

**Regular meeting  
October 24th, 2006**

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

**October 24th, 2006**

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 9:25 p.m. following adjournment of the City Council meeting.

The following Directors were present and constituted a quorum:

Lori Payne  
Cheryl Bannon  
Charlie Schwarz  
Chuck Warren  
Loren Johnson  
Jim Meidinger  
Jim Craig  
Ken Mulanax

Others in attendance:

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

Mrs. Bannon called the meeting to order.

**APPROVAL OF MINUTES**

MOTION: Craig moved to approve the minutes of the September 26, 2006 board meeting. Warren seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren yea, Schwarz yea, Mulanax abstain, Payne yea, Bannon yea; 7 yea, 0 nay, 1 abstain, 1 absent, motion carried.

## DECLARATION OF DIVIDEND

MOTION: Warren moved to adopt a resolution declaring and directing payment of a dividend for the month of September in the amount of \$51,001.15 to the City of Derby, Kansas, as the sole stockholder of the Company. Mulanax seconded.

### DISCUSSION:

**Mr. Craig** pointed out a difference in amounts on the staff report and questioned which one was correct.

**Mrs. Epperson** advised the \$51,001.15 was the correct amount.

**Mr. Schwarz** asked what our take or pay gallons were, or are we through with that?

**Pat Swaney** advised he believes it is around 840 million gallons.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 8 yea, 0 nay, 1 absent, motion carried.

## Appointment to Engineering Review Committee

**Kathy Sexton**, CEO presented the recommendation to appoint Jim Craig to the Engineering Review Committee, in preparation of the water rate study.

**Mrs. Bannon** stated she is glad to see us put this out to bid, although she does not think it is something we need to bid every year but enough years have passed that she is happy to see that.

MOTION: Meidinger moved to appoint Jim Craig to the Engineering Review Committee for the Water Rate Study. Schwarz seconded.

VOTE: Craig abstained, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 7 yea, 0 nay, 1 abstention, 1 absent, motion carried.

## Appointment of Delegates to the South Central Kansas Water Coalition

**Ms. Sexton** recommended replacing the current delegates, Dion Avello and Ken Mulanax with Jim Craig and Loren Johnson as the alternate delegate. She also presented some background on the South Central Kansas Water Coalition.

MOTION: Schwarz moved to appoint Jim Craig and Loren Johnson to the Board of Delegates, South Central Kansas Water Coalition. Meidinger seconded.

VOTE: Craig abstained, Meidinger yea, Johnson abstained, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 6 yea, 0 nay, 2 abstentions, 1 absent, motion carried.

### **Election of Uniform Wholesale Rate applicable to water purchase from Wichita.**

**Kathy Sexton**, CEO presented the information regarding consideration of rate change letter and authorizing Chairman Avello to sign a letter notifying Wichita that we want the uniform wholesale rate.

**Mr. Craig** asked if Derby attempted to negotiate a price, or is this the price they set without any negotiation.

**Ms. Sexton** explained that Wichita set out a new rate and offered it to all of their customers. It is not just the amount, but the way it is calculated that some cities saw a benefit and others did not.

**Mr. Craig** clarified that we did not ask for a different rate.

**Phil Alexander**, Vice President, advised that this is consistent with our wholesale water contract which obligates us to pay the rates established by Wichita ordinance. They have simply amended their ordinance to offer an alternative rate and it really wasn't subject to negotiation, but rather consistent with our contract.

**Mr. Meidinger** asked if this changed the length of the contract.

**Ms. Sexton** advised it did not. We do have several issues that we are working on that do make some amendments to the contract and that will hopefully be ready for the November board meeting. One of those items is a negotiation thing that we went to them and asked if we could change our take or pay and they were real good about agreeing verbally to what we wanted and not trying to talk us down or negotiate that, but gave us what we wanted.

**Mr. Johnson** asked if it would be prudent to wait until after the water rate workshop on November 13<sup>th</sup> to sign this letter.

**Ms. Sexton** explained she really does not think it would matter. The workshop is for the board to discuss policy about how they want to set retail rates for customers and that will affect how our engineer does the study. This is only about the rate Wichita is charging us.

**Mr. Alexander** advised that would actually help because it will fix one of the parameters the engineers will have to deal with in their rate study.

**Mr. Johnson** asked if this would be a flat rate.

**Mr. Alexander** stated that was correct.

**Mr. Johnson** commented that since we are really gigging people on the graduated rate, we might use a lot less water and we may not be ahead by taking a flat rate because it may be higher than the base rate. Our rates get higher as you use more water, is that correct?

**Ms. Sexton** asked if he means the amount we pay to Wichita for wholesale water rates.

**Mr. Johnson** stated yes.

**Ms. Sexton** explained that it is now, and this would change that but that does not mean we can change from what we call a conservation rate to our retail customers. We can change the rates, but it still has to be a conservation method.

**Mr. Johnson** asked how we can decide what to do when we don't know what our water usage is going to be and our water usage could be different under different rates. That is a common happening in gasoline, for example. Do we use the same amount of gasoline at \$3.00 as we do at \$2.00? We don't know these things yet do we? We know what the rates are but we don't know what the usage is.

**Ms. Sexton** stated that the engineers, when they do the water rate study, will make assumptions about how price fluctuations will change demand fluctuations and they will build that into their model.

**MOTION:** Payne moved to authorize the Chairman of the Board to notify the City of Wichita that the Company elects, as of January 1, 2007, to be charged based on a uniform wholesale rate established by Wichita city ordinance. Schwarz seconded.

**Mr. Craig** asked if we have any data that would indicate this is a wise choice

**Mr. Swaney** advised we put the number to our 2005 usage and there was a savings of \$70,000.

**Mr. Craig** asked if this would include the 2007 proposed increase they were going to put on the other rates, and that would have taken us up to about .90¢

**Mr. Swaney** stated that was correct, it is \$.88, \$4.60 and \$6.15. Water consumption has gradually gone up each year and we have lowered rates but people are getting used to it.

**Mr. Craig** commented that it is substantially lower than it was five years ago.

**Mr. Swaney** agreed.

**Mr. Johnson** advised he intends to vote no because he thinks we should wait until after the water rate workshop, for his benefit since he does not know what the situation is.

VOTE: Craig yea, Meidinger yea, Johnson nay, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 7 yea, 1 nay, 1 absent, motion carried.

### **Approval of Company Polices and Procedures**

**Ms. Sexton** explained this is a follow up to last month's discussion of the policy and procedures document. There were several questions raised at the last meeting and we have gone through the document again and updated and clarified some of those items. She does not believe any of the changes made changed the intent or the policy set as much as clarified some areas that were a little misleading or in error.

**Mr. Craig** commended the staff for being diligent and sticking with it until we finally got something that represents what we wanted.

MOTION: Craig moved to adopt the El Paso Water Company Policies and Procedures for Water Service to Retail Customers as presented. Meidinger seconded.

**Mrs. Bannon** thanked the staff; she has had a lot of issues with this. She questioned if builders can pre buy water meters if they own the lot now.

**Ms. Sexton** advised they can pre buy, but reminded the board the water meter increases were approved last month, it is not being approved tonight.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 8 yea, 0 nay, 1 absent, motion carried.

FURTHER DISCUSSION:

**Mrs. Epperson** stated that when Mr. Craig asked her earlier about the difference in the staff report and the agenda, she assumed she had made an error in the staff report. The staff report is correct so the correct amount of the dividend is \$57,001.15, and she asked for a corrected motion.

MOTION: Mulanax moved to reconsider agenda item #1.  
Warren seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 8 yea, 0 nay, 1 absent, motion carried.

MOTION: Craig moved to adopt a resolution declaring and directing payment of a dividend for the month of September in the amount of \$57,001.15 to the City of Derby, Kansas, as the sole stockholder of the Company. Schwarz seconded

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 8 yea, 0 nay, 1 absent, motion carried.

FURTHER DISCUSSION:

**Mr. Craig** asked what the projected number of additions of water meters was, taking into account the new apartments being done in The Oaks. He advised the last time he checked there 7,756 active accounts and asked what the projection was, how many are we going to add.

**Mr. Swaney** advised this year it will be 240.

**Mr. Craig** asked if that was just for The Oaks.

**Mr. Swaney** advised that included the 150 that will be put in at The Oaks and does not believe The Oaks will be 100% on the second phase by the first of the year.

**Mr. Craig** clarified we will be looking at about 8,000 accounts by 2007.

**Mr. Swaney** advised that was correct. We had a large increase because of The Oaks, but normally we have about 175 to 200 new services per year.

**ADJOURNMENT**

MOTION: Craig moved to adjourn at 9:55 p.m. Schwarz seconded.

VOTE: Craig yea, Meidinger yea, Johnson yea, Warren Yea, Schwarz yea, Bannon yea, Mulanax yea, Payne yea; 8 yea, 0 nay, 1 absent, motion carried.

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Jean Epperson, Secretary