



P.O. Box 226 • Seneca, KS 66538 • 785/336-3760
FAX 785/336-2751 • <http://www.krwa.net>

June 25, 2009

Dixie Conklin
City Clerk
City of Grenola
P.O. Box 130
Grenola, Kansas 67346

Re: Water Supply Operations

Dear Dixie,

I wish to thank Dennis and you for the opportunity to discuss water supply operations on June 24. The main topic was the costs of water once the city connects to the PWWSD #20 water supply.

I have reviewed the city's financial data and the water use data for 2007 and 2008; I am providing comments. Many of the items listed below are well known to you and we discussed many of them at the time of my visit. The receipts and expenditures for the water and sewer were combined into one category so all comments should be qualified somewhat due to the unknown affect cause by sewer activities.

1. The cost of utilities, maintenance, and supplies for each of the last two years was approximately \$38,000. The amount of raw water pumped for each of the last two years was approximately 5.83 million gallons. Thus, the city cost of producing water was about \$6.50 per 1,000 gallons. This cost does not include wages and is probably somewhat high due to being affected by the sewer costs. I would estimate that the true cost of drinking water could be closer to say, maybe, \$6 per 1,000 gallons. These costs appear to be high compared to other plant but that is mostly due to the unanticipated expenditures on equipment and calibration during the last two years.
2. During the last two years the city has averaged 16,000 gallons of water production per day. The city's contract with PWWSD #20 is for a minimum of 20,000 gallons per day on a monthly basis. That is, the city must pay each month for water based on an average of 20,000 gallons per day or 600,000 gallons per month. This means that the city will be paying approximately \$600 per month for water that it does not use. This issue is discussed later in this letter.
3. The cost of water from PWWSD #20 is believed to be at a price to not exceed \$5 per 1,000 gallons. Depending on the bid letting on June 30, this cost might be less but the \$5 value will be used as basis for estimations.

From the above data, the estimated annual cost of water from the PWWSD #20 will be about \$36,000. This is somewhat less than the annual receipts for water of \$38,000. Thus it appears that maybe the water rates will not have to be increased unless water demand decreases.

As mentioned above, the city will be paying approximately \$600 per month for water that is not used unless water demand increases. The city has a maximum limitation of water for PWWSD #20 that is twice the minimum amount. Thus, the city has excess "water to sale".

There are also other members of the PWWSD #20 that are not taking the minimum amounts that they have to pay for. However, there are some members that are taking much more than the minimum and maybe a few approaching their maximum amount. There lies an opportunity for the city of Grenola.

The city should approach those members that are taking well over their minimum amount or are approaching their maximum; then the city should offer to sell 120,000 gallons per month to them. The city may have to sell the water at a loss, say \$4 per 1,000 gallons. But even at a loss of \$1 per 1,000 gallons, that could be a good deal for both members. The buyer gets an additional 120,000 gallons per month for less than the going price and the city of Grenola loses only \$4 per day instead of \$20 per day.

There are other members that do not make their minimums and it would be in their advantage to make such offers also. Thus, Grenola should act before others possibly make such offers.

Funding for the above assistance was provided through a contractual arrangement between the Kansas Dept. of Health & Environment (State Revolving Loan Program set-aside) and KRWA. Also, visit the KRWA website www.krwa.net for news and information concerning water and wastewater utilities, training opportunities and other KRWA programs.

Again, thanks for opportunity to meet with you.

Sincerely,

S. Patrick McCool, P.E.
KRWA Consultant

C: Richard Thomas, KDHE-Chanute