

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Representative David J. Heinemann at
Chairperson

3:30 ~~am~~/p.m. on February 21, 1983 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Ramon Powers, Research Department
Theresa Kiernan, Revisor of Statutes' Office
La Nelle Frey, Secretary to the Committee

Conferees appearing before the committee:

Jack Alexander, Kansas Water Authority.
Preston Payne, Amoco Production Company.

Kansas Water Authority Review of SB 61 - An act amending and supplementing the state water plan storage act; concerning rates, charges and contract provisions for the sale of water; providing authorities and duties for the Kansas water authority and the director of the Kansas water office.

Jack Alexander, water commissioner for the City of Topeka, and the League of Kansas Municipalities' representative on the Kansas Water Authority, served as chairman of the Authority's Committee on Water Marketing which developed SB 61. On behalf of the Authority, Mr. Alexander presented to committee members a review of SB 61 as it had been passed by the Senate.

Mr. Alexander outlined the bill's importance to all water users in the state and the affects it would have on the state's present and future water supplies and demands. He noted that because state-controlled reservoir water supplies were becoming increasingly valuable sources of water in meeting the needs of water users in the state, effective legislation such as SB 61 was needed to coordinate this water resource supply. He elaborated on specific policies and provisions contained in SB 61 and addressed some of the questions that had been raised in prior discussions of the bill (see attachment 1).

A brief question and answer period followed his presentation.

Representative Ron Fox made a motion that the following four bills be introduced as committee bills and that they be referred back to the committee for hearings and action: (1) An act concerning fish and game; relating to hunting, fishing and trapping licenses required; exceptions; unlawful to shoot, kill or locate from airplane; (2) An act concerning oil and gas; relating to the application of intent to drill; (3) An act concerning the mined-land conservation and reclamation board; relating to the acquisition of eligible abandoned mined-land; and, (4) An act concerning maximum lighting standards. Representative Ben Foster seconded the motion. The motion was unanimously passed.

Preston Payne, representing Amoco Production Company, a subsidiary of Standard Oil of Indiana, presented committee members with an overview of Amoco's gas-production activity and related issues. He discussed the Natural Gas Policy Act of 1978 (NGPA) and how its regulatory policies affect the natural gas industry. He said current pricing problems related to natural gas have been caused by years of regulatory controls imposed on the industry. He supports enactment of a policy to decontrol both old and new gas, because he thinks it would be beneficial to the natural gas industry and ultimately to consumers. He discussed Amoco's activity in the Hugoton area related to deep horizons' exploration and development. Mr. Payne also discussed the natural gas contract take-or-pay requirements which Amoco has with Northwest Central Pipeline Corporation and their affects on consumer prices.

A brief question and answer period followed his presentation.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources,
room 519-S, Statehouse, at 3:30 ~~am~~/p.m. on February 21, 1983.

There being no further business to come before the committee, the meeting adjourned at 5:00 p.m.

The next meeting of the committee will be held February 22, 1983.

Rep. David J. Heinemann, Chairman

Date 2-21-83

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
Nock Alexander	P.O. Box 1038	K.W.A. - City of Topeka
F. E. Withrow Jr.	City of Wichita	K.W.A. - Wichita
Martha Mangelsdorf		Ks. Water Auth -
Glenn D. Cagswell	Topeka, Ks.	Northwest Central Pipeline Corp
Chris McKenzie	Topeka, Ks	League of Kansas Muni.
R.E. Pelt	Topeka, Ks	City of Topeka Water Dept.
Carol Larson	Wichita, Ks	Kansas Cooperation Comm.
Leland E. Rolp	Topeka, Ks.	Ks. State Bd of Ag - DWR.
Kenneth Wedel	Topeka	Ks. Natural Resources Council
C.A. Werthington	LeCompton	Douglas County RWD #3
Dennis F. Schwartz	Topeka, Ks	Tri-District Water Facility
David Darling	Topeka	Kansas Water Office
John A. Henderson	"	"
Barbara Lohus	Shawnee Mission	
Joris NABEL	Topeka	Dir. of Budget
BARRY GENTRY	TOPEKA	KS. ENGINEERING SOC.
Robert B. Anderson	Ottawa	Mid Cont Oil & Gas
Cross Martin	Topeka	Ks. Petroleum Council
Gene Bell	Tulsa	MAAP INC.
George Adams	Wingston	3M Mobil
James James	Topeka	KPC
Louis Stroup Jr.	W'pherson	KMU

Date _____

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
Lon STANTON	Topeka	Kansas Power Light
Bill PERDUE	"	" " "
Sammy Johnson	—	Intern
Jim Aiken	Topeka	KDHE
James Power	"	"
CR Duffy	"	KWA Staff
Ed Remert	Topeka	League Women Voters Sierra Club
Roy De Shonkel		N.C.P.C.
Jeppie C. Conrad	Topeka	KGE
Joe. HARKINS	TOPEKA	KWO
Niane Tubert	Lawrence	University Daily Kansan

REMARKS OF JACK ALEXANDER
KANSAS WATER AUTHORITY MEMBER
TO THE HOUSE COMMITTEE
ON ENERGY & NATURAL RESOURCES
FEBRUARY 21, 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM JACK ALEXANDER, WATER COMMISSIONER FOR THE CITY OF TOPEKA. I AM MAKING THIS PRESENTATION ON BEHALF OF THE KANSAS WATER AUTHORITY, AS A MEMBER REPRESENTING THE KANSAS LEAGUE OF MUNICIPALITIES. I SERVED AS CHAIRMAN OF THE WATER AUTHORITY'S COMMITTEE ON WATER MARKETING WHICH DEVELOPED SENATE BILL 61.

SENATE BILL 61 PASSED THE SENATE ON A VOTE OF 33 TO 4. ON BEHALF OF THE KANSAS WATER AUTHORITY, WHOSE MEMBERS REPRESENT VIRTUALLY EVERY WATER USER INTEREST IN THIS STATE, I STRONGLY URGE YOU TO CONSIDER THE IMPORTANCE OF THE POLICIES REITERATED IN SB 61.

THE AUTHORITY'S WORK ON THE STATE WATER PLAN STORAGE ACT BEGAN AFTER A REGION-BY-REGION ASSESSMENT OF THE STATE'S WATER SUPPLY AND DEMAND PICTURE. IT APPEARS VERY CLEAR THAT THERE ARE NOT SUFFICIENT SUPPLIES OF WATER ON LINE IN KANSAS NOW TO MEET THE ALREADY PROJECTED WATER SUPPLY DEMANDS -- PARTICULARLY OF MUNICIPAL AND INDUSTRIAL USERS THE NEXT 20 TO 30 YEARS.

THE DEVELOPMENT OF REMAINING GROUNDWATER AND SURFACE WATER SUPPLIES IS RAPIDLY BEING FORECLOSED BY MAXIMUM LEVELS OF APPROPRIATIONS. THESE SOURCES SIMPLY CANNOT CONTINUE TO SUPPLY EXISTING APPROPRIATORS AND BEAR THE ADDITIONAL STRESS OF NEW APPROPRIATIONS CUSTOMERS WITHOUT

SEVERE DEPLETIONS OR INCREASED FAILURE AS SOURCES OF SUPPLY.

THE RESERVOIR WATER SUPPLIES WILL BECOME INCREASINGLY VALUABLE SOURCES OF DEPENDABLE, LARGE SUPPLIES LOCATED IN ONE PLACE. THE WATER SUPPLY STORAGE IN THE STATE'S RESERVOIR SYSTEM -- TO BE SOLD UNDER THIS MARKETING ACT -- WAS PUT THERE SPECIFICALLY FOR OUR CITIES, RURAL WATER DISTRICTS, INDUSTRIES AND UTILITIES. ITS COSTS WERE SUBSIDIZED BY THE FEDERAL GOVERNMENT AND BY THE STATE GENERAL FUND SPECIFICALLY TO HOLD COSTS DOWN AND PROVIDE A WATER SUPPLY SERVICE TO OUR CITIES AND INDUSTRIES.

THE STATE HAS AVERAGED THE COSTS OF THE ENTIRE SYSTEM AND PRICES THE WATER BACK OUT AS THOUGH IT WERE IMPOUNDED IN ONE POOL. THE OLDER, OR LOWER COST RESERVOIRS PULL THE PRICE DOWN. FOR EXAMPLE, THE COST OF FACILITIES TO MAKE 1,000 GALLONS OF WATER AVAILABLE, EXCLUSIVE OF OPERATION AND MAINTENANCE COSTS, IS ABOUT 16 CENTS PER 1,000 GALLONS AT HILLSDALE RESERVOIR AND MORE THAN 12 CENTS PER 1,000 GALLONS AT BIG HILL COMPARED TO ABOUT 1.6 CENTS AT JOHN REDMOND.

IT IS IMPORTANT TO KEEP IN MIND THAT THE COSTS OF BUILDING AND MAINTAINING STORAGE FACILITIES WOULD BE PROHIBITIVE IF RESERVOIR BUYERS HAD TO DO THESE THINGS ON THEIR OWN -- FORTUNATELY, THE STATE SYSTEM PROVIDES A WATER SUPPLY TO ITS USERS, WHERE THE WATER ITSELF IS FREE.

PROJECTED WATER DEMANDS SUGGEST THAT EXISTING STORAGE MUST BE DEVELOPED AND AUGMENTED OVER TIME TO CONTINUE PROVIDING NECESSARY WATER SUPPLIES AS CITIES WHOSE POPULATIONS, INDUSTRIAL AND COMMERCIAL DEVELOPMENT CONTINUE TO EXPAND. INDIVIDUAL CITIES MUST ALSO COVER INCREASED PER CAPITA WATER USAGE AND THE SUPPLIES NECESSARY TO SERVE PEOPLE IN NEWLY ANNEXED AREAS THAT ARE IN ADDITION TO NATURAL POPULATION GROWTH.

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FOR EXAMPLE, THE CITY OF WICHITA HAS APPLIED FOR NEARLY 55 MILLION GALLONS PER DAY WATER SUPPLY FROM MILFORD RESERVOIR. McPHERSON WANTS ABOUT 11 MILLION GALLONS PER DAY; NEWTON WANTS ABOUT 18 MILLION GALLONS AND THERE ARE OTHERS. WICHITA NEEDS ITS NEW WATER SUPPLY ON LINE BY THE EARLY 1990'S. TYPICALLY, HOWEVER, THESE CITIES PLAN AND ACQUIRE A NEW SOURCE OF WATER TO COVER THEIR PROJECTED NEEDS FOR ABOUT A MAXIMUM OF 20 YEARS.

THAT MEANS THAT WITHIN 20 YEARS OR SO, THESE SAME CITIES WILL LIKELY BE LOOKING FOR ADDITIONAL SUPPLIES OF THIS MAGNITUDE AGAIN. THE QUESTION IS THEN WHERE WILL THEY TURN IF WE HAVE NOT INVESTED IN FURTHER DEVELOPMENT OF THE RESERVOIR SYSTEM.

THEY DO NOT REALLY HAVE GROUNDWATER OR STREAM WATER ALTERNATIVES. THE CITY OF WICHITA, FOR EXAMPLE, HAS BEEN ADVISED THAT THERE IS NO PLACE REMAINING IN THE EQUUS BEDS TO PUT A NEW WELL-FIELD OF THE SIZE IT WOULD NEED. THERE ARE NO STREAMS IN THE REGION YIELDING ANYTHING NEAR 60 MILLION GALLONS PER DAY WATER SUPPLY DEPENDABLE AND RELIABLE EVERY DAY OF THE YEAR. THE LAST ESTIMATED COST OF CORBIN RESERVOIR -- WHICH THE CITY COULD BUILD ITSELF -- WOULD BE MORE THAN 72 CENTS PER 1,000 GALLONS. DURING THE 1970s, WICHITA HIRED CONSULTANTS TO EXAMINE THE ALTERNATIVES OF DESALTING WATER AND RECYCLING EFFLUENT. BACK THEN, THE COST OF DESALTING WAS ABOUT 81 CENTS PER 1,000 GALLONS AND RECYCLING SEWAGE WOULD HAVE COST ABOUT 97 CENTS PER 1,000 GALLONS.

BY ANY MEASUREMENT, THE STATE'S RESERVOIR SYSTEM WATER SUPPLY IS PROVIDED AT A MORE THAN REASONABLE COST.

ONCE MOST BUYERS TURN TO THE STATE RESERVOIR SYSTEM THEY HAVE EXHAUSTED

THEIR OTHER WATER SUPPLY OPTIONS AND THIS IS ALL THAT IS LEFT. ONCE THEY COME INTO THE STATE SYSTEM -- THEIR ENTIRE FUTURE RESTS ON THE ABILITY OF THE STATE TO CONTINUE SUPPLYING THEM WITH WATER. VIRTUALLY ALL OF THEM WILL HAVE TO BUY AGAIN AND AGAIN FROM THE STATE SYSTEM.

SENATE BILL 61 ADDRESSES NOT ONLY THE ABILITY TO CONTINUE DEVELOPING THE STATE'S WATER SUPPLY RESERVE, BUT THE ABILITY TO TRULY MANAGE THE RESERVOIR SUPPLIES IN THE BEST INTEREST OF CONTINUING TO MEET THE STATE'S STATUTORY OBLIGATION TO TRY TO PROVIDE SUFFICIENT SUPPLIES OF WATER TO MEET THE NEEDS OF ALL OF ITS WATER USERS.

NEW LANGUAGE IN THE BILL SPECIFICALLY ENABLES THE STATE TO DIRECT APPLICANTS OR WATER USERS TO ANOTHER SOURCE OF WATER. IT ENABLES THE STATE TO REJECT AN APPLICATION OR TO CONTRACT TO SELL LESS WATER THAN REQUESTED. IT ENABLES THE STATE TO SELL THE WATER UNDER TERMS AND CONDITIONS THAT BEST MEET THE INTERESTS OF THE ENTIRE STATE.

THESE IMPROVED MANAGEMENT TOOLS ARE NECESSARY TO COORDINATE THE STATE'S WATER RESOURCE SUPPLY.

EXISTING LAW HAS PROVIDED NO REAL GUIDELINES OR MEASUREMENTS FOR DETERMINING WHETHER IT IS IN THE BEST INTEREST OF ALL THE STATE'S WATER USERS TO CONTRACT TO SELL A RESERVOIR SUPPLY. AT NEW SECTION 10, SPECIFIC NEW LANGUAGE PROVIDES SOME FRAMEWORK FOR DETERMINING WHETHER A SALE SHOULD PROCEED. IT PROVIDES THAT ONLY WHEN IT IS IN THE PUBLIC INTEREST SHALL WATER BE SOLD.

THE BILL PROVIDES AMENDMENTS ENABLING THE STATE TO RECOVER ACTUAL INVESTMENTS IN ACQUIRING WATER SUPPLY IN RESERVOIRS; ENABLES THE STATE

TO ADJUST ACTUAL AMOUNTS OF WATER CONTRACTED FOR SALE IF THE BUYER DECLINES TO PAY THE FULL PRICE FOR IT WHEN ANOTHER APPLICANT NEEDS TO BUY THE SAME WATER AND IS WILLING AND ABLE TO PAY.

BE VERY CLEAR ABOUT THIS LAST PROVISION. NO CONTRACTOR IS EVER VULNERABLE TO HAVING THE AMOUNT OF WATER UNDER CONTRACT EVEN REASSESSED UNLESS SOMEONE NEEDS IT AND NO ONE CAN LOSE HIS WATER UNLESS HE REFUSED TO PAY FOR IT.

THE BILL ALSO PROVIDES GUIDELINES TO DEAL DIRECTLY WITH OUT-OF-STATE SALES OR PURCHASES OF WATER, IF IT IS EVER PRUDENT OR NECESSARY. CURRENT LAW IS SILENT ON THIS ISSUE.

THE AUTHORITY, IN SENATE BILL 61, HAS ALSO SUGGESTED IMPLEMENTATION OF A NEW PRICING STRUCTURE -- A POLICY THAT IS NOT SUBSTANTIALLY DIFFERENT FROM THE POLICY USED TO ARRIVE AT A PRICE UNDER THE FORMER SENATE BILL 95 WHICH PASSED THE 1981 SESSION BUT WAS VETOED. THE AUTHORITY BELIEVES THAT ITS PROPOSAL IN SENATE BILL 61 WILL EVENTUALLY ENABLE THE STATE'S STORAGE SYSTEM TO BECOME SELF-SUPPORTING.

THE FACTORS INCLUDED IN THE RATE ARE DETAILED IN NEW SECTION 7 OF SB 61. THESE FACTORS WILL ALLOW THE STATE TO RECOUP THE COSTS IT INCURS IN THE OPERATION OF THE SYSTEM, AND FURTHER BEGIN TO DEVELOP A FUND WHEREBY FUTURE GROWTH AND PLANS FOR DEVELOPMENT WILL BE FINANCIALLY POSSIBLE. THE AUTHORITY BELIEVES THAT THE FORMULA DEVELOPED IS FAIR AND EQUITABLE AND BEST MEETS THE CONTINUING NEEDS OF THE SYSTEM AND ITS USERS.

WITH REGARD TO SPECIFIC QUESTIONS THAT HAVE BEEN RAISED ABOUT THIS BILL:

-- A QUESTION HAS ARISEN AS TO WHETHER THIS LEGISLATION TAMPERS WITH THE STATE'S APPROPRIATION DOCTRINE OF FIRST IN TIME, FIRST IN

ALEXANDER-6

RIGHT, WHEREBY THE FIRST USERS IN TIME TO OBTAIN A PERMIT TO APPROPRIATE WATER, ARE THE FIRST IN RIGHT TO USE THE WATER. LET ME CLEARLY STATE THAT NEITHER THE AUTHORITY NOR THIS BILL PROPOSE ANY CHANGE IN THAT DOCTRINE. THE STATE HAS SATISFIED, AND WILL CONTINUE TO SATISFY, THE REQUIREMENTS OF THE APPROPRIATION DOCTRINE WHEN IT TAKES THE RESERVATION RIGHT ON THE ENTIRE RESERVOIR WATER SUPPLY. IT GETS RIGHT IN LINE AND GETS A NUMBER ON ITS RIGHT. THE CURRENT MARKETING ACT THEN SAYS THAT "TO THE EXTENT CONSISTENT WITH EFFICIENT MANAGEMENT" CONTRACTS WILL BE NEGOTIATED IN THE ORDER THAT THEY ARE RECEIVED. IN OTHER WORDS, WHEN THE STATE GOES TO SUBCONTRACT ITS WATER FOR SALE, ITS FIRST RESPONSIBILITY, EVEN UNDER CURRENT LAW, IS EFFICIENT MANAGEMENT OF THAT SYSTEM. CURRENT PRACTICES APPEAR TO HOLD RIGIDLY TO SELLING WATER IN THE ORDER THAT CONTRACTS COME IN. THE AUTHORITY PROPOSES THAT THE FORESIGHT AND PLANNING EXHIBITED BY A CITY IN APPLYING EARLY AT A RESERVOIR BE RECOGNIZED, BUT THAT IT NOT BE THE PREVAILING MEANS OF DETERMINING HOW TO EQUITABLY ALLOCATE AND SELL WATER TO MEET SUPPLY NEEDS.

-- REGARDING THE AUTHORITY'S PROPOSED CHANGES IN PRICING POLICY: I MUST REITERATE CLEARLY, THE AUTHORITY APPROACHED PRICING FROM THE STANDPOINT OF WHAT WOULD BE FAIR AND EQUITABLE TO THE CURRENT USERS; AND FROM THE STANDPOINT OF WHAT IS IN THE INTEREST OF THE FUTURE OF THIS STATE. THERE WAS NEVER ANY ATTEMPT TO TRY TO MAKE A PROFIT ON WATER SUPPLY REVENUES. THERE HAVE BEEN ARGUMENTS RAISED THAT THE INTEREST RATE PROPOSAL IS EXCESSIVE OR THAT THE DEPRECIATION-REPLACEMENT COST IS AN EXCESSIVE SURCHARGE. THE AUTHORITY DOES NOT ACCEPT THESE ARGUMENTS. THE INTEREST EARNINGS PROPOSED IN THE BILL -- A RATE EARNED BY THE POOLED MONEY INVESTMENT BOARD -- PROVIDES A RETURN ON MONEY THE STATE HAS ADVANCED TO PUT THIS WATER SUPPLY INTO PLACE TO BE AVAILABLE WHEN

ALEXANDER-7

THE CITIES OR INDUSTRIES ARE READY TO BUY. THE STATE HAS FOREGONE AN EARNING POTENTIAL TO PROVIDE A VITAL WATER SUPPLY TO THESE USERS. THE AUTHORITY DOES NOT BELIEVE IT IS UNREASONABLE FOR THE STATE TO RECOUP A PORTION OF ITS LOST EARNINGS POTENTIAL, PARTICULARLY WHEN ANY MONEY IT WOULD RECOVER WOULD BE PLOWED BACK INTO THIS RESERVOIR SYSTEM TO ASSURE FUTURE WATER SUPPLIES FOR THE VERY CITIES THAT PAY IT. THE BILL GUARANTEES AT NEW SECTION 14A THAT MONEY DEPOSITED IN THE CONSERVATION WATER STORAGE SUPPLY FUND CAN ONLY BE SPENT TO AUGMENT THE STATE'S WATER SUPPLY STORAGE SYSTEM.

REGARDING THE DEPRECIATION-REPLACEMENT CHARGE PROPOSED BY THE AUTHORITY: THE PHILOSOPHY BEHIND THIS PROPOSAL IS THAT THIS STATE MUST BEGIN NOW TO RESPOND TO OUR INEVITABLE ADDITIONAL WATER SUPPLY NEEDS AND THE FEDERAL GOVERNMENT'S MOVEMENT AWAY FROM UNDERWRITING CONTINUED DEVELOPMENT AT A VERY LOW, SUBSIDIZED COST. THE AUTHORITY HAS WRESTLED WITH THE QUESTION OF WHAT KIND OF RESPONSIBILITY THIS STATE HAS TO ITS FUTURE AND THE FUTURE OF ITS PEOPLE. MANY YEARS AGO, THE STATE BEGAN PUTTING INTO STORAGE THE WATER THESE CITIES NEED TODAY. THE PURCHASES CITIES ARE MAKING NOW -- OR PROPOSE TO MAKE NOW -- WILL LAST ONLY ABOUT 20 YEARS. WE MUST APPRECIATE THAT THEY ARE LITERALLY USING UP A RESERVOIR WATER SUPPLY YIELD CAPACITY AND THE AUTHORITY DOES NOT BELIEVE THAT IT IS TOO MUCH TO ASK THEM TO ASSIST IN BEGINNING TO REPLACE A PORTION OF WHAT THEY HAVE TAKEN FOR THE NEXT GENERATION -- FOR THEIR OWN NEXT PHASE OF WATER PURCHASE. THE PROPOSED DEPRECIATION-REPLACEMENT COST IS A BEGINNING. IT BEGINS TO PROVIDE THE STATE SOME ABILITY TO ADDRESS THE FEDERAL GOVERNMENT'S CHANGE IN THE GAME PLAN OF NOW REQUIRING UP-FRONT MONIES BEFORE NEW WORK BEGINS TO ADD ON TO THIS SYSTEM'S TOTAL SUPPLY. THE STATE CAN THEN CONTINUE TO PLAN TO BRING ON LINE THE NEXT PHASE OF

ALEXANDER-8

WATER SUPPLY THAT WILL BE NEEDED. IT WILL HAVE THE BEGINNINGS OF WORKING CAPITAL TO TAKE THE STEPS NECESSARY.

REGARDING THE AUTHORITY'S PROPOSAL THAT THE STATE CHARGE AT LEAST A RATE OF INTEREST ON THE PORTION OF WATER TIED UP UNDER A CONTRACT BUT UNUSED: THE AUTHORITY BELIEVES THAT THE STATE IS PROVIDING A VITAL SERVICE TO THE WATER PURCHASER. THE STATE PROVIDES AT A COST TO THE STATE, THE ABILITY FOR A USER TO SECURE ENOUGH WATER IN ONE PLACE TO COVER ITS GROWTH IN WATER NEEDS FOR ABOUT 20 YEARS. UNDER THE CURRENT ACT, THE STATE IS PAID NOTHING ON THAT UNUSED WATER TO COVER ITS CONTINUING ANNUAL COSTS INCURRED BY THAT PORTION OF THE SYSTEM'S WATER SUPPLY CAPACITY. THE AUTHORITY BELIEVES THAT AT A MINIMUM, THE USERS MUST PAY AT LEAST A CARRYING COST FOR THAT SERVICE.

ANOTHER SECTION OF THE BILL SPECIFICALLY PROVIDES THAT THE STATE WILL EARN A RETURN ON SURPLUS WATERS IT RELEASES TO TIE SOME WATER USERS OVER DURING DROUGHTS OR OTHER SHORTFALLS IN SUPPLY.

CURRENTLY, THE AUTHORITY UNDERSTANDS THAT STATE IS RELEASING THIS WATER FREE OF CHARGE TO THE USERS.

MR. CHAIRMAN, I WOULD CLOSE MY PREPARED REMARKS WITH THIS LAST THOUGHT. WE DO HAVE AT LEAST TWO ENTITIES STANDING BY TO BRING CONTRACTS TO THIS LEGISLATURE. THERE IS SOME URGENCY IN BEING AB TO CONTRACT THIS YEAR WITH THESE ENTITIES. THE AUTHORITY PROVIDED, THIS ONE SESSION ONLY, UPON PASSAGE OF A BILL, THAT CONTRACTS COULD BE BROUGHT IN FOR CONSIDERATION LATE IN THE SESSION.

THE AUTHORITY HAS WORKED DILIGENTLY WITH THE LEAGUE OF MUNICIPALITIES, WITH INDIVIDUAL CITY'S CONCERNS AND WITH OTHERS INTERESTED IN

ALEXANDER-9

THIS LEGISLATION TO DEVELOP A FAIR AND EQUITABLE MEANS OF PROCEEDING,
THE AUTHORITY WILL ASSIST YOU IN ANY WAY IT CAN TO REACH AGREEMENT AMONG
ALL INTERESTS TO ENACT A BILL THIS SESSION AND TO PROCEED TO CONSIDER
SOME CONTRACTS TO MEET IMMEDIATE NEEDS.

THANK YOU MR. CHAIRMAN. I WILL BE PLEASED TO ANSWER ANY QUESTIONS
THAT YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE.