Approved: 3-24-93
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Don Sallee at 8:00 a.m. on March 18, 1993 in Room 423-S of the Capitol.

All members were present:

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Don Hayward, Revisor of Statutes
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:
Stephen A. Hurst, Director, Kansas Water Office
Terry K. Duvall,Administrator, State Water Marketing Program, Kansas Water Office
William M. Henry, Executive Vice President, Kansas Engineering Society
William Craven, Sierra Club

Others attending: See attached list

SB 2040 - concerning the Kansas water authority; relating to membership

William Craven, Kansas Chapter, Sierra Club, appeared in opposition to HB-2040 and presented written testimony. Attachment 1 Mr. Craven told the committee he felt that allowing groundwater management districts and corporations, (under certain circumstances), the right to vote but landowners not being permitted to vote appears to be clearly unconstitutional. Mr. Craven suggested appointing members on the basis of certain qualifications rather than those with special interests.

The chairman read to committee members an amendment requested by the Department of Health and Environment which would insert on line 27 following authority. "Upon written notification to the authority chairperson, non-voting members ex-officio may appoint a designee to represent them on the authority and its committees."

Senator Hardenburger moved to amend HB-2040 as requested by the Department of Health & Environment. Senator Walker seconded the motion and the motion carried.

Senator Lee made a motion to pass HB-2040 out favorable for passage. Senator Emert seconded the motion and the motion carried.

HB-2443 - concerning water; requiring acquisition of certain conservation storage water supply capacity and issuance of bonds or use of other means to finance the acquisition.

HB-2444 - concerning water; providing for a study of financing options for acquisition of certain conservation storage water supply capacity.

Stephen A. Hurst, Director, Kansas Water Office, introduced Terry K. Duvall, Administrator, State Water Marketing Program, who would give some background information on the Memorandum of Understanding that exists between the State of Kansas and the Department of the Army that allows the state to purchase some storage in several federal reservoirs at a discount rate and provides the opportunity for Kansas to take control of its own natural resources.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Terry Duvall appeared before the committee and presented a map showing ten major federal reservoirs on which the state holds contracts for water supply storage space. Unlike previously negotiated contracts the tenth contract requires that the capital costs must be paid in one lump sum within 30 days of conclusion of contract negotiations rather than over a 50 year period. The cost is, however, calculated at original construction costs and original interest rates. This contract provides for reallocation of water quality storage to water supply storage in certain reservoirs which heretofore were unavailable to the state to use for water supply purposes. Other advantages were outlined by Ms. Duvall. Attachment 2

William M. Henry, Executive Vice President, Kansas Engineering Society, appeared in support of HB-2343 and HB-2444 noting that although the Stat of Kansas is under definite fiscal constraints the direct purchase of approximately $21 million worth of water is still a bargain in a $5 billion state budget. Mr. Henry further noted the $21 million dollar cost can be reduced in the future as municipalities, rural water districts and water assurance districts make purchases from this supply. Attachment 3

Senator Walker made the motion, seconded by Senator Morris, to pass HB-2443 out favorable for passage. The motion carried.

Senator Lawrence made the motion, seconded by Senator Hardenburger, to pass HB-2444 out favorable for passage. The motion carried.

The meeting adjourned at 8:50 a.m.

The next meeting is scheduled for March 19, 1993.

GUEST LIST

SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

DATE March 18, 1993

(PLEASE PRINT) NAME AND ADDRESS	ORGANIZATION
Steve Hurst	KWO
Jerry Duvall	KWO
Connie Crittenden	DN. of Water Resources
Bill Henry	Kansas Engineering Society
Jim Ludwig	WESTERN RESOURCES
Michelle Liesten	Ks. Gov. Consulting

SIERRA CLUB

Kansas Chapter

Testimony of William Craven
Kansas Sierra Club
H.B. 2040
Senate Energy and Natural Resources Committee
March 12, 1993

Thank you, Mr. Chairman, for giving the 3,000 members of the Kansas Sierra Club an opportunity to voice their concerns about this bill.

Notwithstanding my "other hat" as the plaintiff's lawyer in the Board of Ag litigation, I want to share with you some of my perspective on this proposal. Permitting the Secretary of the Board of Ag to serve as an *ex officio* member of the Kansas Water Authority is objectionable, even if he is to serve only in that limited capacity. But what this bill brought to my attention is the fact that an even more objectionable formula exists by which several other members of the KWA are selected.

As I go through existing law regarding appointments to the Kansas Water Authority, I find that one member comes from the Kansas Association of Conservation Districts (page 1, line 27), one is a member of the Kansas Association of Watershed Districts (page 1, line 29), a member representing large municipal water users is chosen from three nominations made by the League of Kansas Municipalities (page 1, line 34), and the member who represents small municipal water users is picked from three nominees sent in by the Kansas Rural Water District Association (page 1, Line 37). The member who represents industrial water users comes from nominees sent to the Kansas Association of Commerce and Industry (page 2, line 3).

Two members come from nominations made by groundwater management districts, which, although they are statutory bodies, limit participation only to landowners. Limiting the right to vote only to landowners is clearly unconstitutional. Specifically, groundwater management districts limit voting to those who own 40 or more acres or who pump groundwater. Corporations which own 40 acres or more or which pump groundwater can vote, but members of the public can't. Landowners can choose to exempt themselves from groundwater management districts, but the public, which has a vital interest in water issues, can't even participate. These provisions are set forth in K.S.A. 82a-1001.

I also note that the chief engineer of the Board of Ag's Division of Water Resources is also an ex officio member. The question is why the KSBA is entitled to two *ex officio* members?

As currently constituted, therefore, and if my math is correct, voting membership on the Kansas Water Authority is vested in the chairman who is appointed by the governor, two members of the public appointed by the

Senate Energy & Natural Resources
March 18, 1993
Attachment 1

governor, one member appointed by the President of the Senate, one member appointed by the Speaker, one member representing environmental interests, and seven members representing special interests. These seven members control a majority of the 13 voting memberships on the Kansas Water Authority. The rest of the membership is *ex officio*.

The remedy to this mess is obvious. Surely, the legislature can state that members of the water authority should be appointed on the basis of certain qualifications, some of which might be familiarity with large or small municipal systems, groundwater issues, or the like. There is no sense in delegating to private trade associations the exclusive right to occupy some of the seats on the Kansas Water Authority. For example, one member of the Kansas Water Authority is supposed to be a person with an interest in conservation and environmental issues (page 1, line 31). That description doesn't say that the person should be a member of the Audubon Council, the Sierra Club, or the Kansas Natural Resource Council. The same type of general description should exist throughout the act. The members must be appointed by public officials—including the governor and leaders of both parties in both houses of the legislature—leaders who are elected by, and accountable to, the public.

I make these recommendations for amendments with no malice to any current Kansas Water Authority member and without making judgments about any Kansas Water Authority decision.

I expect that some legislators will react to this testimony much the way some reacted to the injunction issued by a federal court judge in the Board of Ag case. "If it ain't broke, don't fix it," they will say. There is a short answer to that claim, which some of you may have heard me state last weekend in an editorial response regarding a different matter: If it ain't democratic, it's broke.

Testimony of
Terry K. Duvall
Kansas Water Office
Before the
Senate Energy and Natural Resources Committee

March 17, 1993

Re: Federal Reservoir Storage
Purchase Options Briefing

Thank you Mr. Chairman and Members of the Committee: I am Terry Duvall, and I am a Policy Consultant with the Kansas Water Office charged with administration of the State Water Marketing Program and Water Assurance Program.

The State of Kansas currently holds contracts for water supply storage space in ten major federal reservoirs in the eastern one-third of the state. These contracts were negotiated between the years 1974 and 1991. This long-time span has resulted in contracts with requirements and conditions which vary from contract to contract.

The first nine contracts were negotiated specifically under the provisions of the 1958 Federal Water Supply Act. Under this Act, the State of Kansas could add up to an additional 30 percent to the storage space of a proposed federal flood control structure, at state cost, for "future" municipal and industrial water supply needs. The federal government would allow the State to repay the costs for constructing the add-on water supply over 50 years with interest (at time of contracting ranging from 2 to 4 percent). If the State requested water supply storage space be added which exceeded the 30 percent allowed under the 1958 Act, the State was required to begin making payment on this "immediate use" portion immediately upon completion of the dam. At the end of the ten-year interest-free period, the State could either begin making payment on that 30 percent or allow interest to accrue on construction costs.

Senate Energy & Natural Resources
March 18, 1993
Attachment 2

The tenth contract, negotiated in 1991, was negotiated under the provisions of a 1985 Memorandum of Understanding (MOU) with the Corps of Engineers and contains some of the provisions of the 1958 Water Supply Act. The major difference is that the State is not given the option to pay the capital construction costs off over 50 years. The capital costs must be paid in one lump sum within 30 days of conclusion of contract negotiations. However, the capital costs charged to the State are calculated at original construction costs and original interest rates, rather than the federal policy of updating costs and interest rates.

The real importance of the 1985 MOU, however, lies in the fact that it provides for reallocation of water quality storage to water supply storage in certain reservoirs which heretofore were unavailable to the State to use for water supply purposes. Such reallocated storage can be purchased by the State at original construction costs and interest rates, in one lump sum payment. The MOU will expire in June of 1996, leaving the State a "window of opportunity" to take advantage of this offer from the federal government prior to that date.

An additional issue of immediate importance relates to the ability of the State to control releases from water supply storage space which the State has not yet "called into service" in some of the major federal reservoirs. Releases of water supply from the Kansas River reservoirs to support navigation on the Missouri River summer before last has brought this issue to the forefront.

The Kansas Water Authority has begun the analysis and public input process regarding the purchase and calling into service of available storage space as part of the State Water Planning Process and background information is being presented this month at public meetings across the state. The results of their study and recommendations will be contained in their annual

report to the Governor and the Legislature next fall. As they began this process last fall, they asked that we present information to the Governor and this session of the legislature. H.B. 2443 and 2444, we believe, are a clear sign that the legislature is also interested in pursuing gaining control of as much storage as possible before the window of opportunity (July, 1996) closes. We appreciate that support.

Attached to my testimony are tables and a map which depict the options and opportunities available to the State. It should be noted that the Kansas City District Corps of Engineers has completed reallocation studies on reservoirs in the northern half of the state, and we therefore know how much water quality storage space can be converted to water supply. The Tulsa District has yet to begin the reallocation process for reservoirs in the southern one-half of the state.

Status of Acquisition

Priority	Lake	Available Storage in af	Relative Ease of Acquisition	Comment	Capital Cost
1	Milford Perry	198,000 125,000	Overnight Overnight	Not in MOU, navigation threat, KAD set aside by 2010	M=$390K/yr P=$370K/yr
2	Tuttle Creek	22,500	One month	KAD set aside by 1995	$1.56 M
3	Melvern Pomona	50,000 32,000	One year One year	Need MDC AD to make first move. Osage City and PWWSD #12 to use Melvern.	M=$6.40 M P=$3.08 M
4	John Redmond Council Grove Marion	Est 20,000 Est 15,000 Est 40,000	Two years Two years Two years	Need Neosho AD, need contract, need Tulsa to finish reallocation studies. Much interest in Council Grove by Emporia, Council Grove and Burlington, Lower Neosho needs water. Wolf Creek holds all of John Redmond.	JR=$4.14 M CG=$1.45 M M=$2.51 M
5	Elk City	Est 15,000	Three years	Need Verdigris to form AD, already voted no, need contract, need Tulsa to finish reallocation studies, Farmland may need water	$2.04 M
6	Kanopolis	Est 20,000	Three years	Not in MOU, Salina and Post Rock interested. Corps needs to determine storage availability and cost. Sedimentation is a problem, pool raise may be necessary	NA
7	Wilson	Est 50,000	Four years	Not in MOU, Russell may be interested. Water quality and depleted inflow are problems. Corps needs to determine storage availability and cost. Water probably would be withdrawn by pipeline.	NA

CURRENT ALLOCATION OF STORAGE IN ACRE-FEET

RESERVOIR	TOTAL Useable Storage in AF	CURRENT DESIGNATION/ALLOCATION Flood Control	Water Quality	Other Uses	Water Supply	Water Supply under State control (IN SERVICE)	Water Supply under User Contr.	ADDITIONAL STORAGE Avail. thru Current Corps Contr.	Avail. thru MOU
Big Hill	38,400	12,700	0	0	25,700	9,200	5,424	16,500	
Clinton	368,700	258,300	0	21,200	89,200	53,500	67,346	35,700	
Council Grove	104,000	62,100	17,500	0	24,400	24,400	14,347	10,053	15,000
Elk City	273,000	230,700	18,000	0	24,300	24,300	1,215	23,085	15,000
Fall River	256,400	234,500	15,000	6,900	NA	NA	NA		
Hillsdale	149,000	81,000	15,000	0	53,000	7,500	3,837	45,500	
John Redmon	593,800	531,300	27,600	0	34,900	34,900	34,900	0	20,000
Marion	142,800	59,900	44,600	0	38,300	38,300	11,517	26,783	40,000
Melvern	351,000	214,000	90,000	47,000	0		500	0	50,000
Milford	1,000,000	700,000	0	0	300,000	101,650	101,650	198,350	
Perry	630,000	480,000	0	0	150,000	25,000	25,000	125,000	
Pomona	218,000	170,000	43,000	0	5,000	0	0		32,000
Toronto	198,800	179,000	10,300	9,100	700	NA	400		
Tuttle Creek	2,001,000	1,879,000	72,000	0	50,000	27,500	27,500		22,500
TOTALS	**6,324,900**	**5,092,500**	**353,000**	**84,200**	**795,500**	**346,250**	**293,636**	**480,971**	**194,500**

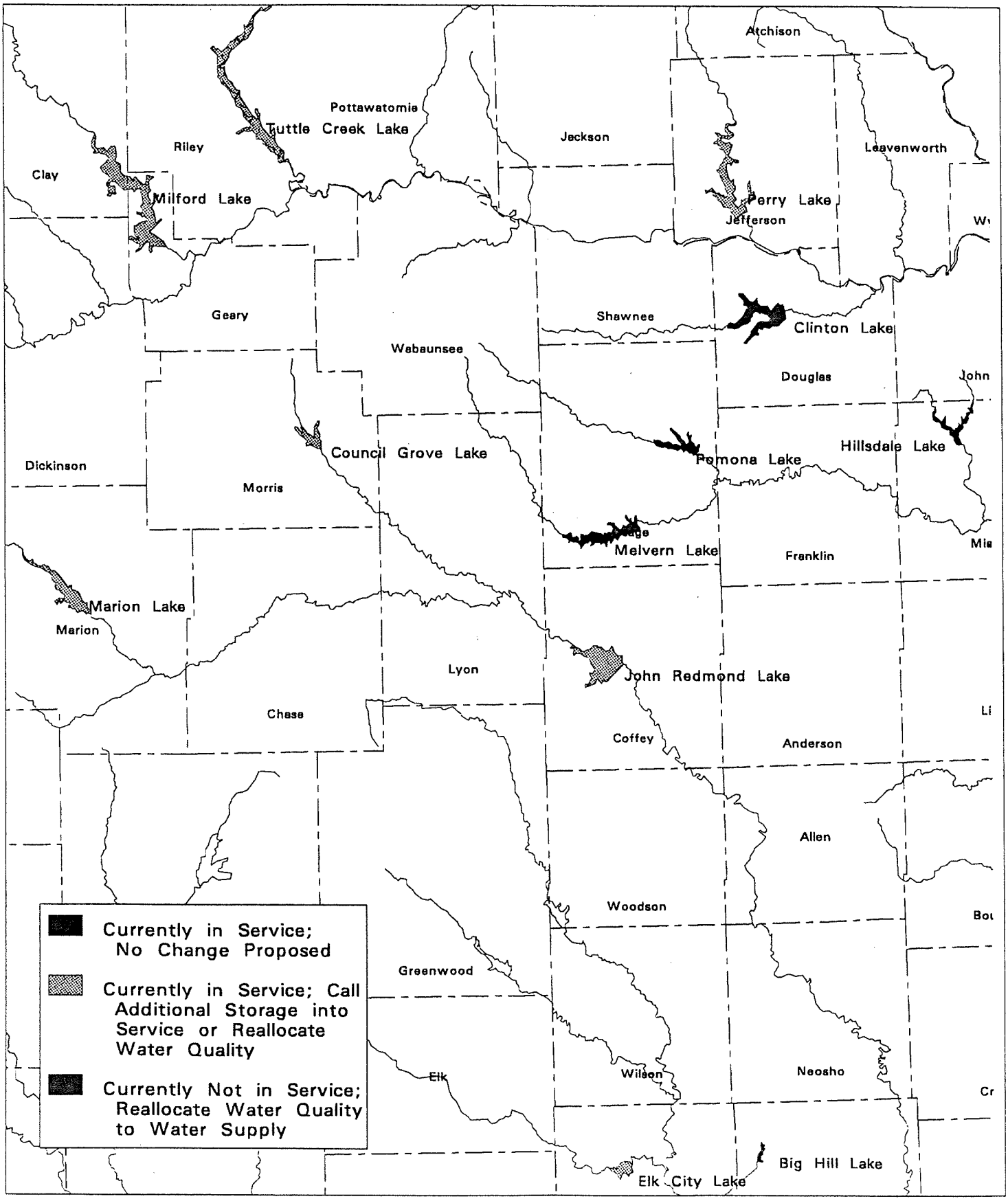
ESTIMATED COSTS TO CALL ADDITIONAL STORAGE SPACE INTO SERVICE

Reservoir	Capital Costs	**Estimated** Oper. & Maint.	TOTAL	AF	Comments
Milford	$389,451	$140,683	$530,134	198,350	1st of 50 ann. pmts. under current contract
Perry	$371,150	$137,197	$508,347	125,000	1st of 50 ann. pmts. under current contract
Tuttle Creek	$1,558,248	$23,696	$1,581,944	22,500	Lump-sum pmt.-realloc. WQ. thru MOU
John Redmond	$4,142,820	$231,582	$4,374,402	20,000	Lump-sum pmt.-realloc. WQ. thru MOU
Melvern	$6,398,000	$118,500	$6,516,500	50,000	Lump-sum pmt.-realloc. WQ. thru MOU
Council Grove	$1,451,345	$485,559	$1,936,904	15,000	Lump-sum pmt.-realloc. WQ. thru MOU
Marion	$2,505,783	$94,800	$2,600,583	40,000	Lump-sum pmt.-realloc. WQ. thru MOU
Pomona	$3,075,520	$75,840	$3,151,360	32,000	Lump-sum pmt.-realloc. WQ. thru MOU
Elk City	$2,042,762	$674,111	$2,716,873	15,000	Lump-sum pmt.-realloc. WQ thru MOU
TOTAL	$21,935,078		$23,917,046	517,850	Acre-Feet of added storage

CURRENT ALLOCATION OF STORAGE IN ACRE-FEET

RESERVOIR	TOTAL Useable Storage in AF	CURRENT DESIGNATION/ALLOCATION Flood Control	Water Quality	Other Uses	Water Supply	Water Supply under State control (IN SERVICE)	Water Supply under User Contr.	ADDITIONAL STORAGE Avail. thru Current Corps Contr.	Avail. thru MOU
Big Hill	38,400	12,700	0	0	25,700	9,200	5,424	16,500	
Clinton	368,700	258,300	0	21,200	89,200	53,500	67,346	35,700	
Council Grove	104,000	62,100	17,500	0	24,400	24,400	14,347	10,053	15,000
Elk City	273,000	230,700	18,000	0	24,300	24,300	1,215	23,085	15,000
Fall River	256,400	234,500	15,000	6,900	NA	NA	NA		
Hillsdale	149,000	81,000	15,000	0	53,000	7,500	3,837	45,500	
John Redmon	593,800	531,300	27,600	0	34,900	34,900	34,900	0	20,000
Marion	142,800	59,900	44,600	0	38,300	38,300	11,517	26,783	40,000
Melvern	351,000	214,000	90,000	47,000	0		500	0	50,000
Milford	1,000,000	700,000	0	0	300,000	101,650	101,650	198,350	
Perry	630,000	480,000	0	0	150,000	25,000	25,000	125,000	
Pomona	218,000	170,000	43,000	0	5,000	0	0		32,000
Toronto	198,800	179,000	10,300	9,100	700	NA	400		
Tuttle Creek	2,001,000	1,879,000	72,000	0	50,000	27,500	27,500		22,500
TOTALS	6,324,900	5,092,500	353,000	84,200	795,500	346,250	293,636	480,971	194,500

Kansas Water Marketing Program
Proposed Call for Additional Storage or Reallocation of Water Quality (517,850 AF New Storage)



1991 ANNUAL REPORT

STATE OF KANSAS

- WATER MARKETING PROGRAM
- WATER ASSURANCE PROGRAM
- MULTIPURPOSE SMALL LAKES PROGRAM

THE RIGHT TO USE WATER BEARS
THE RESPONSIBILITY TO USE IT WISELY

Kansas Water Office
109 SW 9th Street, Suite 300
Topeka, Kansas 66612-1249

AN EQUAL OPPORTUNITY EMPLOYER

INTRODUCTION

The Kansas Water Office administers or participates financially in three state programs for the management, conservation and development of municipal, industrial and public water supplies: the State Water Marketing Program, the Multipurpose Small Lakes Program and the Water Assurance Program. The current status of these three programs is described in this document.

STATUS OF WATER MARKETING PROGRAM

Background

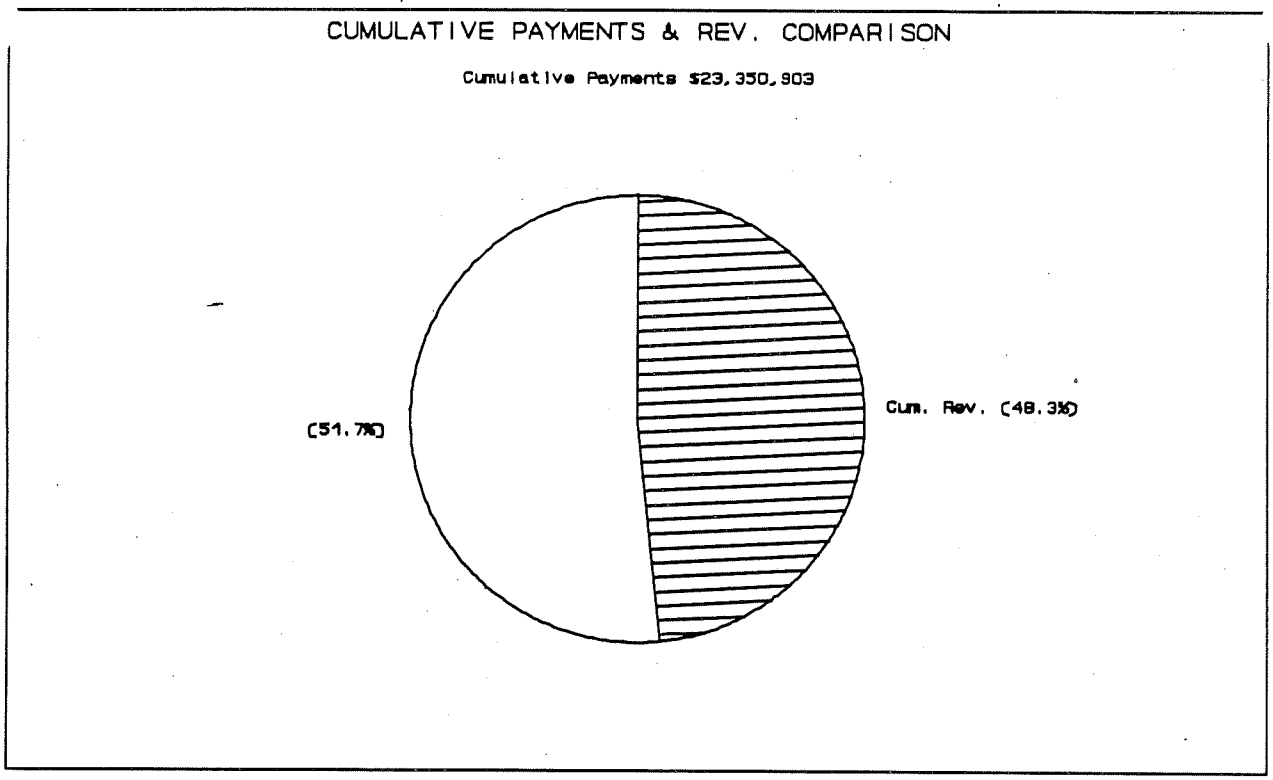
The State of Kansas was a pioneer in the development of a state-federal-local partnership to ensure that water supply storage space was included in major federal reservoirs in Kansas. Kansas was one of the first states to take advantage of the 1958 Water Supply Act, which allowed for the addition of water supply storage space in federal reservoirs, provided the costs of the added storage would be repaid by a state or local entity. The state recognized the importance of including storage space in federal projects to meet the future water supply needs of its citizens.

Since the enactment of K.S.A. 82a-1301 *et al* in 1974, the Kansas Water Resources Board, and its successor agency, the Kansas Water Office, have operated and administered the State Water Marketing Program to provide water to municipal and industrial users.

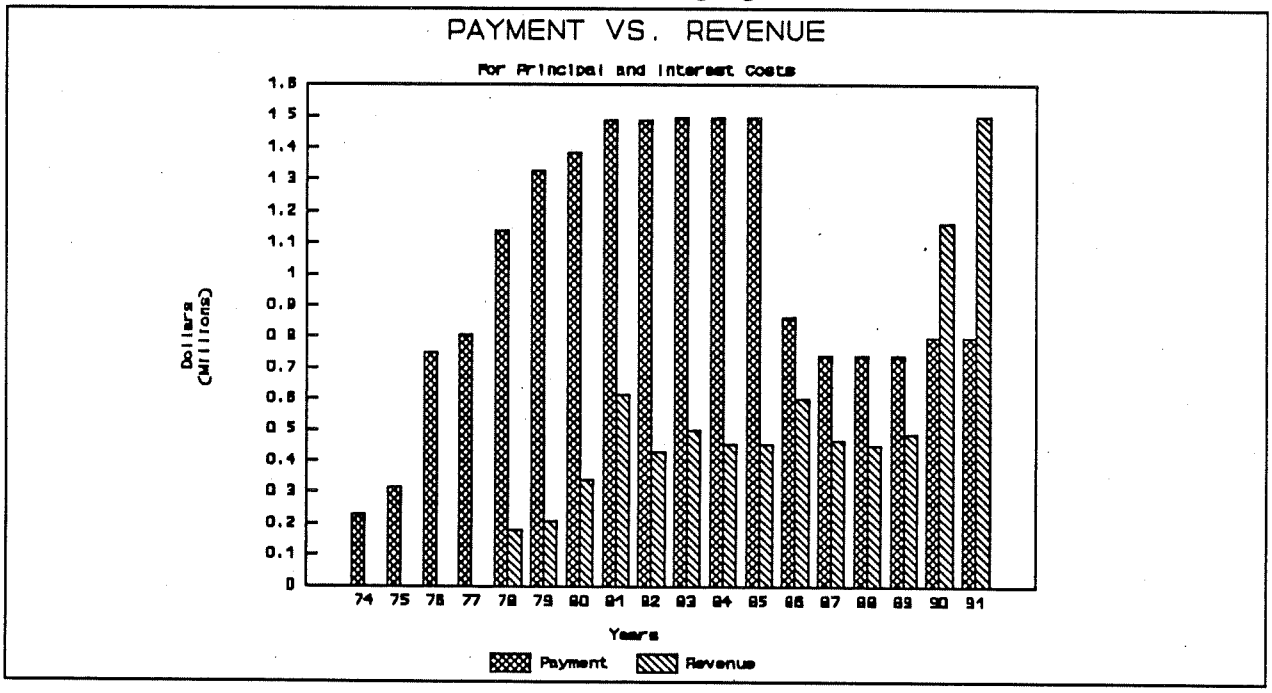
Costs for Water Supply Storage Under State Control and Revenue for Repayment

The state presently controls some portion of the conservation water supply storage space in nine federal reservoirs. The program began with one reservoir in 1975. By 1982, the state was making payments for capital costs and operation and maintenance to the federal government on the present nine reservoirs: Big Hill, Clinton, Council Grove, Elk City, Hillsdale, John Redmond, Marion, Milford and Perry. The total payments in 1975 were $228,638 as compared to the $1,383,977 payment in Calendar Year (CY) 1991. The cumulative payments reached $23,350,903 in CY 1991. The cumulative revenue for repayment of the capital costs and operation and maintenance reached $11,288,988 in CY 1991, or 48.3 percent of the cumulative repayment. (See figure box, page 2)

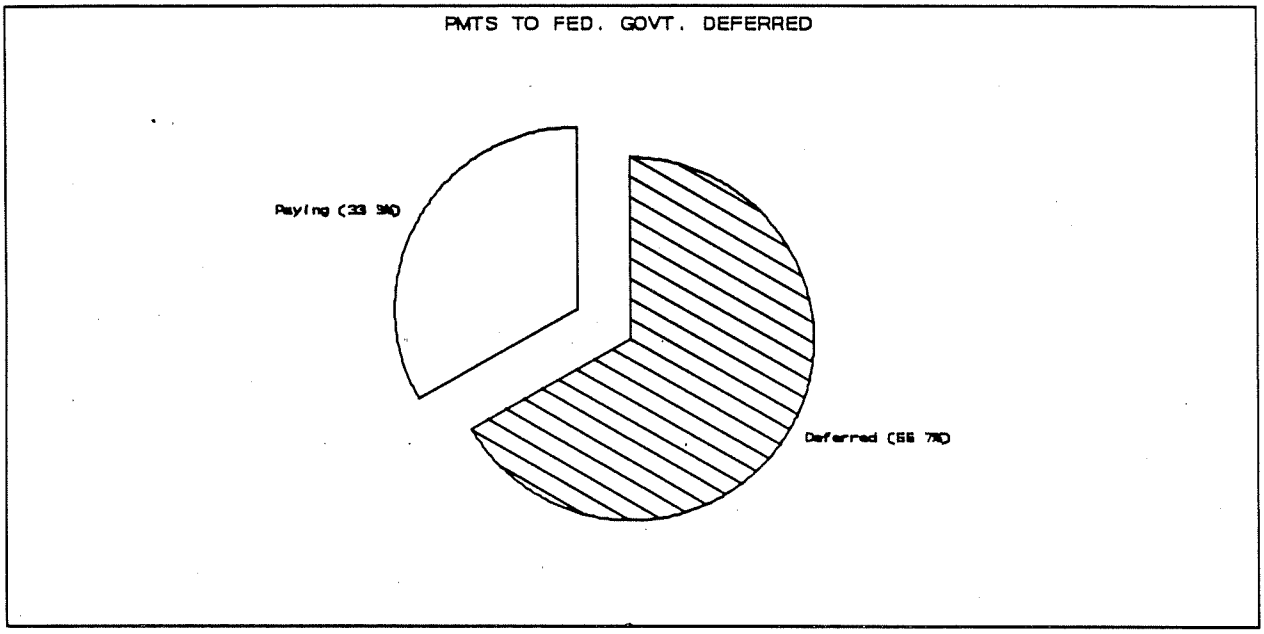
Purchasers of water supply under the Water Marketing Program are charged at a price per 1,000 gallons sufficient to repay the state for costs associated with the program. Two of the components of the price are based upon the principal and interest payments the state is required to make each year to the federal government for the storage space in the nine reservoirs under the program (the capital cost component) and the interest on the General Fund shortfall. The capital cost component is based upon the total principal and interest payments to be made over the repayment period on contracts with the federal government. (Further detail on the General Fund shortfall is provided in the next section of this report.)



Following is a bar chart of the principal and interest (capital cost) payments and revenue from 1975 through 1991. Revenue represents only the revenue associated with making the principal and interest payments. It should be noted, annual principal and interest revenue exceeded annual principal and interest payments for the first time in CY 1990. In addition, revenues from the transfer of reserve capacity in Milford and Perry reservoirs from the Water Marketing Program to the Water Assurance Program and use of Development Fund and State Water Plan Funds to pay capital costs during calendar year 1990 and 1991 had a significant impact upon the revenue/payment comparison shown in the following figure.



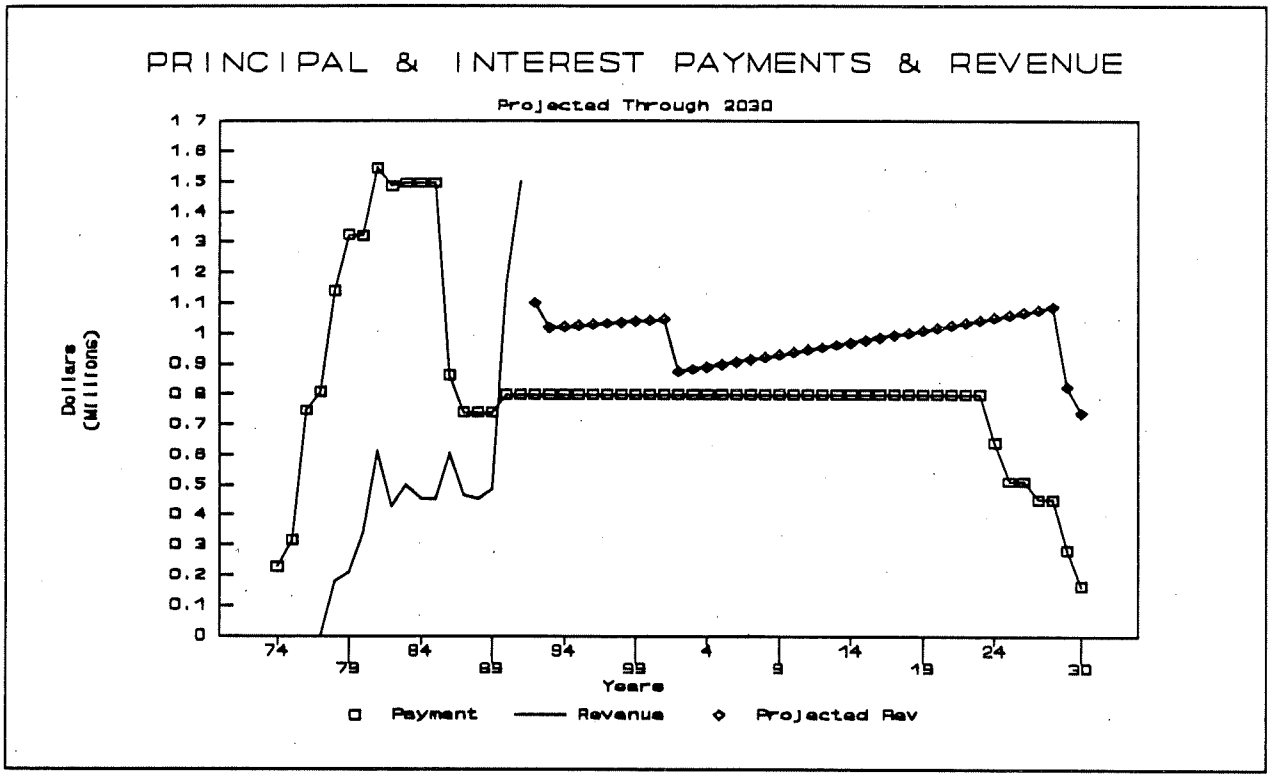
Capital cost payments to the federal government increased as new reservoirs were added to the program through 1981. A policy decision in 1986 to defer payments on future use storage in Big Hill, Clinton, Hillsdale, Milford and Perry reservoirs reduced the annual repayment obligation by approximately $800,000 per year beginning in 1987.



General Fund Shortfall

From the inception of the Water Marketing Program, state policy has been to recoup the costs of providing the water supply storage space from those who use the water. Users, therefore, are charged at a rate for water under their contracts which is sufficient to repay the entire debt to the federal government. In the early years, when demand for water supply was low, revenues were not expected to be sufficient to meet the annual principal and interest (capital cost) repayment commitment to the federal government. Funds to make up this shortfall between revenue and repayments were advanced from the State General Fund. The cumulative shortfall advances through CY 1991 are $11,130,146. In CY 1991, repayment of approximately $117,595 of the capital cost shortfall was made to the State General Fund from receipts from water supply purchasers. In addition, $175,116 was received from the Kansas River Water Assurance District for water supply storage space in Milford and Perry lakes. Payment from the District at $175,116 per year will continue through 2001. $408,976 from the State Conservation Water Supply Fund and the State Water Plan Fund were utilized to make capital cost payments in calendar year 1991. This was done to ensure adequate balances in the newly created Water Marketing Fund to meet October 1 repayment obligations to the federal government.

The entire principal and interest cost for the nine reservoir system, including the shortfall covered by State General Fund advances, plus interest on the shortfall, will be recovered from present and future water supply purchasers. The following figure shows projected annual repayments for principal and interest and projected revenues for principal and interest through 2030. The last principal and interest payment is due to be paid to the federal government that year for the current storage space.



Yield Available and Associated Costs

A total of 739,800 acre-feet of water supply storage space has been included in the nine current reservoirs in the Water Marketing Program. Initial principal cost for this water supply is $69 million. The total yield capability of this storage is estimated to be 111.5 billion gallons per year with a 2 percent chance of shortage.

Table 1

Reservoir	Construction Costs	Storage in AF	Interest Rate
Big Hill	$6,955,700	25,700	4.012%
Clinton	6,768,131	89,200	3.502%
Council Grove	1,461,764	24,400	2.699%
Elk City	2,146,666	24,300	2.742%
Hillsdale	23,421,675	53,000	4.012%
John Redmond	4,498,911	34,900	2.67%
Marion	1,576,327	38,300	3.046%
Milford	13,045,576	300,000	2.632%
Perry	9,208,342	150,000	3.046%
	$69,083,162	739,800	

By exercising options available to the state under the contracts with the Corps of Engineers, the state has deferred payment on approximately 414,541 acre-feet, slightly more than one-half of the total available under contract with the federal government. The costs of 75,000 acre-feet of

storage in Milford and Perry have been shifted to the Kansas River Water Assurance District, leaving 250,259 acre-feet of storage space in the Marketing Program at an initial cost of $22,764,784. Final cost of this storage, including interest during the repayment period, is estimated to total $46,654,063.

Of the 352,759 acre-feet of storage space being paid for by the state, 299,278 acre-feet are under contract between the state and 21 municipal and industrial water users in the Marketing Program and the Kansas River Water Assurance District. The state, therefore, has a reserve capacity in the nine reservoir system of approximately 89,827 acre-feet of storage upon which the state is required to make payment to the federal government but which is not under contract with users.

Table 2

Reservoir	In Marketing Program	Water Supply Capacity (AF)	Portion on Which State is Currently Paying or Has Paid Fed. Gov't (AF)	Portion Under Contract w/Users (AF)	Reserve Capacity (AF)	Portion on Which State has Deferred Payment to Fed. Gov't (AF)
Big Hill	1	25,700	9,200	5,425	3,775	16,500
Clinton	2	89,200	53,500	67,346	0	35,700
Council Grove	3	24,400	24,400	14,379	10,021	0
Elk City	4	24,300	24,300	1,215	23,085	0
Fall River		**15,000	N/A	0	0	0
Hillsdale	* 5	53,000	7,500	3,837	3,663	45,500
John Redmond	6	34,900	34,900	34,900	0	0
Marion	7	38,300	38,300	11,517	26,783	0
Melvern		5,000	0	0	0	0
Milford	8	300,000	101,650	*101,650	0	198,350
Perry	9	150,000	31,509	*31,509	0	118,491
Pomona		33,000	0	0	0	0
Toronto		**10,700	N/A	0	0	0
Tuttle Creek		50,000	27,500	**27,500	22,500	0
TOTALS		853,500	352,759	299,278	89,827	414,541

* Includes storage for use by Kansas River Water Assurance District Number 1.

** City of Toronto has contract with the Corps of 400 acre-feet of storage in Toronto Lake. Remainder of Toronto and Fall River Storage is available for low flow augmentation in the Verdigris Basin without cost to the state. Both projects were built prior to the 1958 Federal Water Supply Act.

Price Setting Under the Marketing Program

The rate charged under purchase contracts is calculated each year based upon a formula set out in the law and rules and regulations governing the Water Marketing Program. Historic annual rates are depicted in the following table.

Table 3

	1976	1977	1978	1979	1980	1981	1982
1 Capital Cost, Operation & Maintenance & Interest on General Fund Shortfall	$0.05935	$0.06126	$0.07022	$0.06902	$0.06902	$0.06902	$0.06902
2 Admin. & Enforcement	$0.00500	$0.00500	$0.00500	$0.00500	$0.00500	$0.00500	$0.00500
	$0.06435	$0.06626	$0.07522	$0.07402	$0.07402	$0.07402	$0.07402
	1983	1984	1985	1986	1987	1988	1989
1 Capital Costs	$0.02670	$0.02700	$0.02730	$0.03517	$0.02876	$0.02892	$0.02954
2 Operation & Maint.	$0.01440	$0.01350	$0.2030	$0.01885	$0.02048	$0.02392	$0.07382
3 Admin. & Enforcement	$0.00460	$0.00350	$0.00510	$0.00575	$0.00535	$0.00542	$0.00518
4 Int. on Shortfall	$0.04510	$0.04870	$0.04780	$0.05376	$0.04729	$0.03833	$0.04179
5 Depreciation Reserve	$0.02500	$0.02500	$0.02500	$0.02500	$0.02500	$0.02500	$0.02500
	$0.11580	$0.11770	$0.12550	$0.13853	$0.12688	$0.12159	$0.17533
	1990	1991	1992	1993			
1 Capital Costs	$0.05250	$0.05114	$0.05110	$0.04616			
2 Operation & Maint.	$0.02348	$0.02534	$0.02739	$0.03266			
3 Admin. & Enforcement	$0.00564	$0.00567	$0.00660	$0.00486			
4 Int. on Shortfall	$0.05191	$0.06224	$0.5361	$0.03311			
5 Depreciation Reserve	$0.02500	$0.02500	$0.02500	$0.02500			
	$0.15853	$0.16939	$0.16370	$0.14179			

Legislation Affecting Water Rates

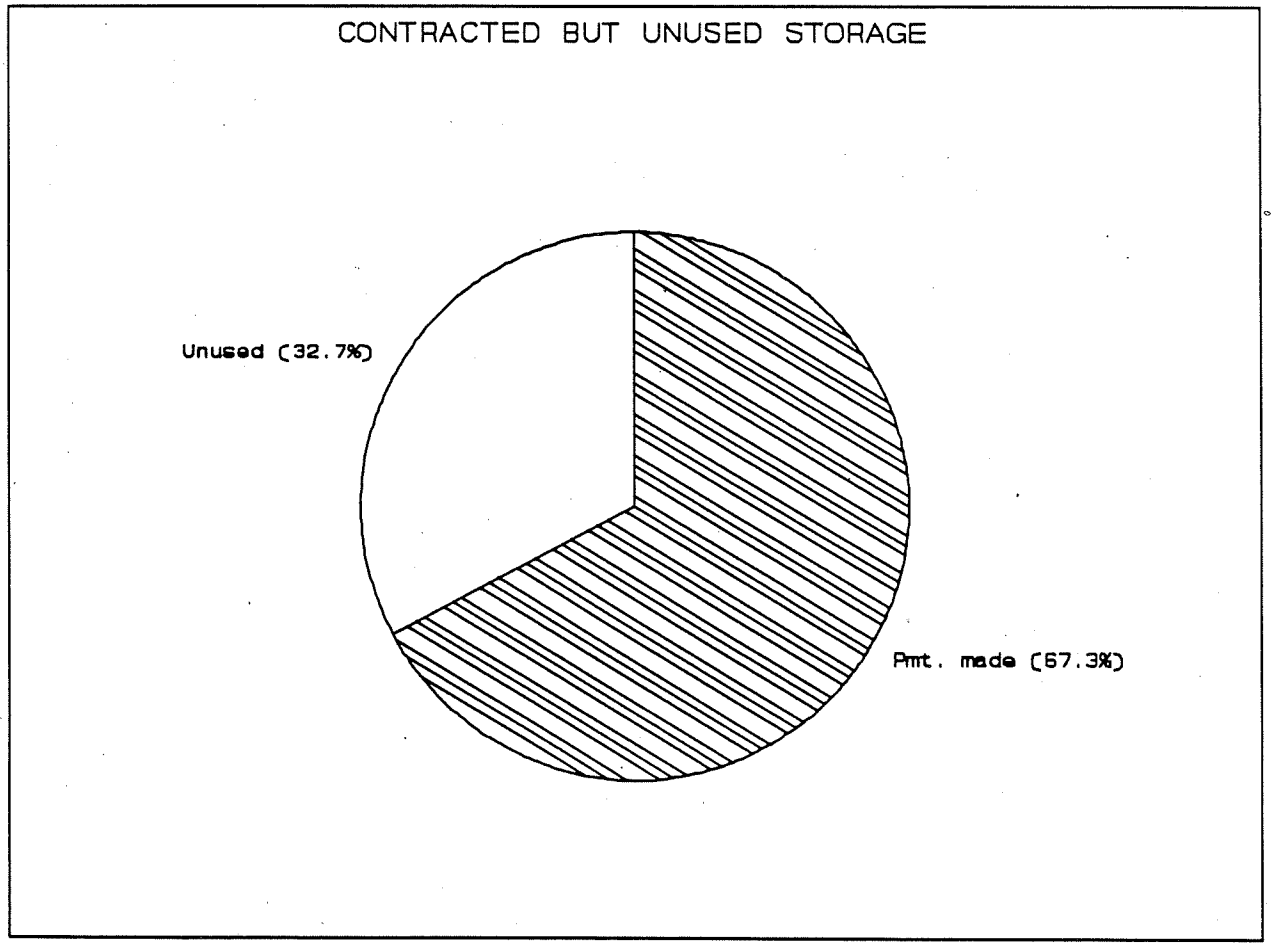
In 1987, major repair work was required at one of the nine reservoirs in the Water Marketing Program. The operation, maintenance and repair costs in that year were $1,193,158 compared to the previous year's bill of $408,506. To compute the rate to be paid by purchasers in a given year for operation and maintenance costs, the actual operation and maintenance costs of two years ago are divided by last year's water use. As can be seen in the above table, the rate component for operation and maintenance jumped in 1989 from 2.392 cents to 7.382 cents--an increase of nearly 5 cents per 1,000 gallons. Inflationary increases in operation and maintenance costs as well as cost spikes of unusual operation and maintenance costs will occur as the reservoirs age.

Following a study and analysis of the rate setting procedure, the Kansas Water Office and Kansas Water Authority proposed changes to the State Water Plan Storage Act (K.S.A. 82a-1301 *et seq.*) to address potential spikes in rates caused by unusual operation and maintenance costs. Those changes are embodied in Senate Bill 89 passed by the 1991 Legislative Session. Senate Bill 89

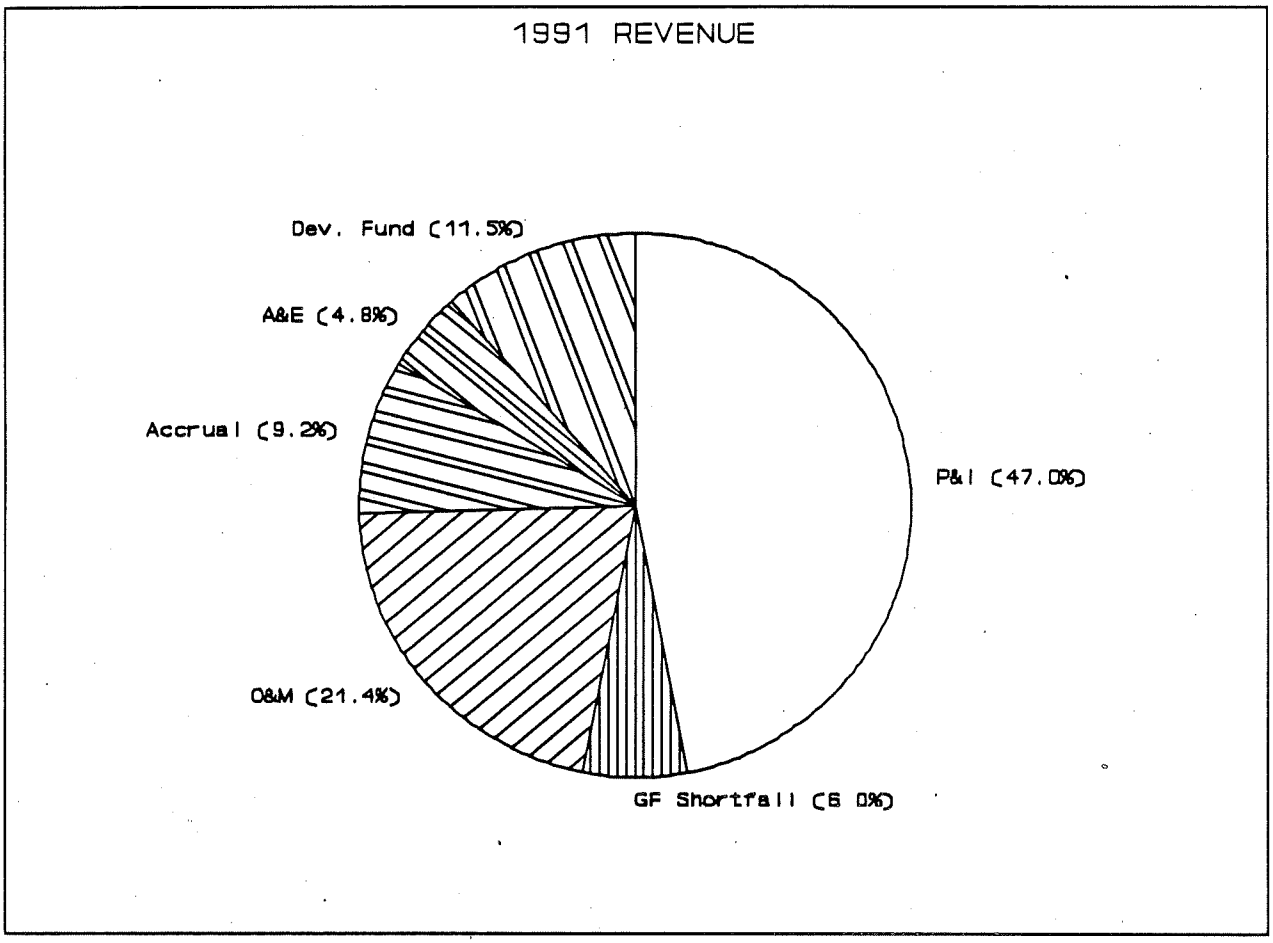
created a new fund (the Water Marketing Fund) through which all revenues and expenditures relating to the Water Marketing Program are to be processed. Within the fund is special operation and maintenance accrual account. Up to 1 cent per 1,000 gallons of the current revenue from the Water Marketing Program may be deposited in the accrual account to be used solely to offset unusual operation and maintenance costs, or to cover any shortage in revenue in any one year to meet the annual operation and maintenance costs. In calendar year 1991, $179,175 in revenue was deposited in the Operation and Maintenance Accrual Account.

Water Use and Revenue in CY 1991

Of the 26.6 billion gallons of yield from storage under contract between the state and the 21 municipal and industrial water users, 17.9 billion gallons were actually used or paid for by purchasers in 1991. This is an increase in water use compared to 1990 use of 16.4 billion gallons. Purchasers are required by contract to pay for a minimum of 50 percent of their annual contracted quantity regardless of actual use.



Total revenue for calendar year 1991 was $1,831,931 from water marketing contracts, compared to $1,480,996 in calendar year 1990. In addition, $684,144, from the Kansas Assurance District Development and State Water Plan Fund was used to pay capital costs in 1991. The following figure depicts the manner in which 1991 revenue was credited for payment of costs associated with the program:



Legend:

SCSWS = State Conservation Storage Water Supply Fund ("Development Fund")
A&E = Administration and Enforcement
O&M = Operation and Maintenance
P&I = Principal and Interest ("Capital Costs")
GF Shortfall = General Fund Shortfall
Accrual = Operation and Maintenance Accrual Account

Funding of Water Supply Projects - From Water Marketing Receipts

1983 amendments to the State Water Plan Storage Act (K.S.A. 82a-1301 *et seq.*) created the State Conservation Storage Water Supply Fund (K.S.A. 82a-1315b), which serves as a savings account to be used for acquisition and development of conservation water supply storage in reservoirs deemed necessary to implement the State Water Plan. All Water Marketing Program revenue which is not credited to meet each year's calculated capital cost, operation and maintenance, administration and enforcement, and operation and maintenance accrual fund expense is deposited in this "Development" Fund. The deposits (including interest earned) to this account for CY 1991 were $232,751. The following table describes expenditures from the State Conservation Storage Water Supply Fund.

Table 4
State Conservation Storage Water Supply Fund

Deposits from Revenue (1984-1991)	$2,743,906	
Earned Interest	300,467	
Total Revenue		$3,044,373
Expenditures		
1. Multipurpose Small Lakes* Projects		
a. Centralia Site 50		
Water Supply (1988)	$98,192	
Land Treatment (1989)	$240,000	
b. Wellington Reservoir (1989)		
Flood Control	$745,000	
Recreation	$50,000	
Land Treatment	$122,482	
c. Jetmore Reservoir (1990)		
Flood Control	$130,750	
Water Supply	$589,000	
Recreation	$130,250	
2. Repayment to Federal Government for Water Supply Storage under Water Marketing Program (1990 & 1991)	$709,498	
Total Expenditures		$2,815,172
Balance		$229,201

*See further explanation of this program later in this report.

Current Purchaser Contracts and Price of Water Supply

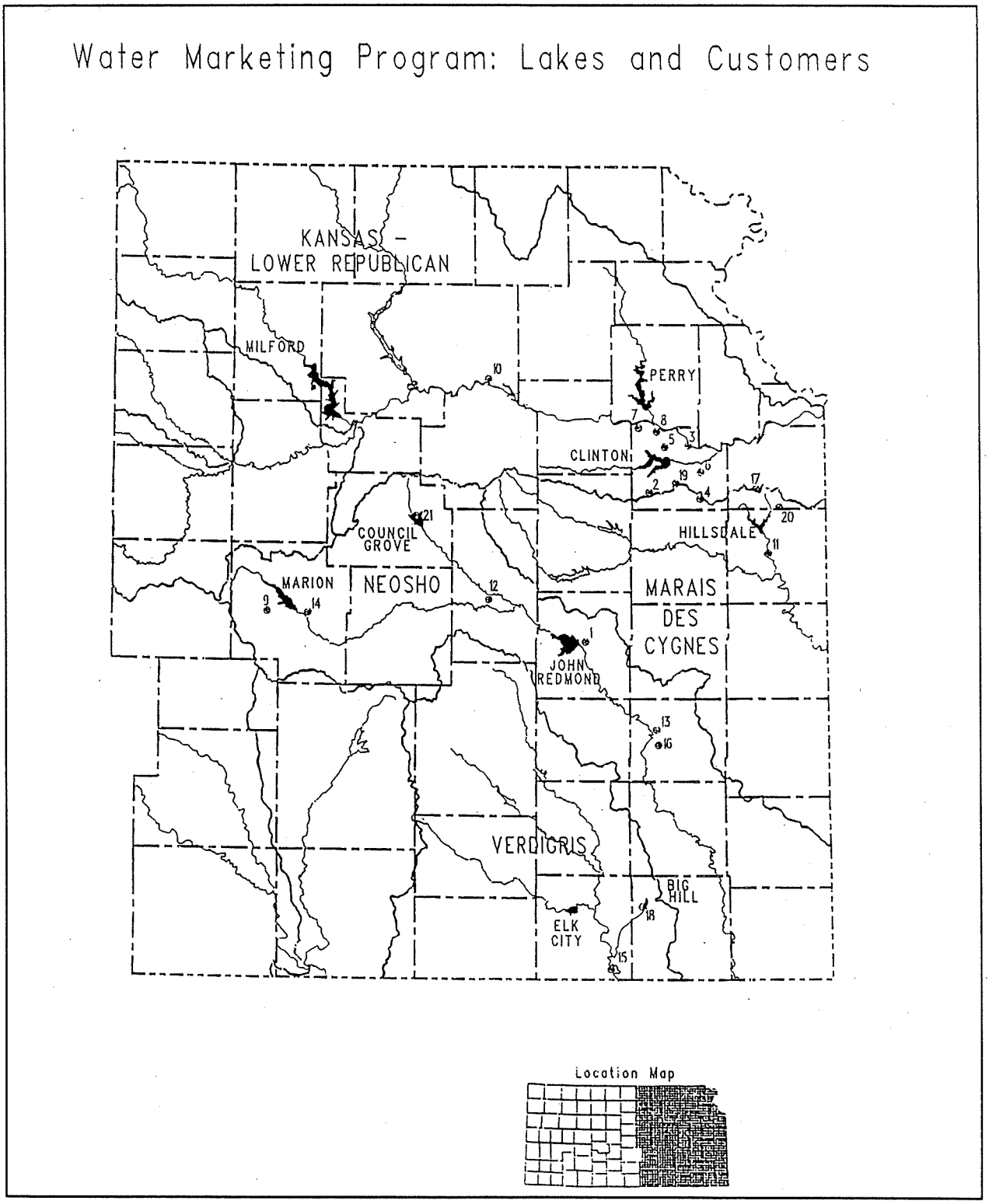
Current water supply purchasers, the reservoir for which they have contracted, the yield under contract, current price paid under contract per 1,000 gallons, price review date, and frequency of review are shown in the following table.

Table 5

Purchaser	Reservoir	Yield Under Contract in MGY		Price Per 1,000 Gallons	Next Price Review Date	Frequency of Review
		Minimum	Maximum			
1 Ks. Gas & Electric	John Redmond	4,836.00	9,672.00	$0.10000	Sept-95	Every 10 years
2 Douglas Co. RWD No. 5	Clinton	24.00	48.00	0.10000	Nov-97	Every 10 years
3 Lawrence	Clinton	1,825.00	3,650.00	0.10000	Nov-97	Every 10 years
4 Baldwin	Clinton	170.00	340.00	0.10000	Nov-97	Every 10 years
5 Douglas Co. RWD No. 1	Clinton	25.0	50.00	0.10000	Nov-97	Every 10 years
6 Douglas Co. RWD No. 4	Clinton	36.00	72.00	0.10000	Nov-99	Every 10 years
7 Douglas Co. RWD No. 3	Clinton	360.00	720.00	0.10000	Nov-99	Every 10 years
8 Douglas Co. RWD No. 6	Clinton	12.50	25.00	0.10000	May-2000	Every 10 years
9 Hillsboro	Marion	150.00	300.00	0.1000	May-2000	Every 10 years
10 Ks. Power & Light	Milford	3,650.00	7,300.00	0.10000	Sept-96	Every 5 years*
11 Miami Co. RWD No. 2	Hillsdale	119.72	239.44	0.10000	Sept-96	Every 5 years*
12 Emporia	Council Grove	547.50	1,095.00	0.10000	Nov-96	Every 5 years*
13 Iola	Council Grove	55.00	110.00	0.10000	Nov-96	Every 5 years*
14 Marion	Marion	118.75	237.50	0.10000	Nov-96	Every 5 years*
15 Coffeyville	Elk City	150.00	300.00	0.10000	Nov-96	Every 5 years*
16 Pub. Wholesale Water Supply Dist. No. 5	Marion	43.50	87.00	0.10000	Nov-96	Every 5 years*
17 Johnson Co. RWD No. 7	Hillsdale	55.00	110.00	0.16939	Jan	Every year
18 Pub. Wholesale Water Supply Dist. No. 4	Big Hill	273.75	547.50	0.16939	Jan	Every year
19 Douglas Co. RWD No. 2	Clinton	25.00	50.00	0.16939	Jan	Every year
20 Spring Hill	Hillsdale	55.00	110.00	0.16939	Jan	Every year
21 White Mem. Camp	Council Grove	0.75	1.50	0.16939	Jan	Every year
22 Lawrence	Clinton	730.00	1,460.00	0.1637	Jan	Every year
23 Douglas Co. RWD No. 1	Clinton	7.50	15.00	0.1637	Jan	Every year
24 Douglas Co. RWD No. 2	Clinton	25.00	50.00	0.1637	Jan	Every year
25 Douglas Co. RWD No. 4	Clinton	15.00	30.00	0.1637	Jan	Every year
26 Douglas Co. RWD No. 5	Clinton	24.00	48.00	0.1637	Jan	Every year
27 Douglas Co. RWD No. 6	Clinton	5.00	10.00	0.1637	Jan	Every year
		13,338.97	26,678.94			

*The price under these contracts cannot be adjusted to more than 10 cents per 1,000 gallons during the 40 year term of the contracts.

The following map depicts the location of the nine Water Marketing Program reservoirs and the location of the purchasers who have contracted for water supply from those reservoirs.



Contracting Activities in 1991

The following municipalities, industries and rural water districts have requested negotiation of contracts for water supply in the named reservoirs during 1991. Contract negotiations are continuing, were terminated, or completed as noted in the following table.

Table 6
1991 Negotiations

Applicant Requesting Negotiation	Reservoir	QTY Requested in MGY	QTY Contracted in MGY
Council Grove	Council Grove	50	N/A Negotiations ongoing
Burlington	Council Grove	365	N/A Negotiations ongoing
Burlingame	Melvern	65	N/A Negotiations ongoing
Osage City	Melvern	260	N/A Negotiations ongoing
Public Wholesale Water Supply Dist. No. 12	Melvern	600	N/A Negotiations ongoing
TOTAL		1,231	

During the drought conditions of late summer and early fall of 1991, a gubernatorial drought declaration was issued which allowed Burlingame and Osage City to obtain needed water supply from Melvern Lake through short-term emergency surplus water contracts with the Corps.

Burlingame and Osage City are two of the three potential users of Melvern Lake water supply who have been negotiating in 1991 for water supply contracts from this source. The Kansas Water Office does not currently own water supply storage space in Melvern Lake, therefore, the Kansas Water Office is simultaneously negotiating the purchase of storage space from this lake with the Corps of Engineers. Since negotiations with the Marais des Cygnes Assurance District were broken off in 1991, the Kansas Water Office will not, at this time, have an opportunity to purchase this storage at original construction costs and interest rates as provided under the 1985 Memorandum of Understanding with the Corps (see Water Assurance Program section of this report). The Corps is negotiating with the Kansas Water Office to purchase storage at updated costs and interest rates.

A total of 44 active applications to negotiate remain on file requesting a total of 755 million gallons per day from reservoirs already under state control, as well as reservoirs in which the state has yet to purchase storage space. These applicants have not yet requested negotiations for water supply. Their applications will remain on file for up to ten years unless they request negotiations commence at some time prior to the end of the ten-year period.

Table 7

No. Applicant	Reservoir	Average Quality in MGD	Date Filed	Appl. Expires
58 City of Salina	Kanopolis	32.139	12/21/79	12/21/92
59 City of Salina	Milford	10.713	12/21/79	12/21/92
60 City of McPherson	Milford	10.713	1/9/80	1/9/93
61 City of Wichita	Milford	53.565	1/23/80	1/23/93
62 City of Wichita	Kanopolis	44.637	1/23/80	1/23/93
63 City of Coffeyville	Big Hill	0.329	1/24/80	1/24/93
67 Equus Beds GMD #2	Milford	17.855	2/14/80	2/14/93
69 City of Arkansas City	Douglass	5.486	2/26/80	2/26/93
72 County of Wilson	Big Hill	3.000	10/24/80	10/24/93
74 PWWSD #5	John Redmond	0.238	10/29/80	10/29/93
75 City of Humboldt	John Redmond	0.200	2/25/81	2/25/94
76 City of Emporia	Council Grove	3.000	3/13/81	3/13/94
78 City of Council Grove	Council Grove	0.137	3/20/81	3/20/94
80 City of Emporia	Marion	5.000	3/23/81	3/23/94
82 City of Coffeyville	Big Hill	0.500	4/10/81	4/10/94
84 City of Oxford	Douglass	0.219	4/27/81	4/27/94
87 City of Augusta	Douglass	4.000	5/22/81	5/22/94
88 City of Park City	Milford	0.848	6/16/81	6/16/94
90 City of Lindsborg	Kanopolis	1.785	7/20/81	7/20/94
91 City of Lindsborg	Milford	1.785	7/20/81	7/20/94
95 City of Hutchinson	Milford	17.855	8/17/81	8/27/92
96 City of Newton	Milford	17.855	9/20/82	9/20/92
98 City of Cottonwood Falls	Marion	0.266	1/21/83	1/21/93
99 PWWSD #5	Council Grove	0.238	2/1/83	2/1/93
101 Farmland Industries	Elk City	1.065	8/12/83	8/12/93
102 City of Peabody	Marion	0.200	10/28/83	10/28/93
105 Wet Walnut PWWSD	Fall River	0.288	12/18/84	12/18/94
106 Wet Walnut PWWSD	Toronto	0.288	12/18/84	12/18/94
107 Miami Co. RWD #2	Hillsdale	1.000	1/2/85	1/2/94

No. Applicant	Reservoir	Average Quality in MGD	Date Filed	Appl. Expires
109 Monarch Cement	Marion	0.500	7/9/87	7/9/97
110 Monarch Cement	Council Grove	0.500	7/9/87	7/9/97
111 Monarch Cement	John Redmond	0.164	7/9/87	7/9/97
113 Morris Co. RWD #1	Council Grove	0.300	4/27/89	4/27/99
114 Jefferson Co. Econ. Dev.	Perry	8.000	5/12/89	5/12/99
119 Jost Farms	Marion	1.000	8/10/89	8/10/99
120 Osage City	Melvern	2.000	8/21/89	8/21/99
121 Ellsworth Co. RWD 1 (Post Rock)	Kanopolis	1.200	9/12/89	9/12/99
122 PWWSD #10	Milford	132.000	11/17/89	11/17/99
124 PWWSD #12	Melvern	1.100	5/21/90	5/21/2000
125 City of Burlington	Council Grove	365.000	9/3/91	9/3/2001
126 City of Burlingame	Melvern	0.350	11/4/91	11/4/2001
127 PWWSD #12	Melvern	1.400	12/23/91	12/23/2001
128 Johnson Co. RWD #7	Hillsdale	0.548	1/24/92	1/24/2002
129 Lyon Co. RWD #2	Council Grove	0.205	2/10/92	2/10/2002
TOTAL		754.971		

MULTIPURPOSE SMALL LAKES PROGRAM

Overview

Small lakes play an important role in the management and conservation of the state's water resources. Although hundreds of small lake projects have been built in Kansas for flood control and watershed protection, additional multipurpose structures will be required in the future to meet the water resource needs of the state.

The Multipurpose Small Lakes Program, which is a part of the State Water Plan, provides for "add on" features for the development of a proposed watershed structure to its fullest potential and/or renovation of an existing structure to provide for additional benefits. A planned flood control structure may become multipurpose by adding water supply storage and/or recreation. Conversely, a planned water supply structure may become multipurpose by adding flood control, or recreation to the project. Renovation projects may also be treated this way.

Each structure must contain flood control features and meet specific criteria set out in the law (K.S.A. 82a-1601 *et seq.*) to be eligible for funding under the Multipurpose Small Lakes Program. Each project must include adequate land treatment of the drainage area to protect the site from pollution and siltation. The major sponsor of a Multipurpose Small Lakes project must have taxing authority and power of eminent domain. Payback of state funds used for the water supply portion of the structure is required. (See: Funding of Water Supply Projects - From Water Marketing Receipts funding detail for early projects under this program.)

Table 8
Multipurpose Small Lakes Projects

Funding				Water Supply Sold	Reimbursable Costs	
Name of Project	Amount	Source	FY			
1. Centralia Site 50				No		
					$98,192.00	Construction of water supply
Flood Control	$0.00				280.00	Water right filing fee
Water Supply	$10,000.00	State General Fund	1987		200.00	Water right inspection fee
Water Supply	$98,192.00	Dev. Fund Water Mktg.	1988		$98,672.00	
Recreation	$0.00					
Land Treatment	$240,000.00	Dev. Fund Water Mktg.	1989			
TOTAL	$348,192.00					
2. Yates Center				NA	NA	Funding was not used for water supply.
Flood Control	$0.00					
Water Supply	$0.00					
Recreation	$100,000.00	State General Fund	1987			
Land Treatment	$140,352.00	State General Fund	1988			
TOTAL	$240,352.00					
3. Wellington				NA	NA	Funding was not used for water supply.
Flood Control	$745,000.00	Dev. Fund Water Mktg.	1989			
Water Supply	$0.00					
Recreation	$50,000.00	Dev. Fund Water Mktg.	1989			
Land Treatment	$122,482.00	Dev. Fund Water Mktg.	1989			
TOTAL	$917,482.00					
4. Jetmore				No	$589,000.00	Construction of water supply.
Flood Control	$451,250.00	Economic Dev. Fund	1990			
Flood Control	$130,750.00	Dev. Fund Water Mktg.	1990			
Water Supply	$589,000.00	Dev. Fund Water Mktg.	1990			
Recreation	$130,250.00	Dev. Fund Water Mktg.	1990			
Land Treatment	$0.00					
TOTAL	$1,301,250.00					
5. Bone Creek				No	$500,000.00	Construction of water supply.
Flood Control	$903,402.00	State Water Plan Fund	1991			
Water Supply	$500,000.00	State Water Plan Fund	1992			
Recreation	$996,598.00	State Water Plan Fund	1991			
Land Treatment	$0.00					
TOTAL	$1,900,000.00					
6. Banner Creek				No	$396,969.00	Construction of water supply.
Flood Control	$0.00					
Water Supply	$396,969.00	State Water Plan Fund	1993			
Recreation	$0.00					
Land Treatment	$73,040.00	State Water Plan Fund	1991			
TOTAL	$470,009.00					
7. Sabetha Lake				No	$815,425.00	Construction of water supply.
Flood Control	$571,420.00	State Water Plan Fund	1992			
Water Supply	$815,425.00	State Water Plan Fund	1992			
Recreation						
Land Treatment	$87,378.00	State Water Plan Fund	1992			
TOTAL	$1,474,223.00					

New Legislation Affecting the Multipurpose Small Lakes Program

Amendments to the Multipurpose Small Lakes Act (K.S.A. 82a-1601 *et seq.*) were enacted in 1991. Changes to the Act include:

Rural water districts may now participate as sponsors of projects. The Kansas Water Office is exempted from fees imposed on water right filings and maintenance of the water right application.

Multipurpose small lakes are now subject to a cost-benefit analysis to be conducted by the Chief Engineer, Division of Water Resources. The Kansas Water Office is the responsible agency to recoup the state's cost of water supply storage in multipurpose small lakes. The state may now include water supply storage in Class III lakes, at state expense. However, interest is charged on the state's investment in Class III projects.

STATUS OF WATER ASSURANCE PROGRAM

History

During periods of drought, natural streamflow on streams may be significantly reduced. Municipal and industrial water users along a stream who hold appropriation rights to the natural flow may find their ability to use the surface water is severely limited, at a time when their demand for water is at its highest. Many of these users are located below federal reservoirs.

Prior to 1986, water in storage from upstream reservoirs was available to these users only under terms of the State Water Marketing Program. In order to participate in the water marketing program, municipal and industrial water users were required to sign a long-term (up to 40 years) contract with the state agreeing to: repay the state for the costs of providing the water; pay for at least 50 percent of the contracted water each year, regardless of actual use; and pay for water lost in transit from the dam to the purchaser's intake. The state recognized that the marketing program may not meet the needs of many municipal and industrial water users since it obligates a purchaser to a long-term financial commitment for water supply from a specific reservoir which they may only need during low flow periods.

The 1986 Legislature enacted the Water Assurance Program Act (K.S.A. 82a-1330 *et seq.*). The act gives the Kansas Water Office authority to enter into contracts with the federal government for storage space to be used for water assurance. It sets out the procedures for organization of an assurance district and contracting procedures between the assurance district and the Kansas Water Office.

The purpose of the Water Assurance Program is to allow coordinated operation of state-owned or controlled water storage space in federal reservoirs to satisfy downstream municipal and industrial water rights during drought conditions. Water right holders are, therefore, assured to receive water during times of low flow while the state operates the basin reservoirs as a system for increased efficiency in water delivery.

Under a 1985 Memorandum of Understanding with the Department of the Army, the state has the first purchase option for additional storage in the following reservoirs at original construction costs and interest rates: Tuttle Creek, Pomona, Melvern, John Redmond, Marion, Council Grove, Elk City, Toronto and Fall River.

Four conditions must be met before this storage space can be added to the Water Marketing Program or Water Assurance Program at the favorable costs.

1. An Assurance District must form in the basin,
2. Water quality releases must be protected from unlawful diversion,
3. A water user must negotiate a contract with the state prior to the state's purchase of the storage, and
4. The state must make full payment to the federal government (including accumulated interest) for the storage at the time of purchase (no long-term repayment).

In addition, this memorandum of understanding expires in 1996. Purchases made after June 30, 1996, would be at updated construction and interest costs. The state has requested a five-year extension to this deadline.

Contracts with the Federal Government

A contract with the federal government on behalf of Kansas River Assurance District No. 1 (KWAD No. 1) was negotiated for 27,500 acre-feet of storage space in Tuttle Creek Reservoir in calendar year 1990. The cost for this storage space was $1.9 million. Kansas Water Assurance District No. 1 chose to utilize the state's bonding authority to finance the costs of Tuttle Creek storage. The district will also utilize 55,000 acre-feet of storage in Milford and 25,000 acre-feet of storage space in Perry reservoirs at an estimated cost of $3.3 million. The district has taken advantage of the long-term, low-interest contracts the state already had in place to pay out the costs for Milford and Perry reservoirs. Annual payments for this storage will total $121,070 per year for the next 50 years.

No other purchases of storage space have been negotiated with the federal government for additional storage space for any other assurance districts. However, the state has been provided first draft contracts for Melvern and Pomona reservoirs for possible use in the Marais des Cygnes Basin.

Contracts with Assurance Districts

A contract between the Kansas Water Office and Kansas River Assurance District No. 1 was signed in December 1989. Since that time, details of the operation agreement, defining how storage in the three reservoirs in the Kansas Basin will be utilized to meet the water supply needs of the district members, have been negotiated.

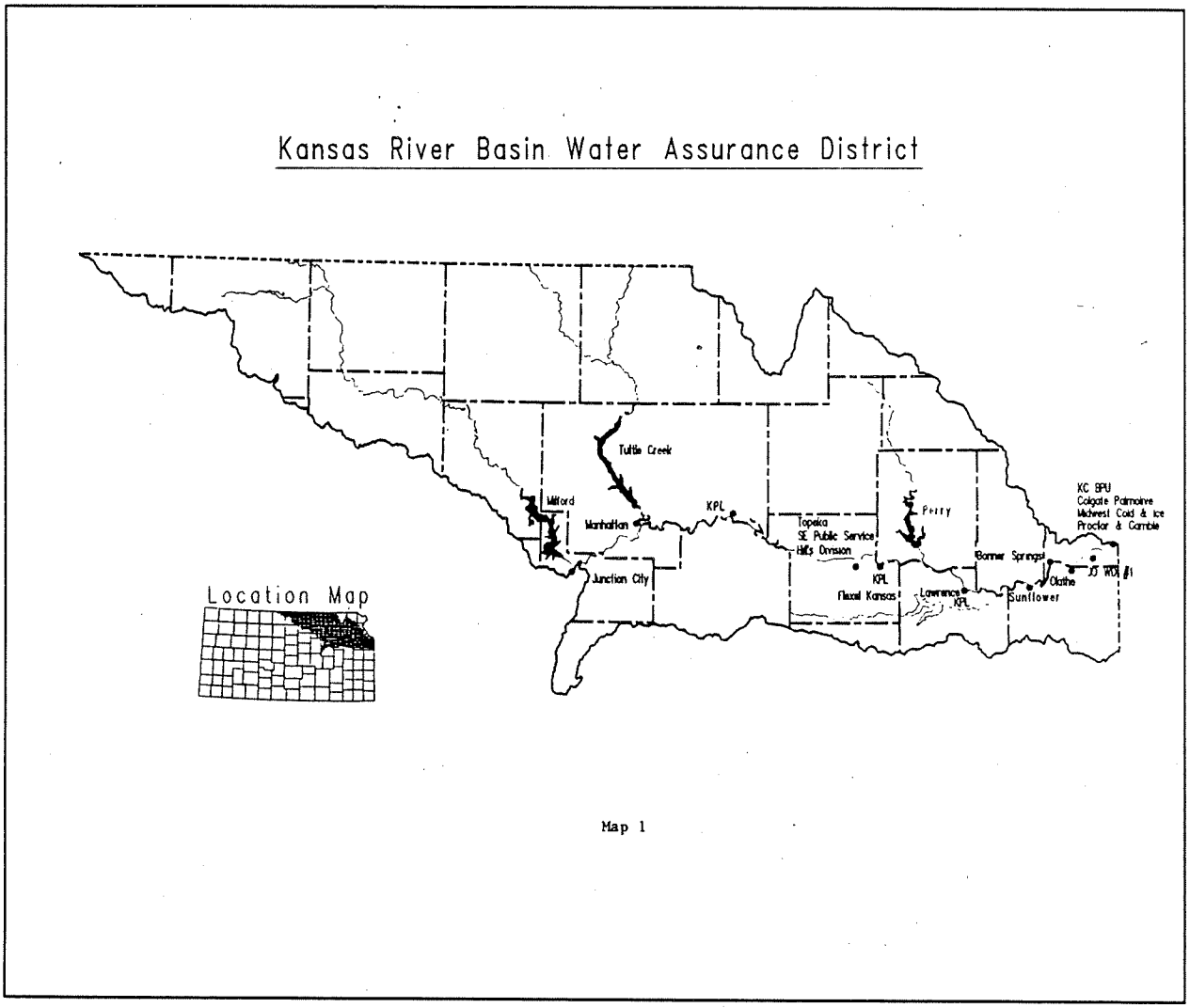
KWAD No. 1 will be paying the state for all costs associated with management and operation of Milford, Tuttle Creek and Perry reservoirs. The district will utilize up to 55,000 acre-feet of storage in Milford, 27,500 acre-feet of storage in Tuttle Creek and 25,000 acre-feet of storage in Perry reservoirs. In addition, the district has requested the set-aside of 60,400 acre-feet of storage in Milford, 13,850 acre-feet in Tuttle Creek and 15,000 acre-feet in Perry with specific

dates for the district to exercise its option to purchase this additional storage. The district will pay the state for the interest accruing on the capital costs associated with this storage.

A portion of the storage space to be utilized by the district from Milford and Perry reservoirs is included in the calculation of costs in the reserve capacity of the Water Marketing Program. (See page 4 of this report.) The district will be paying approximately $175,000 per year for the next ten years to reimburse the Water Marketing Program for principal and interest costs associated with that reserve capacity. As these receipts are credited to the Water Marketing Program, they will reduce that program's costs for repayment of the State General Fund shortfall discussed earlier in this report.

The district paid approximately $509,000 to the state in calendar year 1991 for a partial year of costs of the Assurance Program. In calendar year 1992, the district is projected to pay $833,000 to the state.

Map 1 shows the Kansas Basin, the reservoirs under the Kansas River Assurance Program, and the location of major municipal and industrial members of the district.

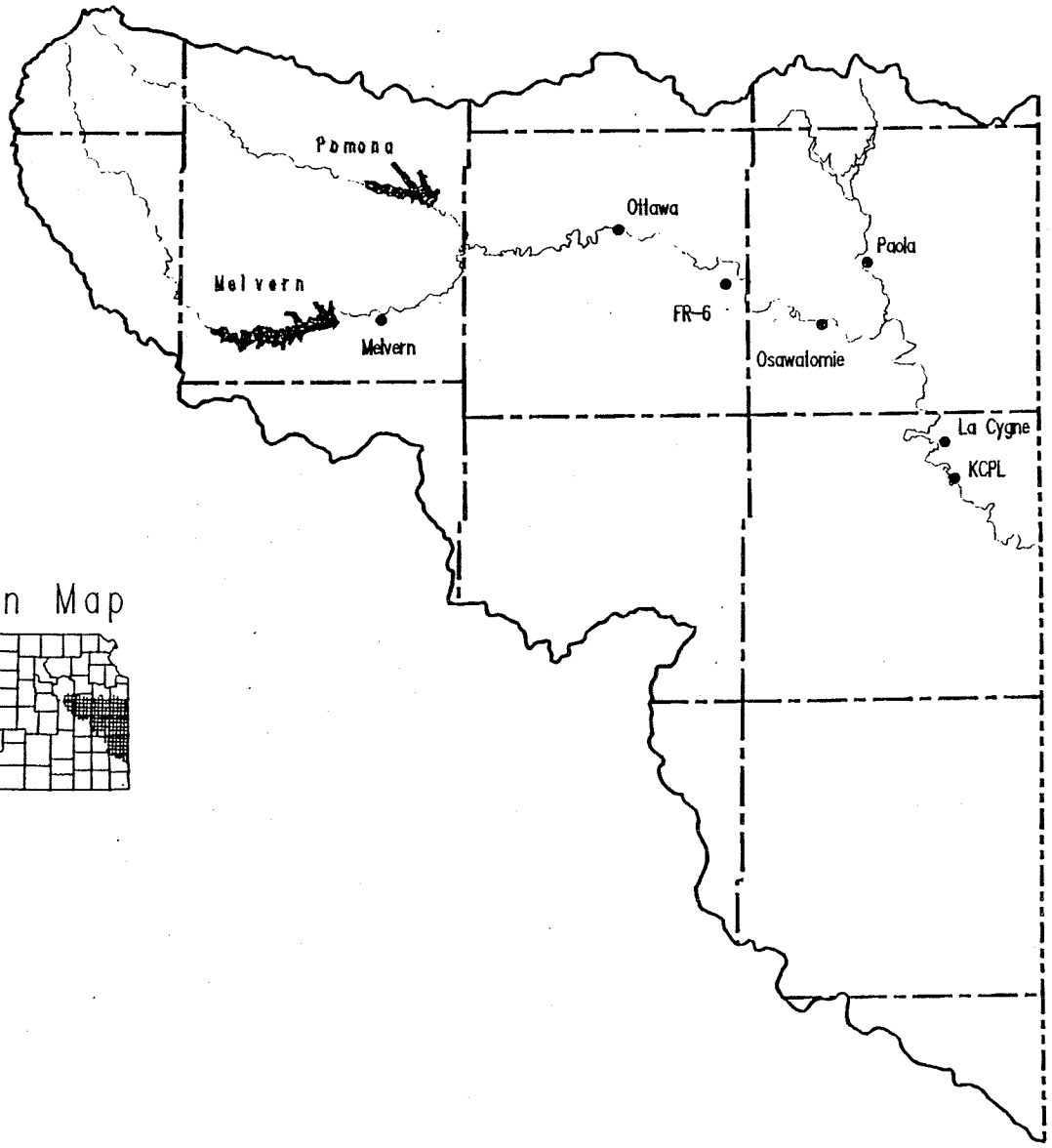


Map 1

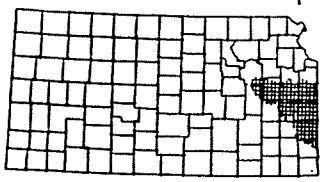
Update on Assurance District Formation

In calendar year 1990, a new assurance district was formed in the Marais des Cygnes Basin. Negotiations with this district began in the spring of 1991. However, the district broke off negotiations in the fall. At year's end, no request to reopen negotiations had been received. The Marais des Cygnes Assurance District operations would involve water supply storage capacity in Melvern and Pomona lakes. The state does not currently have contracts with the federal government for water supply in these reservoirs. It was hoped that purchase of storage could be accomplished under the 1985 Assurance District Memorandum of Understanding to serve both the Marais des Cygnes Assurance District and Burlingame, Osage City and Public Wholesale Water Supply District No. 12 at original construction costs and interest rates. With the breakdown of negotiations with the Assurance District, however, the immediacy of need of other purchaser for water supply from Melvern, the state is negotiating for storage space for these entities at updated costs. Map 2 shows the reservoirs included in the Marais des Cygnes Assurance District and the location of members of the district.

Marais des Cygnes River Basin Water Assurance District



Location Map



Map 2

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Kansas Engineering Society

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TESTIMONY
Thursday, March 18, 1993
House Bills 2444 & 2443
Senate Committee on Energy and Natural Resources

Chairman Sallee, members of the Committee, I am Bill Henry, Executive Vice-President of the Kansas Engineering Society and I appear before you today to voice the society's support for acquisition of conservation storage water supply capacity in federal reservoirs.

We think the direction of the Legislature in H.B. 2444 is appropriate because the Kansas Water Authority is certainly the agency in Kansas that should study options for financing the acquisition of the state of conservation storage water supply capacity in federal reservoirs.

We also support the concept found in H.B. 2443 where the Kansas Development Finance Authority would be requested to issue bonds pursuant to the Kansas Development Finance Authority act for the purpose of acquiring this conservation water storage. However, the use of bonds to make such a purchase will increase the total cost of the acquisition. We realize the state of Kansas is under definite fiscal constraints today but the direct purchase of approximately $21 million worth of water is still a bargain in a $5 billion state budget.

We also believe that the House Appropriations Committee and the Senate Ways and Means Committee could look closely at income to the state which would be useful for such a one time purchase as was detailed to you by the Kansas Water Office.

There will also be, as you learned in the Water Office presentation on this issue, future costs associated with the up-keep and maintenance of the particular reservoirs.

The Kansas Engineering Society and the Kansas Association of American Water Works have met together and we are making presentations across the state on this issue. We concur that this water supply in federal reservoirs is a necessary addition to our state assets.

Senate Energy & Natural Resources
March 18, 1993
Attachment 3

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In addition, the $21 million price tag can be reduced in the future as municipalities, rural water districts and water assurance districts make purchases from this supply.

Since we have such a limited time frame under the memorandum of understanding entered into by Kansas and the US Army Corp of Engineers in 1985, we should proceed directly to acquire this water for future use.

Kansas has been fortunate in recent years in that we have not had to face an extended drought such as what we endured in the 1950's. We are overdue to experience such an extended drought period and when we face such drought conditions we will need to have every resource available to us for Kansas farmers, Kansas cities and Kansas industrial development.

We do realize that bond rates are somewhat favorable today but we are concerned that the interest rates that will have to be paid on the bonds will escalate the cost to the state of Kansas.

The Kansas Engineering Society believes the citizens of Kansas will someday recognize in the future the wisdom of what this Committee is proceeding to do now and the same Kansas citizens will be very grateful for this legislative foresight.

Respectfully Submitted,

Bill Henry
Executive Vice-President
Kansas Engineering Society