

A Message From Your Board of Commissioners

Dear Lakewood Water District Customers:

In "The Pipeline," our "newspaper" mailed to customers each quarter, we try to keep you up-to-date on the major happenings in and about the District. If we have done an adequate job in those reports, this one is probably not particularly necessary. However, our staff insists that we come up with something for your reading pleasure in this District Water Quality and Annual Business Report. While discussion of the issues of global warming, goosuck farming, and the search for shelter for the homeless Supersonics as they relate to water quality could fill several pages, we have decided instead to simply summarize the high (or low) lights of the District during the past year.

We completed the remodeling and expansion of our headquarters facility on Gravelly Lake Drive and celebrated it with an open house attended by suppliers, other water purveyors, and some customers. We are delighted with the results. Our operations, both office and field, have benefited greatly. The new water tank on Hemlock Hill was essentially completed, thereby adding much needed fire flow to the area it serves.

Considered by some a "low light," we adopted a 9.5% rate increase effective during 2007 and, in addition, agreed with the City of Lakewood to the terms of a franchise agreement which, among other things, imposed a franchise fee upon our retail customers living within the City limits of Lakewood. The rate increase will help us maintain the level of service and water quality you are accustomed to in the midst of significant rises in the cost of doing business; and, although we would have preferred to avoid a franchise fee, we are pleased to work with the present City government and to have a long-term agreement in place that includes protection from assumption. As always, our continued commitment is to provide you with the highest quality water possible, at the lowest rates around.



We continued this past year to pursue governmental approval of our acquisition from the owners of the Abitibi Mill in Steilacoom of the balance of their water rights after our prior purchase of substantial water rights from them in 2005. Our reason for doing so is to ensure adequate water for our customers for decades to come as well as to allow us to realize a profit from the sale of our excess water to nearby water companies. The demand for water is growing, and to the extent we have water to sell, the purchase of water rights when they become available is an investment which will generate positive net revenue for the District, allowing us to buy down future rate increases.

We are presently exploring the various possible answers to the question, "How do we get our excess water for sale from Lakewood Water District to our wholesale customers?" We are well into the planning stages of the construction of a possible transmission water main and support facilities necessary to deliver water to our potential wholesale customers in eastern Pierce County. We have recently acquired property on which we could construct a booster pump station to help "boost" the water from "Point A to Point B" at a place of higher elevation along the route of the main. This main will give us the ability to provide water to those communities who have expressed interest in obtaining wholesale water from the District.

As you may realize, the availability of water directly affects development. With the ever increasing demand for housing and commercial development as the County population grows, this resource is a vital and valuable one which, to the extent we own and can provide it, will be extremely beneficial to the District and its customers.

We are proud to report the completion of another "squeaky clean" audit this year. For some, an audit exit conference is not necessarily a favorably anticipated occasion, but for the president of this board, it has been a pleasure to attend year after year, receiving many compliments and high praise from the State Auditor's Office regarding the District's excellent financial and accounting policies, procedures, and practices. The 2005 Audit was the District's 11th audit in a row to have zero audit findings. Many thanks and "kudos" to our General Manager, Finance Director, and the remainder of our staff.

It is a continuing honor for us and our staff to serve you. Have a great summer.

Your Board of Commissioners

Where Does Your Water Come From?

Your water comes from underground aquifers. This means the water from your taps is pumped from a series of 29 active wells to your home or business through over 250 miles of Lakewood Water District water main pipes.

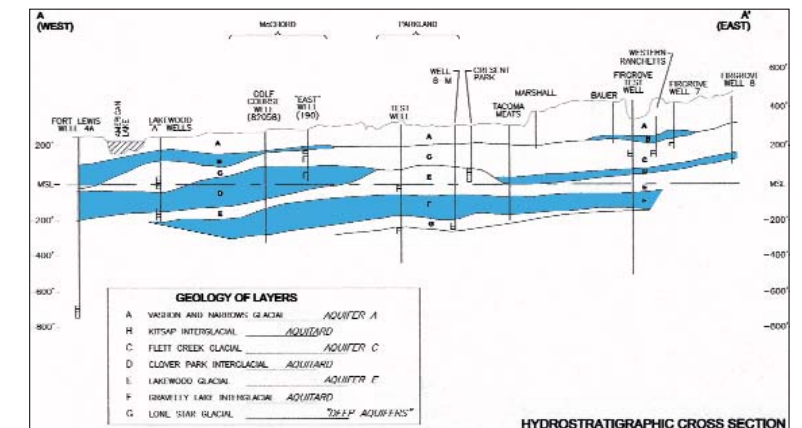
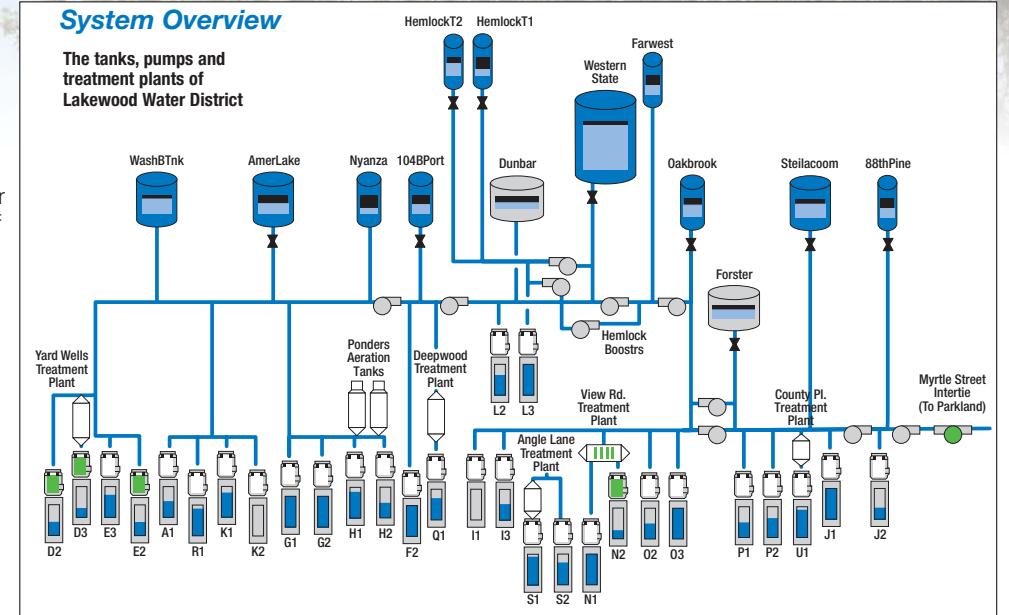
The two graphics show the location and depth of the aquifers from which we draw water and the system of wells and water storage tanks Lakewood Water District operates to serve our customers.

Because our water comes from underground aquifers, protection of our "wellheads" is very important. We work hard to secure the integrity of our wells, including keeping them clean and in excellent 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 properly dispose of hazardous wastes so they do not seep into the groundwater.

We work closely with the city, county, Department of Ecology and Department of Transportation to ensure we have emergency response and mitigation plans in place to deal with any hazardous material spill that could affect water quality. It takes all of us to protect our water source to ensure that our water supply continues to serve us well.

System Overview

The tanks, pumps and treatment plants of Lakewood Water District



Monitoring Our Lakes and Streams

Lakewood Water District continually monitors the lakes and streams in our service area as many of our lakes have been identified as surface expressions of the area's groundwater aquifers. To better understand lake response to regional precipitation and interpret shallow aquifer response to lake water level changes, we use a series of gauges installed on five local lakes and two streams.

Lakewood Water District staff members collect monthly water level measurements in cooperation with the Pierce County Stream Team. In addition, the District works in cooperation with the Tacoma-Pierce County Health Department's long-term groundwater monitoring program. The District uses the generated data as part of our aquifer management program and as a regional data source for short- and long-term watershed planning.



Wellhead testing for safety



Your Lakewood Water District staff working hard for you



Lakewood Water District on the Web

The District website: www.lakewood-water-dist.org offers customers convenient access to information such as:

- wise water use
- rates
- service questions
- permit requirements
- agendas and minutes
- automatic payment forms
- employment information

We encourage you to visit us either in person or on the Web.

Need More Copies of the Lakewood Water Quality and Annual Report?

If you would like extra copies of this year's Lakewood Water District Water Quality and Annual Report for your office, multifamily residence, library or organization, please call the District office at 253-588-4423.



Meter Reading

Lakewood Water District uses a touch-read/radio system for accuracy and efficiency.



Our New Hemlock Tank

Together, our two new Hemlock tanks provide improved fireflow to LWD customers.



Locating

LWD staff work closely with customers to locate utilities before construction projects.

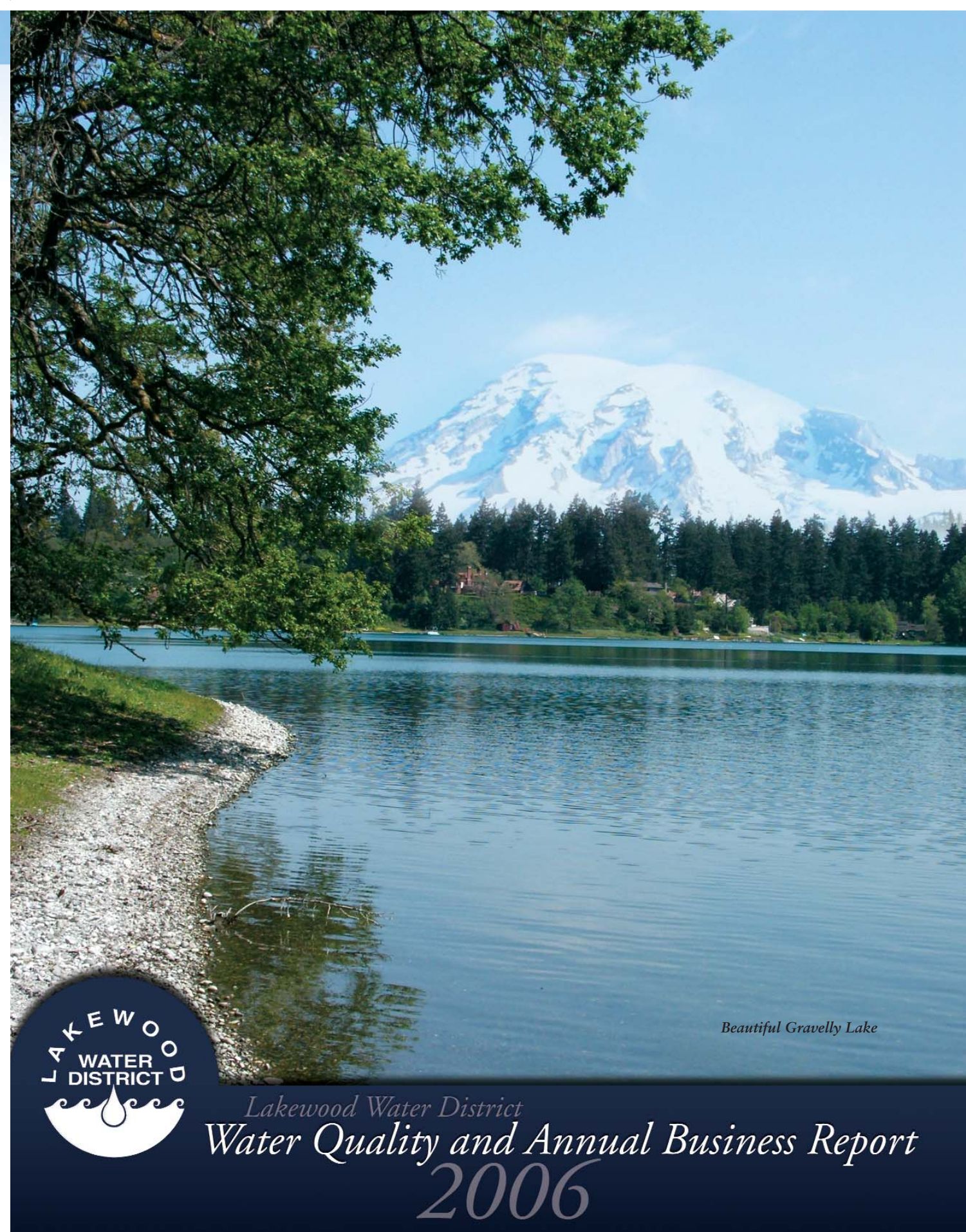
Comparison of Lakewood Water District Rates with Surrounding Utilities Two-Month Billings of Residential Costs for Water as of May 22, 2007

Company Name	Min Svc Chg for 5/8" meter	Cost per 100 Cu Ft	Total Charge For 1500 Cu Ft
Lakewood Water District (588-4423)	\$15.17 base rate 0-800 cu ft	0-800 cu ft = \$15.17 (Base Rate) 801-2000 cu ft @ \$.77 Over 2000 cu ft @ \$1.04	700 @ \$.77 = \$5.39 Base Rate = \$15.17 Total = \$20.56
DuPont (964-8121) Ext. # 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
Parkland Mutual Water Co. (531-5666)	\$15.60	\$.78 per 100 cu ft	1500 @ \$.78 = \$11.70 Svc. Chg. = \$15.60 Total = \$27.30
Spanaway Water (531-9024)	\$24.00 (base rate of \$14 + EPA charge of \$4.00 + capital projects fee of \$6)	0-500 cu ft @ \$.55 501-1500 cu ft @ \$.80 1501-2500 cu ft @ \$1.00 2501-4000 @ \$1.25 4001-7500 @ \$1.50 7501 and over @ \$1.75	500 @ \$.55 = \$2.75 1000 @ \$.75 = \$7.50 Svc. Chg. = \$24.00 Total = \$34.25
Steilacoom (581-1912)	\$30.64	\$2.11 per 100 cu ft	1500 @ \$2.11 = \$31.65 Svc. Chg. = \$30.64 Total = \$62.29
Summit Water & Supply Co. (537-7781)	\$37.02	0-4000 cu ft @ \$1.10 4001-6000 cu ft @ \$1.75 Over 6000 cu ft @ \$2.10	1500 @ \$1.10 = \$16.50 Svc. Chg. = \$37.02 Total = \$53.52
Tacoma Water (Inside City) (383-9600)	\$27.48	\$1.12 per 100 cu ft except June thru Sept., when all water used over 500 cu ft is charged @ \$1.40	WINTER: 1500 @ \$1.12 = \$16.80 Svc. Chg. = \$27.48 Total = \$44.28 SUMMER: 500 @ \$1.12 = \$5.60 1000 @ \$1.40 = \$14.00 Svc. Chg. = \$27.48 Total = \$47.08
Tacoma Water (Outside City) (383-9600)	\$32.98	\$1.35 per 100 cu ft except June thru Sept., when all water used over 500 cu ft is charged @ \$1.68	WINTER: 1500 @ \$1.35 = \$20.25 Svc. Chg. = \$32.98 Total = \$53.23 SUMMER: 500 @ \$1.35 = \$6.75 1000 @ \$1.68 = \$16.80 Svc. Chg. = \$32.98 Total = \$56.53



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Beautiful Gravelly Lake



*Lakewood Water District
Water Quality and Annual Business Report
2006*

Water Main Projects Completed

The following projects were completed in late 2006 to early 2007.

Lakeview Elementary School at 10501 47th Avenue SW—960 feet of 8-inch water main, 3 fire hydrants, and 9 main valves were installed.

Boys & Girls Club at 10501 47th Avenue—151 feet of 8-inch water main, 1 fire hydrant, and 2 main valves were installed.

Tanner Village at 8943 Gravelly Lake Drive, SW—675 feet of 8-inch water main and 77 feet of 6-inch main were installed, along with 3 fire hydrants and 5 main valves.

Lakewood Corp Warehouse Phase 2 at 112th Street & South Tacoma Way—1,123 feet of 8-inch water main and 105 feet of 6-inch main were installed, along with 5 fire hydrants and 12 main valves.

Lakewood Ford Dealership at 11517 Pacific Highway—1,051 feet of 8-inch water main and 80 feet of 6-inch main were installed, along with 4 fire hydrants and 8 main valves.

Sound Transit at 11424 Pacific Highway—1,200 feet of 8-inch water main and 40 feet of 6-inch main were installed, along with 3 fire hydrants and 5 main valves.

WalMart at 7001 Bridgeport Way—4,167 feet of 12-inch water main and 64 feet of 8-inch main were installed, along with 8 fire hydrants and 22 main valves.

Meadow Park Golf Course at 7108 Lakewood Drive—1,696 feet of 12-inch water main, 1 fire hydrant, and 4 main valves were installed.

Macau Casino at 9811 South Tacoma Way—563 feet of 8-inch water main and 10 feet of 6-inch main were installed, along with 1 fire hydrant and 6 main valves.

Summary: 2.3 miles of water main, 29 fire hydrants, and 73 main valves were installed. To date, this brings the District's system totals to over 250 miles of water main and approximately 2000 hydrants.

How We Keep Your Water Safe

Lakewood Water District works hard every day to provide you with the highest quality of water. We want you to have the safest, cleanest, best-tasting water supply possible. We follow the regulations of the Washington State Department of Health under the Safe Drinking Water Act.

Every week, we conduct tests of the water at its source and during the treatment and distribution processes.

Your water meets or exceeds all standards for safety. The chart in this report shows the few compounds detected in the water, along with their detection levels and typical sources of those elements. Samples are taken on a regular basis and tested both at our own facilities and at independent, state-certified testing laboratories.

Because our water source is underground aquifers, and therefore considered at a low risk for possible contaminants, some testing parameters have reduced monitoring requirements. The chart includes how many samples are taken per year, the last year samples were taken, the results of those samples, and the next sample year.

Lakewood Water District tests for many possible 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.

We Meet or Beat EPA Standards

Lead and Copper Levels

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

The government requires that we test for these elements, because significant levels can pose health risks. Infants and children who drink water that contains 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 risk of getting cancer.

The primary sources for potential lead and copper in drinking water are homes built or re-plumbed 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 that flushed water for watering plants or washing dishes. You should never use HOT water for cooking, 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.

Low, Natural Levels of Arsenic

Your drinking water meets the EPA's drinking water standard for arsenic. It does contain a very low level of arsenic, but this naturally occurs as a result of runoff from natural deposits. There is a small chance that some people who drink water containing low levels of arsenic for many years could develop circulatory disease, cancer, or other health problems.

Most types of cancer and circulatory disease are due to factors other than exposure to arsenic. The EPA's standard balances the current understanding of arsenic's health effect against the costs of removing arsenic from drinking water.



Regulated and Unregulated Contaminants Monitoring Data Tables

The table below reflects the maximum allowed levels of certain contaminants and the levels experienced in Lakewood Water District. "Not listed" are 63 volatile organic chemicals that we tested for, all resulting in either Not Detected or well below the MCL."

Sample Type	Samples Taken per Year	Last Sample Year	Next Sample Year	MCL (maximum level allowed)	Highest Level Detected	Detected Range	Number of Samples MCL	MCLG	Typical Sources
Arsenic	22 every 3 yrs	2004	2007	10 ppb	<3 ppb	<2 ppb -<3 ppb	0		Erosion of natural deposits
Asbestos	3 every 3 yrs	2006	2009			No structures detected	0	0	Friable fibers
Copper	30 every 3 yrs	2005	2008	1.3 ppm AL	.26 AL	.03 - .26 AL	0	1.3ppm AL	Household plumbing
Fecal Coliform	840 per yr	2006	2007	0	ND	ND	0	0	Human and animal fecal waste
Total Coliform	840 per yr	2006	2007	<5% positive	ND	ND	0	0	Found throughout the environment
Haloacetic Acids	4 per yr	2006	2007	60 ppm	1.5 ppb	ND - 1.5 ppb	0	0	Byproduct of drinking water disinfection
Lead	30 every 3 yrs	2005	2008	15 ppb AL	.003 AL	<.002 - .003 AL	0	0	Household plumbing
Nitrates	22 per yr	2006	2007	10 ppm	2.1	<0.2 - 2.1	0	10 ppm	Erosion of natural deposits
Perchlorate	As determined by the State	2002		Not Regulated	6 ppb	ND - 6 ppb			Oxidants
Radium 228	22 every 4 yrs	2003	2007	5pCi/L	ND	ND	0	0	Erosion of natural deposits
Total Trihalomethanes	4 per yr	2006	2007	80ppm	5.8 ppb	0.7 - 5.8 ppb	0	0	Byproduct of drinking water disinfection

Our testing resulted in no violations.

Due to the consistent high quality of water in the District, the Washington State Department of Health has awarded testing waivers for Synthetic Organic Chemicals. All of the elements for which we tested in 2006 either met or exceeded federal and state standards. Complete Source Water Assessment information is available at the District office.

Important Information from the Environmental Protection Agency

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 at (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 at (800) 426-4791.

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

pCi/L: Pico Curie per Liter

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



District Projects 2006-2007

New Hemlock Tank

The new 7-million-gallon tank and booster station were completed and on-line August 11, 2006. The state-of-the-art booster station, situated inside the base of the tank, not only supplies water to the new tank, but supplies the Farwest Boulevard tank and its surrounding area as well. The additional water storage resulted in no loss of service or pressure in the area during the prolonged power outages resulting from the severe storms of 2006/07. We are very pleased with the end result and are proud to report this project came in under budget.



Shop Remodel & Office Addition

The shop remodel and office addition project was completed in June of 2006, much to the relief and gratitude of the District staff. This first-rate facility, constructed by Christensen, Inc., will serve the District well for years to come. We are proud to report this project also came in under budget, a testament to close oversight and good construction management by our staff. We hosted an Open House in September for the public to tour the new facilities; it was well attended and enjoyed by all.



J-2 Well Replacement

Notwithstanding some sand issues, the J-2R well drilling project is reaching completion. The well is approximately 630 feet deep. Once the final development is finished, a building will be constructed to house the pump facilities. The pump building is scheduled to be built in the fall of 2007.



The new J-2R well will play an integral role in the development of the District's new improved pressure zone for the northeast quadrant of its service area. The engineering for the zone will be completed by the fall of 2007 with construction scheduled for the winter/spring of 2008. The area affected includes Sylvan Park, Wards Lake, and much of the South Tacoma Way area north of the 512/I-5 intersection.



Hazard Mitigation Plan...LWD is NIMS Compliant

The District continues to work with Pierce County to develop its Hazard Mitigation Plan. Having a plan will allow the District to apply for mitigation funding from the Department of Homeland Security to be better prepared in the case of a disaster or emergency. Grant money can be used for such projects as retrofitting tanks with seismic adaptors and strengthening District buildings. As a part of this endeavor, District personnel have attained their NIMS (National Incident Management System) certifications. NIMS training enhances an organization's ability to communicate both internally and with other jurisdictions during an emergency. The Pandemic Flu Preparedness Plan and the Continuity of Operations Plan have been completed and added to the District's Emergency Response Plan. We are working to serve you effectively while maintaining a safe working environment for our staff.

New Wholesale Water Transmission Main

The District continues to explore the possibilities for transmission of wholesale water to potential customers in Pierce County. Construction of a new wholesale water transmission main from Lakewood Water District to Summit Water & Supply Co. may begin as early as late 2007. A route has been determined, and a property has been purchased to facilitate a booster station that would be needed at a key location along the route. A SEPA review was completed in April resulting in a Determination of Non-significance. The District continues to move forward with the necessary environmental permitting requirements on the state, county, and local levels. Wheeling the District's excess wholesale water to other purveyors in Pierce County will benefit those wholesale customers by way of supplying needed water supply, and it will benefit the District's existing customers by way of increased District revenue resulting in fewer and/or lower rate increases in the future.

Future Projects

The District will be continuing to move forward in meeting the system's operational needs as well as fire flow improvements in the areas of Steilacoom Boulevard and Lakeview Avenue, amongst others. The District will continue to work in conjunction with the City of

Lakewood roadway improvement projects in older areas of our system, using that opportunity to increase fire flow and upgrade aging mains, services, hydrants, and valves.

Lakewood Water District Balance Sheet

Year Ended December 31, 2006 (unaudited)

ASSETS

Total Utility Plant	42,518,824
Cash	1,404,670
Temporary Cash Investments	9,315,000
Other Current Accrued Assets	931,118
Total Current Assets	11,650,788
Deferred Debits	488,071
Total Assets	\$54,657,682

CURRENT LIABILITIES

Current Liabilities	1,328,992
Deferred Credits	4,917
Contributions in Aid of Construction	15,066,468
Bonds Payable	17,553,351
Unappropriated Retained Earnings	20,703,954
TOTAL LIABILITIES & EQUITY	\$54,657,682

Coming Soon to a Computer Near You...

The District is pleased to announce it is about to embark on a new Internet-based program called Citizen Web that will provide on-line opportunities to you, our customers, to view your account, pay your bill, or request various services. Stay tuned for the announcement of Citizen Web's soon arrival at a computer near you!

In the meantime, the District continues to accept VISA or MasterCard credit or check card payments, making it available for our customers to pay their bill in person or over the phone. And, as always, we continue to offer the convenience of our Automatic Bill Payment Service, where your payment is automatically deducted

from the account you designate. To sign up for Automatic Bill Payment, you can contact the District Office at 588-4423 or download the application from the District Web site at: www.lakewood-water-dist.org.



Another Clean Audit

The State Auditor's Office has completed the District's 2005 audit. The yearly audit includes a complete review of financial and compliance practices, reviewing high-risk areas, how the District meets state and local regulations, and our financial statements.

The auditors cited zero deficiencies for the 11th year in a row and were again highly complimentary of the District's strong financial policies, precise accounting practices, and competent and cooperative staff. The District is proud of its history of consistently clean audits.

Your elected Commissioners, District management, and staff work diligently to guide the District in maintaining our financial stability so we can continue to serve you effectively.



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

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