \$10.32 | \$2.92 per 100 cu ft | 1500 @ \$2.92 = \$43.80 Svc. Chrg. = \$10.32 Total = \$54.12 |

LAKWOOD WATER DISTRICT ON THE WEB

For those of you with Internet access, we invite you to visit the District's Web site at www.lakewood-water-dist.org.

NEED EXTRA COPIES OF THE LAKEWOOD 2001 WATER QUALITY AND ANNUAL REPORT?

If you would like extra copies of the Lakewood Water District 2001 Water Quality and Annual Report for your office or residence, please call the District office at 253-588-4423.



P.O. Box 99729
Lakewood WA 98499-0729

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