

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

July 24, 2008

Mr. David Corliss, City Manager
City of Lawrence
6 East 6th Street
P.O. Box 708
Lawrence, KS 66044

**Re: RWD No. 5, Douglas County
W.O. 3611.300**

Dear Mr. Corliss:

As you know, Public Wholesale Water Supply District No. 25 has been investigating alternative water supplies to meet the long term needs of portions of Douglas and Osage counties. As a part of the water supply comparison, we also wish to include the City of Lawrence as a possible provider for the PWWSD. As you recall, a similar request was made of the City in the spring of 2005. At that time there was little interest shown by the City to provide water to the PWWSD. We understand, however, that the City has now expressed interest in possibly becoming a regional supplier.

Two of the three entities which currently comprise the PWWSD have existing Water Marketing Contracts with the Kansas Water Office. These are Rural Water District's No. 5 and No. 2, Douglas County. The third entity, Rural Water District No. 5, Osage County, does not currently have such an agreement. The projected peak day water demands for the PWWSD through 2040 are expressed in millions of gallons per day (MGD) as follows:

<u>Year</u>	<u>PWWSD 25 Total Demand</u>
2010	1.0 MGD
2015	1.3 MGD
2020	1.6 MGD
2025	1.9 MGD
2030	2.2 MGD
2035	2.5 MGD
2040	2.8 MGD
2045	3.1 MGD
2050	3.4 MGD
2055	3.7 MGD
2060	4.0 MGD

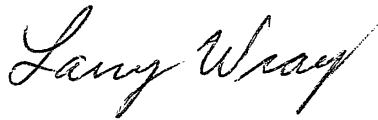
The quantity of water currently available through Water Marketing agreements is 254.7 million gallons per year (MGY) which is sufficient to provide a peak day of approximately 1.4 MGD. Therefore, between 2015 and 2020 it could become necessary for the City to supplement the water secured under the PWWSD member agreements with that secured under the City's agreement(s).

We request a proposal from the City to treat water in the amount shown in the above table, and to provide raw water as required beyond the extent of the existing 254.7 MGY available to the PWWSD. We further request that the proposal be structured to show a connection fee which should include a proportionate share of capital cost of City facilities to be utilized by the PWWSD. A portion of the connection fee will be paid as a lump sum to the City upon execution of a water purchase agreement with the balance of the fee being paid upon water delivery. We then request a water rate, expressed in current dollars, based on cost of production including a wheeling and administrative fee, the latter two to be expressed as a percentage of production costs. At this time it will be assumed that any new construction necessary for the delivery of water will be the financial responsibility of PWWSD No. 25.

If the City is interested in providing water to the PWWSD we request that you send a letter of interest to that effect which includes a schedule of when the information outlined above may be expected. We request that the letter of interest be in the hands of the PWWSD on or before August 14, 2008.

Please contact me if you have any questions regarding this request.

Sincerely,

A handwritten signature in cursive script that reads "Larry Wray".

Larry Wray, Chairman PWWSD No. 25

Cc: Dennis Schwartz, President, Kansas Rural Water Association
Tom Sloan, Kansas House of Representatives
Tracy Streeter, Director Kansas Water Office