

SIERRA CLUB SETTLEMENT
ANNUAL REPORT
FOR 2007

I. INTRODUCTION

Emergency action by Little Rock Wastewater ("LRW") was necessary in January 2007 when the Fourche Creek 42" influent force main, which is the principal source of influent to the Fourche Creek Treatment Facility, became in jeopardy of collapsing into Fourche Creek near the airport due to the embankment weakening from heavy rainfall received up to that time.

LRW staff investigated the matter with outside engineering consultants, and discussed the situation with three contractors regarding the actions necessary to avoid the collapse by an emergency bank stabilization project to protect the force main. Accordingly, the Little Rock Sanitary Sewer Committee ("LRSSC") met in a special session on January 19, 2007, and authorized emergency action to prevent damage to the force main, dispensing with competitive bidding, and authorizing the LRW Chief Executive Officer ("CEO") to execute such documentation, as necessary, to proceed with having the necessary work to prevent the damage. Thereafter, outside consulting engineers finalized recommendation for the necessary bank stabilization work and LRW contracted on January 22, 2007, with Mobley Contractors, Inc. to perform the work, which was commenced immediately and completed on February 15, 2007, at a cost of \$669,740.84. This project was essential for the protection of the sewer system and was successfully completed in a timely manner. A copy of the chronology of events for this project is included as Attachment "A."

There were numerous efforts throughout the year 2007 by LRW to comply with the requirements of the Sierra Club Settlement Agreement dated September 12, 2001, and to proceed with major construction projects provided in the System Evaluation and Capacity Assurance Plan ("SECAP"), principally consisting of design efforts and easement acquisition for the Little Maumelle Treatment Plant ("LMTP") and construction of the Peak Flow Attenuation Facility, as well as other projects consisting of Adams Field Wastewater Treatment Plant improvements and eleven overflow mitigation projects. Financing of these projects is essential to funding them, and a major part of the year was devoted by LRW Executive Staff to secure adoption by the City of Little Rock ("CLR") Board of Directors ("BOD") of the necessary

ordinances eventually approved for three separate sewer revenue bond issues for \$63,050,000 (dated June 1, 2007), \$18,000,000 (dated August 7, 2007), and \$71,085,000 (dated October 1, 2007), respectively. The last of these bond issues was approved by CLR Ordinance No. 19,814 on September 18, 2007.

Finally, it was necessary to revise the existing sewer pretreatment ordinance No. 17,966, adopted on March 16, 1999, as required by the Arkansas Department of Environmental Quality ("ADEQ") in order to meet certain standards of the United States Environmental Protection Agency ("EPA"), and the deadline for adoption of the revised ordinance was December 31, 2007. That was accomplished by the efforts of LRW staff, after approval by LRSSC on November 21, 2007, by adoption by the CLR BOD of CLR Ordinance No. 19,895, adopted on December 21, 2007.

These activities constituted LRW's major compliance efforts and they will be discussed with other activities in the order mentioned, consisting of (1) Projects Update; (2) Financing; (3) Pretreatment Ordinance; (4) Other Compliance Actions; (5) Supplemental Environmental Projects; (6) 2007 Non-Capacity Related Sanitary Sewer Overflows; and, (7) 2007 Capacity Related Overflows.

II. PROJECTS UPDATE

A. Little Maumelle Wastewater Treatment Plant

In 2007, the engineering firm of Camp, Dresser & McKee ("CDM") conducted weekly teleconference meetings with LRW staff, which culminated with the development of preliminary plans (60% complete). The plans were subjected to an extensive review at a workshop conducted by CDM with LRW staff on December 20, 2007. CDM developed a list of items to address for final design.

Also for 2007, LRW staff commenced with the acquisition of easements for conveyance facilities between the Little Maumelle Pump Station and the treatment plant site, and the access road. Starting in January 2007, LRW staff and CDM met with landowners along the intended conveyance route to discuss issues which could be addressed through the design of the facilities. Acquisition of the easement from Arkansas State Parks in May 2007 marked the first procurement. Subsequently, two additional easements were procured

along the route. Negotiations ensued for the remaining six easements needed between the pump station and the treatment plant. Dialogue for four of the remaining six easements stalled thus compelling LRW staff to request from the Little Rock Sanitary Sewer Committee resolutions authorizing condemnation, which were passed at the November 2007 meeting. Plans for the access road were finalized in December 2007.

B. Adams Field Wastewater Treatment Plant Improvements

Construction for the original contract was deemed substantially complete on January 31, 2007 and complete on March 16, 2007. A project performance period of one year thereafter was initiated on that date. During the period, the performance of the plant improvements associated with construction was monitored and is documented in quarterly reports. In 2007, three of the four quarterly reports were drafted and indicated there were no operating or performance variances associated with the improvements.

C. Peak Flow Attenuation Facility

In 2007, the engineering firm of Camp, Dresser & McKee finalized plans for the diversion structures, gravity conveyance, pump station, force main, and basin portion of the overall project. These portions were separated into two contracts for administration purposes. Contract I included the gravity conveyance and the diversion structures while Contract II included the remainder. On May 8, bids for Contract I were received and opened. The project was awarded to Kraus Construction Company, LLC of Fort Smith, Arkansas for the amount bid of \$2,070,433. The contract established the construction start date as June 12, 2007. For Contract II, bids were received and opened on June 28. The project was awarded to Max Foote Construction Company, Inc of Bossier City, Louisiana for the amount bid of \$27,200,000. Within the contract, the construction start date was established as August 13, 2007. By the end of 2007, Contract I was 24% completed (based on dollar amount), and Contract II was 10% completed (dollar amount).

The other portions of the overall project include the hydraulic upgrade of the Arch Street Pump Station and

the redundant force main from the Arch Street Pump Station to the Fourche Creek Treatment Plant. Within 2007, CDM held periodic workshops with LRW staff which resulted in the development of preliminary plans (60% completed) for both projects.

D. Overflow Mitigation Projects

In the late 1980s, LRW was the first municipality in Arkansas to establish a program to address excessive infiltration and inflow (I/I) which leads to sanitary sewer overflows during or following wet weather events. Within the 1990s, the utility shifted its focus to not only address excessive I/I within public mains, but restore capacity to basin outfalls that were undersized for designated wet weather events and labeled this effort as the overflow mitigation program (OMP). The program has had an impact on the number of overflow points within the city as well as reduced the amount of extraneous rainwater that was treated. LRW will continue this program as evidenced by the following identified future projects and corresponding funding efforts:

1. **Upper Hinson Rehab (RLF #6)** - The Upper Hinson Rehab project was bid on June 13, 2007. Building and Utility started construction in July, and the project was completed on November 29, 2007.
2. **Upper Hinson Outfall Relay (RLF #8)** - The design of Upper Hinson Outfall Relay has been completed. The project was bid on November 28, 2007. This project will be the first project in Little Rock RLF #8. The Sanitary Sewer Committee approved the apparent low bid of Boyles Construction in the December 2007 meeting. Notice of Award was issued to Boyles Construction for the contract amount of \$2,035,776.50. The contractor is scheduled to begin construction on February 18, 2008.
3. **Jimmerson Creek (RLF #8)** - The final plans for Jimmerson Creek were submitted to ANRC on July 20, 2007. The Health Department approved the final plans on January 7, 2008. This project will be advertised in February and is scheduled to bid on March 5, 2008. The engineer's estimate of probable construction cost is \$3,500,000.

4. **Natural Resources Rehab (RLF #6)** - Heller Company, Inc. completed the Natural Resources Rehab project on July 20, 2007. LRW has installed flow meters to monitor the performance of the project.
5. **Natural Resources Manhole Rehab (RLF #6)** - Kim Construction Company completed the manhole rehab on August 20, 2007. The project was very successful and the utility plans to continue with its manhole rehab efforts. LRW has installed flow meters to monitor the performance of the project.
6. **Allsop South (RLF #8)** - The Allsop South project is designed and final plans were submitted to Arkansas Natural Resources on December 14, 2007. The plans will be submitted to the health department for approval in the first quarter of 2008. LRW plans to advertise the project in March and the bid date is scheduled for April 2008.
7. **Barton (RLF #8)** - LRW has completed the design of Barton OMP and preliminary plans will be submitted to ANRC on January 31, 2008. The plans will be submitted to the health department in March. The project is scheduled to advertise in April and bid in May 2008.
8. **Allsop North/Country Club (RLF #8)** - The Allsop North/Country Club project is in the initial phases of design. We are currently surveying the Country Club area. The Allsop North/Country Club project is the largest overflow mitigation project the utility has designed to date. The difficulty of this project is further multiplied by the housing density and extensive landscaping in the project area. LRW anticipates the design to be completed by the end of July 2008.
9. **Allsop Park Outfall (RLF #8)** - The survey for the Allsop Park Outfall has been completed. LRW is currently negotiating a contract with McClelland Engineers for the design of this outfall. The design should be completed by the end of the summer and construction is scheduled to begin in late 2008.

10. **Country Club Outfall (RLF #8)** - The survey for the Country Club Outfall has been completed. LRW will construct a new outfall line along the creek from the intersection of Beechwood and Club to the cul-de-sac on Coffee Pot Lane. LRW is currently negotiating a contract with McClelland Engineers for the design of this outfall. The design should be completed by the end of the summer and construction is scheduled to begin in late 2008.

11. **Leawood, Echo Valley, and Pleasant Valley (RLF #8)** - Little Rock Wastewater received the initial information from the Sanitary Sewer Evaluation Study (SSES) of these three project areas in January. The final SSES report will be delivered in February by RJN. The Leawood, Echo Valley, and Pleasant Valley projects will be designed in 2008 by LRW staff. Little Rock Wastewater will televise all the lines in each project area and start design in each area in early 2008.

12. **2008 Sanitary Sewer Evaluation Study (SSES) (RLF #8)** - The Lower Swaggerty, Granite Mountain, Subbasin 30100, and Jimmerson West projects are the four areas Little Rock Wastewater has identified for the 2008 SSES. LRW is currently working with RJN to negotiate a contract for the study of these four areas. RJN should begin flow monitoring in these areas in March. The SSES will take approximately one year, and the reports should be delivered at the start of 2009.

Presentations regarding the Major Projects Update and the Peak Flow Attenuation Facility are included at Attachment "B."

III. FINANCING SEWER IMPROVEMENTS

A. Introduction:

Approximately \$153,000,000 in three separate bond issues in 2007 was approved by the City of Little Rock ("CLR") Board of Directors ("BOD") by three separate ordinances, as follows: (1) CLR Ordinance No. 19,746, adopted on May 15, 2007, for Sewer Revenue Bonds Series 2007A; (2) CLR Ordinance No. 19,769, for Sewer Revenue Bonds Series 2007B, adopted on June 19, 2007,

issued for the State of Arkansas Revolving Loan Fund ("RLF") through the Arkansas Natural Resources Commission; and CLR Ordinance No. 19,814, for Sewer Revenue Bonds Series 2007C, adopted on September 18, 2007.

These three bond issues were necessary for various projects provided in the System Evaluation and Capacity Assurance Plan ("SECAP"). The implementation of a program based on SECAP was authorized by Little Rock Sanitary Sewer Committee ("LRSSC") Resolution No. 02-4, with the goal of eliminating all capacity related sanitary sewer overflows in the Little Rock Sanitary Collection and Treatment System over a 15 year implementation schedule and, also, adopting and authorizing a sanitary sewer overflow response plan for Little Rock Wastewater Utility.

The projects funded by these three bond issues are described separately, as follows, for each bond issue:

1. 2007A, \$63,050,000, Sewer Construction Revenue Bonds, dated June 1, 2007:

The proceeds of the Series 2007A Bonds may be utilized to acquire, construct, and equip all or a portion of any of the following capital projects to be selected by LRW staff (collectively, the "Project"):

- (a) Peak Flow Attenuation Facility** - By far the largest component part of the Project, the Peak Flow Attenuation Facility will include the construction of two concrete diversion structures, approximately 2,000 linear feet of gravity pump station influent lines, a 50 million gallon per day (MGD) peak flow pump station, approximately 15,000 linear feet of 48" diameter force main, and a two-cell concrete storage basin with total volume capacity of 30 million gallons. The primary purpose of this improvement is to reduce capacity related sanitary sewer overflows. When completed, the attenuation facility will provide peak flow storage of wastewater resulting from significant rainfall events. The storage basin will be located in an area

of the System where inadequate interceptor capacity currently results in sewer overflows. In addition to the aforementioned items, operation of the attenuation facility will require the existing Arch Street Pump Station and related force main to be renovated to increase capacity from 38 MGD to 45 MGD. The total estimated cost for the Peak Flow Attenuation Facility and related work is \$60,500,000.

- (b) . **Adams Field Wastewater Treatment Plant Disinfection Upgrade** - Due to the particular physical properties of the effluent at the Adams Field Wastewater Treatment Plant, it has been determined that ultraviolet (UV) disinfection is the preferred method of treating the effluent. Modifications are required to replace the existing chlorine dispensing equipment with new UV disinfection equipment sized to treat up to 72 MGD. The total estimated cost of this upgrade is \$3,500,000.

- (c) . **Plantation and Longstreet Pump Station Replacements** - Each of these pump stations have exceeded their useful lives and are in need of replacement. They were originally installed on an emergency basis as a result of flooding during 1990. The planned project will consist of replacing both the Plantation and Longstreet Pump Stations with one new pump station. An additional 400 linear feet of 8" ductile iron gravity pipe will be needed to transport the sewer flow to the new station. The total cost of the new station is estimated to be \$479,500.

- (d) . **Fourche Creek Wastewater Treatment Plant Capacity Upgrade and Modification** - The current hydraulic capacity of the Fourche Creek Wastewater Treatment Plant is 38 MGD. It has been determined that the Arch Street Pike Pump Station must be able to pump at the rate of 45 MGD in order to prevent overflows in the collection system. Because the Arch Street Pike Pump Station pumps to

the Fourche Creek Wastewater Treatment Plant, the treatment capacity of the plant must be extended beyond the pumping capacity of the Arch Street Pump Station. In connection with the capacity upgrade, it is anticipated that there will be modifications required to the plant's influent bar screens, grit removal systems, and primary clarifiers. Alternate disinfection methods for the plant effluent will be the subject of an engineering study and such evaluation may lead to additional components of the upgrade and modification. The total estimated cost associated with the Fourche Creek Wastewater Treatment Plant improvements is \$18,300,000.

As noted above, the total estimated cost of the Project is approximately \$83,142,900. Proceeds of the Series 2007A Bonds, together with anticipated Construction Fund earnings, are expected to fund approximately \$63,400,000 of this amount. The remaining costs of the Project are presently expected to be funded through future sewer revenue bond issues, loans from the State of Arkansas Clean Water Revolving Loan Fund and/or surplus System revenues.

2. 2007B, \$18,000,000, Sewer Revenue Bonds (ADFA), dated August 7, 2007:

- (a). Collection System Improvements, Phase VI -** Since 1990, the Little Rock Wastewater Utility has constructed five major collection system improvement projects that have been funded through the Revolving Loan Fund program as administered by the State of Arkansas. This project would be the sixth collection system project to be funded through the state agency program.

This project will address specific areas within LRW's service area. The following areas will be part of this project: Allsop, Barton, Country Club, Jimmerson, Upper Hinson, Leawood, Echo Valley, Pleasant Valley, Granite Mountain, Lower Swaggerty, and Subbasin 30100. For Phase VI, Allsop, Barton, Country Club, Jimmerson,

and Upper Hinson will include the design and construction of improvements. Leawood, Echo Valley, and Pleasant Valley will be evaluated, designed, and constructed. The remaining three areas, Granite Mountain, Lower Swaggerty, and Subbasin 30100, will be evaluated for future improvements. This phase will also include an infiltration/inflow (I/I) analysis of the collection system.

3. 2007C, \$71,085,000, Sewer Construction Revenue Bonds, dated October 1, 2007:

The proceeds of the Series 2007C Bonds may be utilized to acquire, construct, and equip all or a portion of any of the following capital projects to be selected by LRW staff (collectively, the "Project"):

(a) Little Maumelle Wastewater Treatment Plant -

By far the largest component part of the Project, the Little Maumelle Wastewater Treatment Plant is to be constructed in response to the Settlement Agreement and the CAO. The major components associated with the addition of the new treatment plant include (i) refitting the existing Little Maumelle Pump Station to increase capacity to 14 MGD, (ii) construction of approximately 3 miles of outfall line, (iii) construction of approximately 2.5 miles of twin 18-inch force mains, (iv) construction of approximately 2.5 miles of an 8-inch force main and 2.5 miles of a 16-inch force main for biosolids conveyance, and (v) construction and equipping of a 14 MGD treatment facility, including an administrative building, a blower building, a headworks building (preliminary treatment), a covered aeration basin (biological treatment), covered clarifiers, a tertiary treatment building, an odor control building and a disinfection building. The current total estimated cost for the Little Maumelle Wastewater Treatment Plant and related improvements is \$73,038,310, comprised of land acquisition costs of \$1,535,656, engineering costs of \$8,802,654, and construction and equipment

costs of \$62,700,000. Completion of the Little Maumelle Wastewater Treatment Plant will result in improved transportation and treatment service to existing System customers during wet weather events, will protect the environment from sanitary sewer overflows, and will provide for future growth in the northwestern portion of the City.

(b) Trenchless Sewer Rehabilitation - Utility maintenance crews are continuously engaged in the cleaning and inspection of the over 1200 miles of System collection lines. During such process, defective line segments are identified as needing repair or replacement and prioritized by LRW's engineering staff. Annual contracts with pipeline rehabilitation contractors are competitively bid and amounts annually budgeted to address these issues. The five year forecast prepared in conjunction with the 2007 budget indicates funding needs for pipeline rehabilitation of \$2,500,000 in both 2008 and 2009.

(c) Cantrell Road Pump Station Improvements - Hydraulic modeling associated with the development of SECAP indicated that the Cantrell Road Pump Station needed to have its capacity upgraded from 28 MGD to 40 MGD. This will be accomplished by the construction of a new pump station adjacent to the existing facility and the utilization of the existing wet/dry well, if feasible. The current total estimated cost is \$6,222,000, comprised of engineering costs of \$650,000 and construction and equipment costs of \$5,572,000.

As noted above, the total estimated cost of the Project is approximately \$84,260,310. Proceeds of the Series 2007C Bonds are expected to fund approximately \$70,000,000 of this amount. The remaining costs of the Project are presently expected to be funded through future sewer revenue bond issues, loans from the State

of Arkansas Clean Water Revolving Loan Fund and/or surplus System revenues.

IV. PRETREATMENT ORDINANCE

A. Background

On November 7, 2007, Stanley Suel, LRW Manager of Environmental Assessment, initiated LRW staff action to seek the CLR BOD's approval for necessary changes to CLR Pretreatment Ordinance 17,966, which was adopted by the Board on March 16, 1999. On November 21, 2007, The LRSSC reviewed the proposed ordinance revisions and recommended approval to the CLR BOD by LRSSC Resolution No. 2007-19, a copy of which is included as Attachment "C." In view of the number of revisions, although many are minor, a new ordinance was submitted incorporating these revisions to replace the existing CLR Ordinance No. 17,966.

Ordinance 17,966, dated March 16, 1999, provided LRW the legal authority to control industrial users that discharge into the public sewer system. The Ordinance was designed to protect the public and public infrastructure from harmful discharges into the public sewer; to protect workers that maintain the public sewer system; to protect the treatment plants from upset conditions due to toxic discharges; to protect the Arkansas River from pollutants that could pass through untreated; and to preserve and protect the quality of the biosolids removed from the treatment process so they can be beneficially reused. The new ordinance will accomplish the same purposes.

The EPA and ADEQ have used their authority under the Federal Clean Water Act to require LRW to revise this ordinance to be consistent with minimum federal environmental standards. Over the next few years, as environmental permits are renewed, all cities with an EPA approved Pretreatment Program must adopt the minimum changes as required under the National Pretreatment Program Streamlining Rule (40 CFR 403). The ADEQ required LRW to have a revised Ordinance adopted by December 31, 2007.

B. Summary of Ordinance Revisions

Most revisions to the Ordinance are related to requirements directly from the EPA and/or ADEQ. The EPA issues a "Model Pretreatment Ordinance" that incorporates minimum environmental standards that must be adhered to by all industrial users regardless of whether they are located in Little Rock, or any other city within the United States. Several Ordinance abbreviations and definitions have been revised to be consistent with requirements from the EPA. The EPA has required LRW to adopt a Best Management Practice ("BMP") that is intended to alleviate some industrial sectors and LRW from having to perform sampling and testing to prove compliance with their wastewater discharge. These BMPs are narrative environmental standards rather than specific numerical pollutant limits.

Since Ordinance 17,966 was adopted on March 16, 1999, there has been a name change from Little Rock Wastewater Utility to Little Rock Wastewater and a few of the responsible staff member's job titles have been changed. The proposed Ordinance has been updated accordingly.

The LRW Staff identified the need to modify Section 3.4 of the old pretreatment Ordinance No. 17,966. This section addressed the City's requirements related to hauled wastewater. Prior to adoption of the new Ordinance No. 19,895, LRW did not issue permits to private companies that come from outside the City to service (pump out) grease interceptors at food service facilities; sand/oil interceptors located at car washes and other vehicle service centers; and lint interceptors at laundry facilities. The new Ordinance No. 19,895 gives LRW the authority to require the interceptor service companies (pump trucks) to obtain a permit from LRW in order to service interceptors within the City. The purpose of this revision is to help alleviate dumping of grease and other debris back into the wastewater collection system where it has the ability to create a blockage in the sewer main and thus creating a sanitary sewer overflow.

Appearances by LRW staff before the CLR BOD to explain and answer questions were made on December 1, 18, and

21, 2007. On December 21, 2007, CLR Ordinance No. 19,895 was adopted in the form prepared by LRW staff as approved and requested by LRSSC in its Resolution No. 2007-19.

V. OTHER COMPLIANCE ACTIONS

A summary of specific actions taken by LRW staff to comply with certain provisions of the Sierra Club Agreement follows;

A. Signage/Public Notification/Public Information:

As required in the Settlement Agreement, LRW staff developed a Sanitary Sewer Overflow Response Plan ("SSORP") which was authorized by the Little Rock Sanitary Sewer Committee on September 18, 2002. The SSO Response Plan, as amended, is included in this document as Attachment "D." The plan establishes a protocol for maintenance crews to follow when responding to an SSO event, and specifies internal and regulatory reporting procedures. The response protocol includes provisions for temporary signage and posting notices at individual residences. Temporary signage currently used by LRW is shown in Attachment "E" A copy of the "door hanger" LRW uses to post residences is provided in Attachment "F."

Practically all of the SSO Notification Program requirements contained in the Settlement Agreement are addressed in the SSORP, including the provisions for permanent signage at recurring SSO locations on public property. Locations eligible for permanent signage included the following manholes:

SSO Manhole Number	Subbasin Number	Maintenance Crew Area
2H018	30040	HWST
3K058	30700	HCNT
3K059	30700	HCNT
4B001	10090	HWST
4N016	30400	HCNT
6C002	10090	HWST
6G011	21303	HCNT

An example of permanent signage placed at recurring SSO sites is shown in Attachment "G."

B. Public Relations Information

1. **Can the Grease®** - The *Can the Grease®* initiative kicked off in 2002, as a means of education, motivation, and promotion of the grease related problems in Little Rock's sanitary sewer system. Little Rock Wastewater residential customers can request a grease information "starter kit," which includes a grease container, 6 heat-resistant liners, an informational pamphlet, and an informational magnet that also serves as a heat-resistant liner "refill request." Starter kits are also distributed in larger quantities at community events and to apartment complexes. In 2007, approximately **1,000** starter kits were delivered or mailed to residential customers, **8,500** to apartment complexes and mobile home parks, and approximately **1,872** at community events or tradeshow. LRW gave out approximately **11,372** *Can the Grease®* starter kits for the entire year of 2007 in comparison to **7,500** in 2006.

LRW continues to receive and answer requests from other cities and communities across the country interested in the grease elimination initiative. Some of the cities that were interested last year were Searcy, AR, Houston, TX, San Antonio, TX, and Monroe, LA.

2. **Captain Sewer®** - LRW began an educational initiative with children in the 1980s by creating a live character, *Captain Sewer®*. Various employees with skills and the desire to educate dressed in full costume and visited schools throughout the city in an effort to provide the students a basic understanding of the importance of water conservation and ways they can help. In 2007, *Captain Sewer* made appearances at Robinson, Holy Souls, and Gibbs Elementary Schools. He also participated at Wonders of the Watershed, Good Shepherd Retirement Home Fitness Festival, and Earth Days at the LR Zoo and the Clinton Library. Late in 2007, the *Captain Sewer* character was once again reinvented, this time in its entirety. The decision was made that the original superhero look did not fit the target audience (elementary students) and that a

more cartoon-like character would be more appropriate, something more representative of what we do. Captain Sewer changed from a Superhero in tights to a Sewer Rat in buccaneer garb. As a supplement to the new character and presentation, an activity/coloring book was created to hand out to the children. The new Captain Sewer was advertised in the November utility bill insert and at the Natural State Expo.

3. "Blue" and "Yellow" Bill Inserts - LRW created 2 bill inserts that were distributed in the Utility bill in 2007. The "Blue" insert was released in February. It contained a breakdown of the new sewer rates on one side and a picture of a water drop on the other. The "Yellow" insert contained information on the "average" customer bill and how that money was allocated. On the reverse side it introduced the new Captain Sewer and advertised for Can the Grease©.

4. Awards - LRW received several awards during 2007 for their contributions to the community, regulatory compliance, financial reporting excellence, contribution to the environment, employee safety performance, and public awareness. The awards LRW received are as follows:

"AWEA Safety Professional of the Year" Award - LRW's Safety and Security Coordinator was awarded the "Arkansas Water Environment Association Safety Professional of the Year" Award. The Association annually recognizes individuals and treatment systems for significant accomplishments and contribution to Arkansas' water quality. Award committees from both the Southwest Section of the American Water Works Association and the Arkansas Water Environment Association solicit nominations and select award recipients based on leadership, involvement, safety, and public service criteria. Awards are presented at the Annual AWW/WEA Conference.

NACWA Peak Performance Award - The National Association of Clean Water Agencies ("NACWA") awarded Little Rock Wastewater two Gold Peak Performance Awards for both treatment facilities, the Fourche Creek Treatment Facility and Adam's Field Treatment Facility for 2006.

NACWA is an organization that represents the interests of the country's wastewater treatment agencies, "true environmental practitioners that serve the majority of the sewered population in the United States, and collectively treat and reclaim more than 18 billion gallons of wastewater each day. NACWA maintains a key role in the development of environmental legislation, and works closely with federal regulatory agencies in the implementation of environmental programs."

The Peak Performance Award has been bestowed upon wastewater agencies since 1986. It is given to facilities that consistently meet all National Pollutant Discharge Elimination System (NPDES) permit limits during the year. Between the Fourche Creek Treatment Facility and Adam's Field Treatment Facility there are a combined 1,194 possible violation points. To be awarded the Gold Peak Performance Award means that an agency has ZERO violations, which Little Rock Wastewater had for 2006 at both facilities.

William D. Hatfield Award -Reggie Corbitt, P.E., CEO of LRW, was presented with the "William D. Hatfield Award" by the Water Environment Federation ("WEF"), a federal non-profit organization whose goal is "preserving and enhancing the global water environment."

The award is given to wastewater professionals who have been outstanding in performance and professionalism. WEF selects recipients of the award based on their success in providing informative programs for preserving and enhancing the environment and providing a forum for suggested improvements. The candidate must also have a good public relations program, and should contribute to the spreading of information concerning advancements in the field.

The WEF was formed nearly 80 years ago and today consists of 32,000 individual members and 50,000 members who are affiliated with 80 smaller organizations world wide. This technical and educational group's sole purpose is to protect the

water environment by way of training, education, and influencing legislation.

Mr. Corbitt received the award on Monday, April 30, 2007, at the 76th annual Arkansas Water Works ("AWW") and Water Environment Association ("WEA") Conference, Short School and Expo. There were over 2,400 wastewater and water professionals in attendance from all over the state.

The Heart of Arkansas United Way Crest Award - LRW participated in the United Way fundraiser campaign. It was a landmark year for LRW winning the Crest Award, which is given to organizations that meet 2 of the 4 levels of participation as follows: 10% increase in employees giving, \$100 or more per capita, 1 or more "Pillar of Society" donation, or 50% or more increase in employee participation. LRW met the 10% increase in employee giving and the 1 or more "Pillar of Society" donation.

Arkansas Dept. of Labor 1 Million Man Hours Without A Loss Time Accident - Municipal wastewater can be a very dangerous industry, but Little Rock Wastewater has defied the odds and distinguished itself as a leader within the context of employee safety and health. On September 19, 2007, Little Rock Wastewater was presented a plaque for their diligence of having worked one million man hours (between January 2004 and December 2006) with no lost-time accidents or injuries. The plaque was presented to Reggie Corbitt, P.E., CEO, by Richard Steward of the ADOL in the presence of the Little Rock Sanitary Sewer Committee.

Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association ("GFOA") has awarded the Finance Department of Little Rock Wastewater the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report ("CAFR").

The GFOA is a nonprofit professional association that serves approximately 16,000 professionals in

the governmental finance field. The Certificate of Achievement for Excellence in Financial Reporting is the "highest form of recognition in governmental accounting and financial reporting" by the GFOA and is considered to be a "significant accomplishment by a government and its management." Little Rock Wastewater's CAFR was judged by an impartial panel that looked for high standards of the program such as "demonstrating a constructive 'spirit of full disclosure' to clearly communicate its financial story and motivate potential users and user groups to read the CAFR."

This is Little Rock Wastewater's third consecutive year to accomplish this feat. It was bestowed to Jim Barham, Director of Finance for Little Rock Wastewater, by Reggie Corbitt, P.E., CEO of Little Rock Wastewater, at the Sanitary Sewer Committee meeting on Wednesday, January 16, 2008.

5. Trade Associations/Community Events/Exhibits -

One of the major success elements of our public awareness program in 2007 was our participation in specific trade associations, environmental exhibits and community events. Participation in selected trade associations has allowed LRW to promote and educate an extensive number of residents and business owners on the importance of reducing grease in the sanitary sewer system, updates on our major projects and water conservation. LRW has become active with the Arkansas Apartment Association and the Arkansas Hospitality Association where we have attended meetings and events as often as possible. 2007 event/exhibit participation are as follows:

Wonders of the Watershed - LRW participated for the second time in Wonders of the Watershed ("WOW") at the Little Rock Zoo. Sponsored by Central Arkansas Water, and supported by several state, local, and federal organizations, WOW focuses on conservation and environmental protection. During the one-day event, thousands of moms, dads, and children hear a very important message about the future of Earth's natural resources. LRW's booth consisted of several

educational items to take home. The day was topped off with an appearance from Captain Sewer.

Arkansas Apartment Association Tradeshow - *Can the Grease*® ("CTG") took center stage at the Arkansas Apartment Tradeshow on April 18, 2007. LRW had a booth set up with CTG packets and a LRW banner and display boards. We also had a laptop to show attendees a grease video. 192 *Can the Grease*® starter kits were distributed to Apartment Managers, Assistant Managers, Maintenance Managers, Property Managers, Assistant Property Managers and Vendors. The day of the event, over 3,900 orders were taken for future CTG deliveries. An additional 3,000 were confirmed within the next two weeks, making a total of OVER 6,900 units within a two week period.

Science Fairs 2007 - Since 1995, LRW has sponsored the Central High School Science Fair by providing materials for protection of the gymnasium floor, the incentive awards, and judges. Central High teachers, PTA, and administration has been most appreciative of LRW's efforts in supporting environmental education and has nominated LRW for several awards such as the Superintendent's Citation presented in 2007 for the year 2006.

Earth Day 2007 - LRW's employees and family members participated in an Earth Day celebration that spanned over two weekends and was held at the Little Rock Zoo on April 13th and 14th and at the Clinton Library on the 21st. LRW's display which featured information on wastewater treatment, the importance of water conservation, and "*Can The Grease*®." Games and prizes for children focused on the importance of water quality protection, LRW, and its programs.

Natural State Expo - This was the first year this event was held and LRW participated with a booth, bottled water, *Can the Grease*® kits and our "Toilet Toss" game. The Natural State Expo was an exhibition for green technology, sustainable businesses, community resources and innovation in

Arkansas. The event was held in the Statehouse Convention Center on October 13, 2007.

Fourche Creek Appreciation Day - Audubon Arkansas co-sponsored this event that was designed to have volunteers come and clean up Fourche Creek in the morning and then hold an outdoors exhibition in the evening. LRW participated with a booth, Can the Grease© cans, bottled water and a special appearance by Captain Sewer. The event was held on September 8, 2007.

Good Shepherd Retirement Center Fitness Festival - LRW participated with a table containing Can the Grease© cans and we also donated bottled water for the event. This was the retirement center's 8th annual Senior Health and Fitness Day. Captain Sewer and Cowboy Slick made an appearance. The event was held on May 30, 2007.

International Gardeners - The University of Arkansas Division of Agriculture held its annual "International Master Gardeners Conference" on May 2-5, 2007. LRW donated 300 Can the Grease© kits as an effort to promote our program as well as the Master Gardeners of Arkansas.

Arkansas Apartment Association Bowling Night Out - LRW got to network with the apartment community staff and administrators over good food and fun bowling. LRW sponsored the event and sent 3 employees out to represent the organization. Last year, LRW really stepped up the efforts to get Little Rock apartments to participate in the Can the Grease© program. The event was held on June 28, 2007.

6. Fundraisers and Public Service - Another way LRW promoted public awareness program in 2007 was our participation in the Heart of Arkansas United Way fundraiser campaign, Little Rock's Adopt-A-Street program where LRW adopted ¼ of a mile of road along Shackelford Road, and the Channel 11 THV Summer Cereal Drive for the Arkansas Foodbank Network.

7. Pollution Prevention Awards Ceremony - It has been LRW's intent to recognize those industries committed to pollution prevention. We celebrated our 10th Pollution Prevention Award Ceremony on October 8, 2007 at the Clinton Library. Noted speakers that took part in the ceremony are Jay Chesshir, President and CEO of the Little Rock Regional Chamber of Commerce, Teresa Marks, Director of ADEQ and Mark Stodola, Mayor of Little Rock.

The Pollution Prevention Award program began in 1998 as a way of recognizing and rewarding industries that adopt the most vigorous pollution prevention activities into the management philosophy and to promote the utilization of pollution prevention activities. Criteria for the award are regulated by Little Rock Wastewater under the guidelines set forth in the Industrial Wastewater Discharge Permits under the authority of the Arkansas Department of Environmental Quality. Applications for the award are distributed each year to all local industries permitted by Little Rock Wastewater. This gives each industry the opportunity to describe the pollution prevention program they implement, whether they minimize water or energy usage; make product or packaging changes; and make process changes and/or utilize increased efforts in the area of housekeeping.

The U.S. Environmental Protection Agency and Little Rock Wastewater encourages organized, comprehensive, and continual pollution control policies to systematically reduce or eliminate waste to control air, water, and land pollution. Such programs can result in considerable savings to a company and lessen the long-term liability associated with the management of hazardous materials and wastes.

The 2007 Award winners by category are: **Manufacturing** - Dassault Falcon Jet; **Food Processing** - Unilever; **Medical** - UAMS; **General Service** - Central Flying Service, Inc.; **Small Business** - Martinous Oriental Rugs; **Ten Year Decade of Progress Award** - Dassault Falcon Jet

8. Media - It has been the intent of LRW to step up their communication with all areas of the media during 2007. That goal was accomplished through attempts to

issue a regular press release to highlight special topics of interest. We worked closely with the local newspaper to offer information in a timely manner. That effort was found to be positive in the result of most newspaper articles being factual

Due to 2007 budget restrictions, our ability to place ads in popular publications was limited, but we were able to negotiate and plan for a 2008 publication campaign. Several branding and target population meetings were held with many local publications during 2007.

In an effort to obtain additional media attention, both earned and bought, for Can the Grease© and our Target Zero program, a 30-second commercial was aired on 3 of the 4 local television stations during the summer. LRW was also featured in a few news segments. KARK featured a spot on Holiday Grease and Can the Grease©. KARK also did a feature story on the integrity of our sanitary sewer system. KTHV aired a morning show segment introducing Captain Sewer.

In 2007, LRW continued to utilize the local government channel, LRTV, as a way to inform local residents of current events and projects. Three episodes were taped and aired in 2007. The first to be interviewed was Stanley Suel, Director of Environmental Assessment, on the environmental integrity of LRW. The next interview was Reggie Corbitt, P.E., CEO of LRW, on the topic of the collection system. The last episode of the year featured Howell Anderson, P.E., Director of Engineering Services, on the topic of the Peak Flow Attenuation Facility. This is a free service that LRW will continue to use as a way to promote a healthy sanitary sewer system and educate the residents of Little Rock.

9. Customer Assistance - One of the components of a neatly developed Customer Assistance Dept. is a customer call back survey done over the phone or through the mail. This allows for public input and communication. Along with this survey a CTG effectiveness survey was developed to assist in gathering results of the program and goals.

In order to provide better communication to residents where sanitary sewer related work is being performed, LRW has taken a proactive approach at informing residents of upcoming work in their neighborhood. A brochure was created and at first hung on the doors in neighborhoods where Unsewered Area ("USA") work was being done. Shortly after, an Overflow Mitigation Project ("OMP") and Construction/Maintenance brochure was created. LRW began mailing the brochures to residents 2 weeks prior to the start of OMP or USA projects. The brochures are also sent to the Directors of the ward in which the work occurs as well as to the Mayor and City Manager.

A goal of LRW is to better communicate the progress of our major projects to the LRBOD and ratepayers. To achieve this goal, we developed "The Current Report," a major projects update published quarterly. This publication is forwarded to the LRBOD and all Little Rock Neighborhood Associations.

We are continuing the Speakers Bureau program, offering LRW staff to speak to Neighborhood Associations on sanitary sewer related issues. In January, LRW spoke to the Granite Mountain Neighborhood Association ("NA") on the topic of "clean up awareness." In February, LRW spoke to the Shadowlake Community NA on the topic of Can the Grease©. Also in February, Reggie Corbitt, P.E., CEO of LRW, spoke to the Mid-Town Rotary Club and the Capitol Hill NA on the topic of Can the Grease© and upcoming major projects. Howell Anderson spoke at the River Valley Neighborhood Association on the topic of the placement of our sanitary sewer line along Pinnacle Valley Rd. from the new treatment facility. A letter was sent (along with our "Current Report" update) to all of the Little Rock NA's in the last quarter of 2007 expressing our desire to come speak at their meetings or events, so we expect more NA involvement in 2008.

8. Website - Little Rock Wastewater continues to maintain the site with the latest news, updates, and information for those who access the site. The user-friendly site allows visitors to view a calendar listing of all Sanitary Sewer Committee meeting dates, approved minutes of the Committee, and even

biographies of each Committee member. With several interactive displays, general wastewater information, ordinances, rate information, and much more, website traffic continues to grow. One of the most visited areas of the site is the customer information section, which allows visitors to select a topic or Utility department, and then populate a field with a question or comment. They can also look at our construction schedule to see dates and places of work to be performed. The website address was changed from www.lrwu.com to www.lrwastewater.com.

Under *Community Services*, information is available about the following: Who to Call, Frequently Asked Questions, Residential Services, Commercial Services, LRW Ordinances, Sewer Line Locator, and Information Request Form. Under *Community Awareness*, information is available about the following: Work In Your Neighborhood, Where Does Your Money Go?, LRW Programs, Headlines & Newsroom, Operational Events, Calendar of Events, and Information Request Form. Under *Education*, information is available about the following: Conservation & Environment, Treatment Technology, Innovation in Wastewater, Water Reuse, Pollution Prevention, and Information Request Form. Under *About LRW*, information is available about the following: LRW Business Center, LRW Overview, Sanitary Sewer Committee, Our People, Financials, Capital Improvements, Facilities & Locations, Awards & Recognition, and Information Request Form.

Information and pictures regarding Public Relations is at Attachment "H."

VI. SUPPLEMENTAL ENVIRONMENTAL PROJECTS AND ANY OTHER LRW ENVIRONMENTAL EFFORTS

The Settlement Agreement required the LRSSC to establish a Supplemental Environmental Project consisting of the Fourche Plant Wetlands, bike paths (set forth hereinafter in paragraphs A & B), and, additionally beyond those requirements, LRW participated in the following activities (set forth hereinafter in paragraphs C through E) as follows:

- A. Fourche Creek Wastewater Treatment Plant Wetlands:** The 90 acres of wetlands next to the Fourche Creek Wastewater Treatment Plant have not been disturbed and

are available to Little Rock Parks & Recreation Department if it wishes to develop hiking trails on the property. So far, these wetlands remain in their natural condition and they have not been disturbed. Once a year, in the Spring, Audubon Society Members generally visit the area to check on the nesting activities of the birds in the area, as reported by Walter Collins of LRW staff.

- B. Bike Paths:** Several meetings and site visits were made with Mark Webre of Little Rock Parks and Recreation and LRW Community Relations Staff to discuss possible partnerships and possible locations for the paths at various parks around the city of Little Rock. Mr. Webre recently stated that the CLR Attorney raised the legal issue regarding use of a sewer easement for other purposes, which needs to be resolved in order for CLR to proceed with planning.
- C. Audubon Society Fourche Bottoms Nature Center:** LRW has continued efforts to partner with Audubon Arkansas on various projects. Audubon Arkansas extended a special invitation for LRW to participate in their co-sponsored "Fourche Creek Appreciation Day" that was held on September 8, 2007.

Also, we were contacted by Johnnie Chamberlain of Audubon Arkansas requesting that we not mow an area of our easement because it contained recently planted trees and native wildflowers as a bank stabilization effort. Michael Kline and Scotty McMillan met with Johnnie over the issue and Scotty relayed the info to the crews that this was to be a "no-cut zone."

The University of Arkansas at Little Rock and Audubon teamed up for the Coleman Creek Greenway Project. Coleman Creek runs right through the University of Arkansas at Little Rock campus and is a major tributary of Fourche Creek. Audubon asked for participation from LRW and we attended several meetings, helped assess the situation and provided them with information dealing with our sanitary sewer system design.

Documents and pictures regarding Supplemental Environmental Projects by LRW are included in this document as Attachment "H."

VII. 2007 NON-CAPACITY RELATED SANITARY SEWER OVERFLOWS

A. Compliance Standard: The Settlement Agreement limits the number of non-capacity related SSOs based on 100 miles of sanitary sewer operated and maintained by LRW in LRSSC's collection and treatment system. The Settlement Agreement specifies the following "interim schedule" for non-capacity related SSOs:

Calendar Year	Number of Non-Capacity Related SSOs per 100 Miles of Sewer
2002	12
2003	11
2004	10
2005	9
2006	8
2007	7
2008	6

For the calendar year 2002, the Settlement Agreement established the mileage of sewers at 1100 miles; actual mileage according to LRW's GIS system as of December 31, 2007 is 1291 miles. The 2007 mileage data establishes a benchmark of 1291 miles of sewers. Therefore, the 2007 performance requirement for LRW was to limit non-capacity related SSOs to no more than 91 SSOs, according to the interim schedule.

B. Non-Capacity Related SSOs in 2007: There were 61 non-capacity related SSOs reported in 2007. Of the 61 total, six (6) SSOs were related to construction, and nine (9) SSOs were related to vandalism. The result was a total of 46 non-capacity related overflows attributed to the operation and maintenance of the LRW collection system. Of the 46 non-capacity related overflows, eight (8) SSOs were attributed to debris; four (4) SSOs were attributed to equipment failure; seven (7) SSOs were attributed to grease; seven (7) SSOs were attributed to line failures; four (4) SSOs were attributed to a combination of roots and grease; sixteen (16) SSOs were attributed to roots.* A

* In March 2007, LRW eliminated the combination of "Roots & Grease" as a code in reporting the cause of an overflow. LRW decided to use either "Roots" or "Grease" to improve reporting and tracking of SSOs.

complete listing of non-capacity related SSOs is provided under Attachment "I."

C. Compliance Assessment: Using 1291 miles of maintained sewers and the "interim schedule" provided in the Settlement Agreement, LRW complied with its 2007 performance requirement to have no more than 91 non-capacity related SSOs, with 46 non-capacity related overflows attributed to the operation and maintenance of the collection system owned and operated by Little Rock Wastewater Utility.

D. Additional Projects Not Covered By SECAP: In addition to the progress made on SECAP projects, LRW spent approximately \$3,500,000.00 renewing or replacing structurally deteriorated sewer mains. Old deteriorated sewers are sources of infiltration/inflow and are prone to blockage, contributing to both the number of capacity and non-capacity SSOs.

LRW has reduced the number of non-capacity related sanitary sewer overflows attributed to the operation and maintenance of the collection system owned by CLR to below 6 per 100 miles of sewer lines for four consecutive calendar years, being 2004, with a total of 42, 2005, with a total of 53, 2006 with a total of 42, and 2007 with a total of 46. Therefore, under the Settlement terms in Paragraph No. 5, page 10, LRW is deemed to have complied with all provisions of this Settlement related to non-capacity related SSOs.

In a continued effort to maximize LRW's rehab dollars, LRW treated 34,268 feet of mainline in 2007 with a contracted chemical root removal company and is in the process of evaluating these lines, as well as identifying more lines for the upcoming year. Root removal is an important component of LRW's Plan 66 that targets SSO reduction.

LRW personnel completed work on 451 line segments that were in need of point repairs as well as relocated or replaced 21,233 feet of sewer line.

26,000 feet of sewer line was rehabilitated under maintenance contracts for pipe bursting and cured-in-place-pipe (CIPP).

In 2007, the Cleaning & Inspection Department Televised 689,331 feet, Hand Cleaned 679,627 feet, Hydro Cleaned 2,169,767 feet, and Line Walked 9,643,966 feet of sewer lines.

VIII. 2007 CAPACITY RELATED SANITARY SEWER OVERFLOWS

A. Compliance Standard: The Settlement Agreement requires that capacity related SSOs be eliminated, provided that SSOs may occur without a breach of the Settlement Agreement if rainfall amounts exceed a duration-quantity table that essentially defines a two-year storm event ("qualifying event"). A qualifying event shall occur if any of the twelve permanent rain gauges within the collection system record a two-year storm event. More specific, to that end, the agreement required completion of a study recommending and establishing a time line for specific actions to address capacity related SSOs. The study would serve as the foundation for a long-term compliance program.

B. Capacity Related SSOs in 2007: There were 113 capacity related SSOs reported in 2007 at 53 locations, shown on Attachment "J." There was only one (1) qualifying rain event recorded in 2007, and it occurred on January 14, 2007. Of the 113 capacity related overflows occurring in 2007, 39 overflows resulted from the one (1) qualifying storm event with the remaining 74 overflows occurring as a result of events measuring below the qualifying threshold.

IX. CONCLUSION

LRSSC and LRW successfully dealt with a serious emergency situation to protect a critical sewer main from collapse at the beginning of 2007. Throughout the year, compliance efforts continued. Construction of the Peak Flow Attenuation Facility began and continued with completion expected in 2008. This project will greatly aid in handling peak wet weather flows in accordance with the SECAP. Also, progress was made with the new Little Maumelle Treatment Plant in design, plans, and easement acquisition. Overflow mitigation projects progressed, as discussed. Approval of the \$153,000,000 in bond issues was the key to the beginning and completion of the necessary projects. Finally, the new and revised pretreatment ordinance adopted on December 21, 2007, strengthened LRW's ability with the ongoing compliance efforts in fulfilling legal obligations and protecting water quality.