

Chairman's Corner



It has been my pleasure to serve as Chairman of the Board of WaterOne for the last two years. As I conclude my

term I am pleased to report that WaterOne is in excellent financial condition. This strength is reflected in our strong bond ratings - AAA from Standard & Poor's and Aa1 from Moody's. Water rates have not increased for four years and no increase is forecast for 2004. The Board is committed to maintaining WaterOne's strong financial position.

Four of the seven WaterOne Board Member positions were on the April 1, 2003 election ballot. Terry Frederick, Dick Noon, and Robert Olson were re-elected to the Board and Joe Vaughan was elected to his first term. On May 2, 2003 the WaterOne Board will meet to administer the oath of office and to elect a new Chairman and Vice-Chairman to two-year terms.

It has been a privilege serving as Chairman. I will continue my service on the Board and its committees.

Bob Reese

General Manager and General Counsel Assume New Positions

Several changes have occurred in the utility's management during the first quarter of this year.

On January 3, 2003, Michael J. Armstrong assumed the role of General Manager after being appointed to the position by the WaterOne Governing Board. Armstrong fills the position previously held by Byron Johnson, who retired in January after a 48-year career with the utility.

Armstrong brings to the position over ten year's experience working on WaterOne legal matters. He was hired in January, 1998, as the utility's General Counsel and Director of the Legal/Auditing Division. Previous to that he was a partner in the law firm of Speer, Austin, Holliday and Zimmerman where he worked on numerous water utility issues since 1991.

On March 6, 2003, Eric Arner joined the utility as its new General Counsel and Director of the Legal/Auditing Division. Arner filled the position left vacant when Armstrong assumed the role as General Manager. Before joining WaterOne, Arner was employed by the City of Lenexa and served as its City Prosecutor and later as Senior Assistant City Attorney.

2003 Drinking Water Quality Report Issued

Producing high quality drinking water is a top priority at WaterOne, and each year the utility joins water utilities nationwide in issuing our annual Drinking Water Quality Report. This year's report will be mailed to approximately 125,000 homes and businesses throughout the WaterOne service area in conjunction with National Drinking Water week, May 4-10.

The report provides a summary of drinking water analysis and treatment for the year 2002. Water utilities are required by the EPA to issue annual water quality reports to their customers to inform them about the quality of their drinking water, and to enhance consumer confidence in the quality of water produced by public water systems.



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Project Update

Several projects are planned in upcoming months to improve water service in newly developed

and established areas throughout our service boundaries. Here are a few of those projects:



87th Street Project

WaterOne is replacing existing water mains along 87th Street

from Goddard Street to Grandview Avenue with a 12" Ductile Iron main. The project began April 14th, 2003 and is anticipated to take 8 to 12 weeks to complete. Construction will start on Grandview and progress west.

Nall Road Project

WaterOne will be installing a 12" distribution main along Nall from 175th to 183rd, and on 175th Street from Nall to Mission Road. The project is in the design stage and completion is anticipated by the end of 2003.

48" Transmission Main

WaterOne will be installing a 48" transmission Main from 113th Street & Santa Fe to 135th Street & Quivira. Construction should begin about July 1, 2003, and be completed by the end of 2004. The main will provide additional supply to WaterOne's Quivira Pump Station.

Proactive Response Insures Uninterrupted Water Service

In recent months we experienced extremely low river flows on both the Kansas and Missouri Rivers, our primary sources of water supply. Although the low flows did not result in any supply problems, several contingency measures were implemented to insure uninterrupted water service to our customers. At an April 7, 2003 public meeting held by the Corps of Engineers, testimony was presented on behalf of our utility requesting the Corps to:

- Anticipate icing conditions and increase flows sooner
- Explore solutions to the channel degradation problem
- Maintain flows below Gavin's Point so as not to negatively impact WaterOne's operations.

Along with supply issues, low river flows can also impact the treatment of the water relative to taste and odor issues. Water is treated during low flow periods specifically to counteract these kinds of problems as much as possible. While common taste and odor issues do not present a safety concern, it is our goal to produce water that is not only safe, but also aesthetically pleasing. To this end, we have undertaken a study to help us identify long-term solutions to taste and odor concerns, and the costs associated with possibly implementing additional or new treatment processes in the future.

Publication Has Answers on Obtaining New Water Service

Each year, WaterOne publishes a free booklet detailing information about obtaining water service for new construction. **"Building in Johnson County 2003"** is a useful resource for developers, cities, and others who have questions about water service for residential and commercial development. The booklet contains extensive information on utility policies and a wide range of topics including: **How to Obtain Connection Permits; Requirements for New Main Extensions; Easements; Cross Connection Control;** and much more.

The same valuable information, as well as necessary forms, can be accessed by clicking on Developer Services on the home page of our utility's website:

www.waterone.org.

If you would like to receive a copy of **"Building in Johnson County 2003,"** please call Distribution Engineering at (913) 895-5742.

Four Step Strategy Leads to Long-Term Financial Stability

In April of 1999, the WaterOne Board adopted a four-step financial plan as part of a long-term strategy to maintain stable water rates and avoid wide fluctuations. The Board established some key ground rules that the long-term strategy must meet:

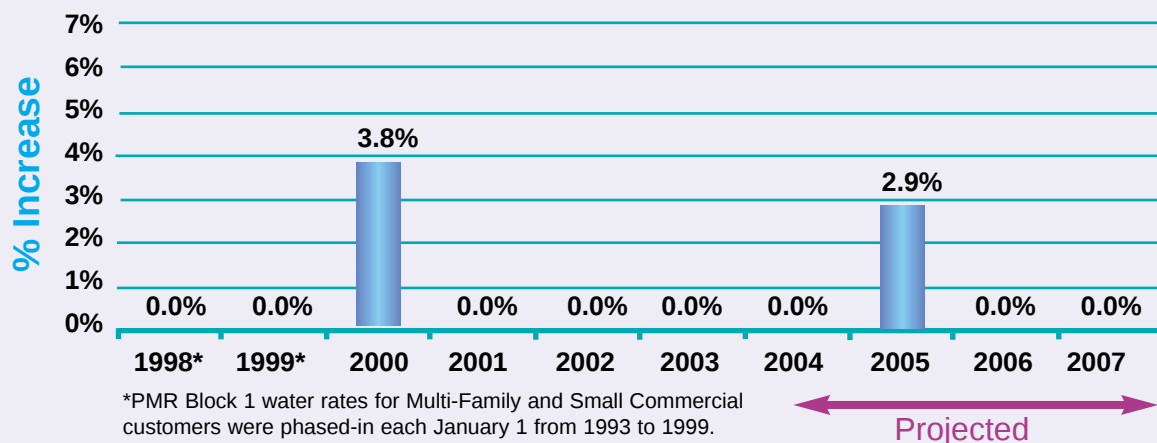
- Continue a high level of service to customers
- Continue to maintain a high level of financial stability and flexibility
- Do NOT stretch-out final debt maturities on new replacement bonds beyond the final maturity dates of the old refunded bonds
- Provide for all forecasted Capital & Operating requirements, plus an allowance for contingencies
- Maintain or enhance WaterOne's above-average bond ratings.

The first two steps were implemented in 1999 and 2001 respectively, and the third step is forecasted to occur in 2003. The first three steps are designed to refund selected series of outstanding senior parity bonds at lower interest rates, and to restructure the debt service on the bonds in preparation for the addition of debt service on a projected bond issue in 2005. The projected 2005 bond issue will be combined with other cash-funded reserves to finance the Master Plan Phase V Capacity Expansion. WaterOne has already locked in substantial savings to be realized in the coming years as a result of steps one and two, which were implemented in 1999 and 2001. We anticipate this strategy will result in additional significant savings for WaterOne rate payers as we continue to execute the remaining steps of the plan in 2003 through 2006.

WaterOne Rates Remain Stable

Water rates have remained very stable in recent years, as shown on the following graph. There have been no rate increases to WaterOne customers in five of the last six years, and no further increases are projected until 2005.

History of Water Rate Changes



WaterOne Governing Board Members

Bob Reese, Chairman

Jim Vader, Vice Chairman

Tom Barry, Board Member

Terry Frederick, Board Member

Dick Noon, Board Member

Rob Olson, Board Member

Dick Weisser, Board Member

Joe Vaughan, Board Member-Elect

The Water Board meets the second Tuesday of each month at 7:00 p.m. at the Byron N. Johnson Administrative Headquarters and Service Center, 10747 Renner Boulevard, Lenexa. The meeting agenda can be accessed from our website at www.waterone.org.

The **WaterOne Pipeline** is published for our business and community partners in Johnson County. Email questions about the **WaterOne Pipeline** to ekoutelas@waterone.org.



Water District No. 1 of Johnson County

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