

**Special meeting  
May 8th, 2007**

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

**May 8th, 2007**

The special meeting of the Board of Directors of El Paso Water Company, Inc. convened in the City Council Chamber, 611 Mulberry, Derby, Kansas at 7:00 p.m. prior to the City Council meeting.

The following Directors were present and constituted a quorum:

Dion Avello  
Cheryl Bannon  
Charlie Schwarz  
Chuck Warren  
Jim Craig  
George Arnold  
Jim Meidinger  
Mark Staats

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.

**RECESS**

**MOTION:** Schwarz moved to recess the board meeting to begin the City Council meeting and consider items A through D. Seconded by Bannon.

**VOTE:** Craig yea, Meidinger yea, Warren yea, Schwarz yea, Bannon yea, Staats yea, Arnold yea, Avello yea, Johnson absent. 8 yea, 0 nay.

## WATER RATE STUDY

**Kathy Sexton**, Chief Executive Officer presented the staff report.

**Lorraine Murtha and Mike Shoemaker**, from PEC presented information regarding the water rate study.

**Mr. Shoemaker** commented that the water utility is financially in very good condition and continues to provide good service to all their customers. You should be proud of your facility and the utility itself. The goal for the study presented tonight is to review the existing rate structure and to provide some alternative rates for consideration and possible adoption.

**Lorraine Murtha** presented the rate study.

### DISCUSSION:

**Council Member Craig** advised there have been a lot of things that have occurred in the last four years that have allowed us to get to this position. There are some key elements that when we first started this and people back in 2003 got their water bills in August and there was a full house at city hall that night for a town meeting. He stated that there has been some diligent work done to remove the variables because this whole water rate study was based upon variables at the very beginning. Those variables have been changed, one being that we pay a flat rate to Wichita. With the removal of the AWC (average winter consumption) factor, if he uses 15,000 gallons of water, and Mr. Schwarz using 15,000 and Mr. Arnold uses 15,000, their bills will be the same because it will be equal pay for equal amounts used. That is the heart of this that we finally got to and it has been a long road. At the first onset, the base was \$15.45 when we hit the highest point, so it has been a struggle to move this direction. The options are clear and he fully endorses moving away from AWC because that makes everybody pay an equal amount for the amount of water that is used. He stated Lorraine and Mike did an outstanding job, much better than in the past because it is very easy to understand now. One thing that he said when he approached people to vote for him on this council is that he will do everything to lower water rates and they have been little by little. This is significant tonight, it really is, we have an opportunity to take the 17% of those folks that use less than 2,000 gallons of water and give them a break. It might be a young person living alone or an elderly person living alone, but they do deserve to have the lowest possible. He is willing, if he uses more to pay more so those folks that use less than 2,000 gallons can get a better rate than they have ever had before and that is significant. It is a little bit more but he is in full favor of option 3 because it does give that relief to those folks on the bottom end that use less than 2,000 gallons a month. He encouraged the council to consider that as the option they approve tonight. It has been a long road and this is the first opportunity to really offer a savings to the people that really deserve it.

**Council Member Meidinger** agrees with what Mr. Craig mentioned. He favors option 3 because he thinks that doing away with the AWC is probably the greatest thing you have ever done and he really appreciates all the work PEC has put in on this.

**Council Member Bannon** agrees we need to simplify this, so we are done with option 1 as far as she is concerned. Option 3 is still somewhat confusing because it has 2,000 gallons instead of our current base rate which includes 3,000 gallons. The other reason she is not big on option 3 is because if you look through the information the majority of the water customers are in block 1 which is 3,000-6,000 gallons. We need to help the majority. Basically what she is saying is that she doesn't want to hurt the ones that are under 3,000 and by staying with option 2 or 4 we are not hurting them, but we are not possibly giving them as big a break as they might have if we take option 3, but we are keeping it simple while not hurting them. She called city hall today and got her own house water bills and ran it and between options 2 and 4 there is a .25 cent difference, there's never more than .25 cents, its right at .18 to .24 cents on all of her changes. She is going to go for options 2 or 4. When you look at our large commercial accounts it appears that option 4 is probably a little friendlier to the large commercial accounts than option 2. If the only difference to her is .25 cents and we can continue to get commercial growth in town and not hurt them she is fine with option 4.

MOTION: Craig moved to adopt a resolution establishing water rates according to option 3 for retail customers effective June 1, 2007. Seconded by Schwarz.

VOTE: Craig yea, Meidinger yea, Warren nay, Schwarz yea, Bannon nay, Staats yea, Arnold yea, Avello nay, Johnson absent, 5 yea, 3 nay, motion carried.

**Council Member Bannon** commented that she does not want anyone to think that those that voted against this are not in favor of lowering the water bills, they are, it was simply a division of thought process, which is not a surprise to anyone, as to far as to how we should lower them.

**Council Member Craig** thanked everyone for their work on this process.

**Lorraine Murtha** thanked the staff and committee as well.

### **DECLARATION OF APRIL DIVIDEND**

**Jean Epperson**, Secretary/Treasurer presented the staff report.

**Council Member Bannon** asked if the water usage was that much different between last month and this month since the amount is \$100,000 less.

**Pat Swaney** explained that is how much revenue we had in excess of the \$200,000 in expenses in operation.

**Mrs. Epperson** further explained that part of it has to do with the way the revenue comes in and then the payment to Wichita for the water. She and Pat have talked about this and it is all a matter of how many weeks are in the month and where they fall.

MOTION: Craig moved to adopt a resolution declaring and directing payment of a dividend for the month of April in the amount of \$24,586.06 to the City of Derby, Kansas, as the sole stockholder of the Company. Seconded by Schwarz.

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

**Mr. Swaney** pointed out that we are on a flat rate now of \$1.42 every month. Last year in the winter time, you pay .84 cents per thousand.

#### **CANCELLATION OF REGULAR BOARD MEETING**

MOTION: Schwarz moved to cancel the regular El Paso Water Company Board of Directors Meeting on May 22, 2007. Seconded by Warren.

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

#### **ADJOURNMENT:**

MOTION: Schwarz moved to adjourn at 10:07 p.m. Seconded by Craig.

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

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Jean Epperson, Secretary