

**Regular meeting
January 22nd, 2008**

**APPROVED MINUTES OF REGULAR MEETING OF
THE BOARD OF DIRECTORS
OF
EL PASO WATER COMPANY, INC.**

The regular meeting of the Board of Directors of El Paso Water Company, Inc. convened in the City Council Chamber, 611 Mulberry, Derby, Kansas at 8:17 p.m. following the City Council meeting.

The following Directors were present and constituted a quorum:

Dion Avello
Cheryl Bannon
Jim Craig
George Arnold
Vaughn Nun
Charlie Schwarz
Jim Meidinger

Others in attendance:

Kathy Sexton, Chief Executive Officer
Pat Swaney, President
Phil Alexander, Vice President
Jean Epperson, Secretary-Treasurer

Mr. Avello called the meeting to order.

APPROVAL OF MINUTES

MOTION: Schwarz moved to approve the minutes of the December 11, 2007 regular board meeting. Arnold seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren absent, Schwarz yea, Bannon yea, Staats absent, Arnold yea, 8 yea, 0 nay, 2 absent, motion carried.

DECLARATION OF DIVIDEND

Jean Epperson, Secretary/Treasurer presented the staff report.

MOTION: Schwarz moved to adopt a resolution declaring and directing payment of a dividend for the month of December in the amount of \$56,522.95 to the City of Derby, Kansas, as the sole stockholder of the Company. Meidinger seconded.

DISCUSSION:

Mrs. Bannon asked if we made enough money in dividends last year to pay debt service and carry over any, or did we break even?

Mrs. Epperson advised we will cover the debt service first with the dividends and then any additional funds by the bond resolution are placed in to what we call the surplus account.

Mrs. Bannon stated that people were concerned that we would have enough because it was such a wet year, but we had enough and we are good.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren absent, Schwarz yea, Bannon yea, Staats absent, Arnold yea, 8 yea, 0 nay, 2 absent, motion carried

**2007 ANNUAL
REPORT**

Kathy Sexton, Chief Executive Officer presented the staff report.

DISCUSSION:

Mr. Craig asked if the bad debt was purchased with the company. **Ms. Sexton** advised that was correct. **Mr. Craig** clarified that has been reconciled now. **Ms. Sexton** advised it was reconciled in '06.

Mr. Avello asked about water wells, is every new house putting a well in? **Ms. Sexton** advised not every new house, but some are still going in. **Mr. Avello** asked what the fee for a well permit is. **Mr. Swaney** stated he doesn't know the answer to that, but you don't see as many wells going in based on the cost of water now.

Mr. Avello advised he received an e-mail asking about usage on the water that is in the wells that is not being used. When Mr. Craig did the Green Team the figure of 10,000 gallons sticks in his mind, that if we don't pump 10,000 the state has the right to come in and claim the water, is that correct?

Mr. Craig stated he does not believe there is a quantity that is required. He feels that from the information that Linda Stinnett sent, it's not cause for extreme concern but we should be aware and knowledgeable that if you don't use it you could lose it. He thinks we are postured right now to be able to attend to any inquiry that the state might make to us. He has an assurance from the city manager that we are working on that and are not

laying idle; the water may be idle but the process is not idle. He says that because even though we might sell it in the future, there is great interest in our water. What happened with the other city was that they did not challenge or answer the call from the state, so the state took action.

Ms. Sexton added that Mr. Alexander has spent more time on this than she has, he contacted some other folks more familiar with the Belle Plaine situation and what Mr. Craig said is exactly right. What they are dealing with in Belle Plaine is a completely different situation. They were notified several years ago that their rights were subject to forfeiture for non-use, they did not respond to the state so that is a whole different matter. We have never received any notification like that from the state. In fact, Mr. Alexander spent time earlier this year communicating with the state, explaining to them our nervousness about preserving the water rights. They have given us information and protocols for how we do that. A big way is submitting to them an annual report, which Mr. Swaney and Mr. Alexander just finished and sent in to the state. The attorney with the state helped Mr. Alexander with the wording on the annual report to make sure that we preserve the rights.

Mr. Craig commented that they attended the first meeting of the REAP regional water committee, and even though it was somewhat cumbersome because there were so many people there, he senses there is a real interest in trying to amalgamate all the communities around the Wichita metro area and make sure we know what we have and what we really need for the future.

Ms. Sexton added that it is important for people to realize that there are so many state agencies that deal with water, there are so many communities in various parts of the state that are dealing with water shortages that all of this is heating up now in Topeka. Any region that pulls together and says “let’s work with you, state” is going to carry more weight than individual cities or individual farmers, etc. We are the largest customer of Wichita and obviously they supply hundreds of thousands of customers of their own, as well as all the little cities they supply. We are newer and the largest, so for us to play a leadership role in this regional effort she thinks is much appreciated by a lot of people and certainly bears good fruits to Derby.

ADJOURNMENT

MOTION: Craig moved to adjourn at 8:42 p.m. Meidinger seconded.

VOTE: Avello yea, Craig yea, Meidinger yea, Nun yea, Warren absent, Schwarz yea, Bannon yea, Staats absent, Arnold yea, 8 yea, 0 nay, 2 absent, motion carried

Jean Epperson, Secretary