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To all LMPWA Metered Customers:

Over the next few months, the LMPWA will be making substantial improvements and upgrades to our existing water distribution system.

In order to comply with Stage 2 of the Disinfectant By-Product Rule which is mandated by the Environmental Protection Agency (EPA) via the Arkansas Department of Health, the City of Mountain Home will be addressing a number of water quality issues in the next few months. This EPA regulation is designed to lower the levels of trihalomethanes and haloacetic acids in drinking water by October 1, 2013.

The LMPWA purchases 100% of our treated water from the City of Mountain Home. As such, we are now known as a "consecutive" water authority. Prior to this mandate, the LMPWA was exempt from meeting these testing standards because we purchased our treated water and we had zero control over how our water is treated. The LMPWA still has no means, at this time, to add or treat the water that we sell to you. This fact has not changed. However, the LMPWA still must comply with the standards.

While the LMPWA cannot improve the quality of water that we receive from Mountain Home, the LMPWA must use caution that we do not degrade the quality.

In Nov. 2011, a Distribution System Improvements Study was completed by our engineering company, McGoodwin, Williams, and Yates of Fayetteville, AR, with the goal of mitigating water quality issues within the existing LMPWA tank and distribution system. In a nut shell, the existing tank is not able to "cycle" and maintain fresh water. "Cycling" is the ability to transfer water to and from the tank in a uniformed manner to maintain sufficient fresh water for the LMPWA distribution system.

The upgrades are designed to ensure that the LMPWA meet Arkansas Department of Health requirements to ensure fresh water in our tank by recycling the tank water on a regular basis. This will aid in minimizing contaminant build-up and the subsequent water quality degradation.

In addition to the major tank improvements, the LMPWA's ability to fill the tank, must be improved. This fact will require a 12" line to be installed from the LMPWA "master meter" located in Midway by the old Baxter Healthcare facility approximately 1.2 miles to the LMPWA tank location. Also, a pump house will be necessary with all the required pumps.

This improvement will facilitate achieving a 100% tank fill to (a) increase water reserves in case of an emergency, and (b) to increase and maintain higher system operating water pressure.

Other improvements to the system include 3G zone meters and vaults, additional gate valves to isolate smaller zones in case of a leak, looping dead end lines, new GPS hardware and software for faster response time to leaks, and the continuation of leak detection equipment that has demonstrated good progress in reducing water loss.

Also, included in this upgrade is a rigorous scheduled tank maintenance plan with an outside vendor to insure future tank performance.

All major improvements and upgrades come with major expenses. Thus, for the first time in the LMPWA history, beginning with the August 2012 billing, the LMPWA is adding a "System Improvement Fee" to our monthly statements. This fee will enable us to finance this \$1.4 million dollar construction program. The LMPWA bank loan has been approved and we expect construction to begin after a general contractor is retained.

The LMPWA is keenly aware that nobody likes price increases particularly in this "down" economy. However, upgrades, improvements, and mandates have consequences for all water distribution users across the State and the LMPWA is obligated to meet the standards.

Thank you for your understanding.

Sincerely,

Board of Directors
LMPWA