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Kansas Water Marketing Program

Background

The Kansas Water Marketing Program was created by the Legislature in 1974 as part of the State Water Plan Storage Act (KSA 82a-1301). The legislation allowed the State of Kansas to contract with the federal government to purchase water supply storage space in various federal reservoirs located throughout the state. Once purchased, the water could then be sold to municipal and industrial customers through the Kansas Water Office, the agency responsible for administering the program.

Today, the Water Marketing Program includes storage space in a total of 13 federal reservoirs that is obtained through contracts with the U.S. Army Corps of Engineers. The following table lists the reservoirs that are part of the Program.

Federal Reservoirs with Water Marketing Program Storage Capacity		
Clinton	Kanopolis	Pearson-Skubitz (Big Hill)
Council Grove	Marion	Perry
Elk City	Melvorn	Pomona
Hillsdale	Milford	Tuttle Creek
John Redmond		

Use and Availability

There are a total of 1,087,320 acre-feet of water available for purchase under the Water Marketing Program. Of this amount, approximately 626,000 acre-feet currently are under contract and in use.

Obtaining Water Contracts

The first step in purchasing water under the Marketing Program is to file an application with the Kansas Water Office. Once the application is on file, negotiations begin between the Water Office and the applicant. Prior to signing a contract, applicants must file a state-approved water conservation plan.

If the negotiations are successful and a water conservation plan is accepted, a contract is signed specifying the terms of use. The Water Office has listed the following as common contract provisions:

- Length of contract;
- Specify the reservoir that will be used;
- The amount of water that will be withdrawn;
- The place of use;
- Billing and payment procedures;
- Metering of water; and
- Withdrawal schedules.

When the water is sold to an industrial or municipal consumer, it is in an untreated form. The buyer, then, is responsible for both the delivery and treatment of the water.

Pricing and Payment

Prior to 1983, all water marketing customers were charged a fixed rate of 10 cents per 1,000 gallons. Since then, the price per 1,000 gallons is based on a variable rate determined by a formula established in state law (KSA 82a-1308). Unlike the fixed rate, the price can now fluctuate on annual basis. For the 2007 formula, the Water Office reports that five primary factors were used in creating the formula:

- Principal and interest payments on outstanding debt;
- Interest on money from the State General Fund for the Marketing Program to initially acquire storage space;
- Expenses incurred by the Kansas Water Office and the Division of Water Resources of the Kansas Department of Agriculture;
- Expenses paid to the U.S. Army Corps of Engineers for costs incurred in 2005; and
- A Depreciation Reserve used to meet the needs of the *Water Marketing Program Capital Development and Storage Maintenance Plan*.

The formula yielded a 2007 price of \$0.18016 per 1,000 gallons. In 2008, the price increased to \$0.18516 per 1,000 gallons.

Outside of the price and specific reservoir, all water marketing contracts state that the buyer must make a single payment for one half of the amount of water specified in their contract. If the buyer consumes more than 50 percent, they must pay for the additional amount. As the Water Office notes, this provision lead to, in some cases, more revenue for the Water Marketing Program than is being used.

Instead of determining the price for water on a reservoir-by-reservoir basis, the Water Office uses the total volume available in all 13 reservoirs. With this approach, no single user or region receives a more favorable price for their water usage.

Revenue and Expenditures

The following chart shows the Water Marketing Program's revenues and expenditures for CY 2007.

Revenue and Expenditures (CY 2007)

Total Revenue	\$2,493,611.41
Total Expenditures	\$2,649,476.55
- Payment of Capital Costs	\$1,087,697.66
- Operation and Maintenance	\$1,394,544.09
- Administration and Enforcement	\$167,234.80

Source: Kansas Water Office