



United States Department of the Interior



BUREAU OF RECLAMATION

Great Plains Region
Nebraska-Kansas Area Office
P.O. Box 1607
Grand Island, Nebraska 68802-1607

McCook Field Office
1706 West 3rd Street
McCook, NE 69001

IN REPLY REFER TO:
NK-410
PRJ-23.00 BSW

DEC 07 2005

Mr. Kenneth Nelson
Kansas-Bostwick Irrigation
District No. 2
P.O. Box 165
Courtland, KS 66939

Subject: 2005 Irrigation Season

Dear Mr. Nelson:

The Kansas-Bostwick Irrigation District used a total of 27,780 acre-feet of water during the 2005 irrigation season. There was 1,864 acre-feet used above Lovewell and 25,916 acre-feet used below Lovewell.

We are enclosing the following: The 2005 "Water Use Statement", "Analysis of Use and Loss Distribution," and copies of the Courtland 0.7, Courtland 15.1, Courtland 34.8 and Courtland 38.0 canal records. We will use the data from your "Kansas-Bostwick Irrigation District Monthly Water Report Summary" for our "Monthly Water Distribution" reports. Please send the number of acres irrigated on the upper and lower Courtland Canals in 2005 along with an estimate of acres to be irrigated during the 2006 season to the McCook Office at your earliest convenience.

Sincerely,

Marvin R. Swanda
Office Manager

Enclosures

Attachments
X
Available

PRES.	<i>[Signature]</i>
SECV.	<i>[Signature]</i>
TREAS.	<i>GLH</i>
SUPT.	<i>KW</i>

KBID

From: "William Peck" <WPECK@gp.usbr.gov>
 To: <kbid@courtland.net>
 Sent: Monday, July 04, 2005 12:15 PM
 Subject: Re: Fw: 2006 Estimated Water Supply Availability

Kenny,

That is correct, the January estimate will be 2 inches greater under both last year and five-year average inflow conditions if the present storage is left in the reservoir. Using the "93-level development" inflows the estimate would differ by a little more than one inch.

The reason for the difference in the "93-level development" is that less water will be available from the sediment pool to be used for irrigation. If we were to use the "93-level development" inflows the reservoir level increases into the irrigation pool (above 1932.5). The sediment pool is shared under water short years and the amount given to the irrigation interest is based on how short the supply is (sliding scale). In other words, the shorter the supply the larger portion of the sediment pool the district gets (as you can see it does not make a huge difference, but an inch can be significant under these extreme shortages). I guess another way of looking at this is if we were to have a better year and the lake would happen to fill to a point where we would not be in a water short year, the district's water supply would be unaffected by what is left in the lake because none of the sediment pool would be available for your use.

Bill

>>> "KBID" <kbid@courtland.net> 7/4/2005 10:50:34 AM >>>
 Bill, I'm still debating the merits of taking the Harlan County water with Spud's permission. We have went back to this e-mail from you. If I understand correctly, the 2" would be carried over to the next year under both the 2004 inflow and the five year average scenario. The only one which wouldn't work that way would be the 1993 level inflows which I don't quite understand but correct me if I am explanation at this time.

Am I correct in this? The question Spud keeps hitting me with if we don't use this water will we loose it for next year. Under both of your examples, next years supply is 2" higher if we don't use this year.

----- Original Message -----

From: "KBID" <kbid@courtland.net>
 To: "KBID" <kbid@courtland.net>
 Sent: Thursday, June 16, 2005 7:32 AM
 Subject: Fw: 2006 Estimated Water Supply Availability

>
 > ----- Original Message -----
 > From: "William Peck" <WPECK@gp.usbr.gov>
 > To: <kbid@courtland.net>
 > Cc: "Craig Scott" <CSCOTT.6MCC.ibr6dm10@gp.usbr.gov>; "Marvin Swanda"
 > <MSWANDA.6MCC.ibr6dm10@gp.usbr.gov>
 > Sent: Wednesday, June 15, 2005 4:46 PM
 > Subject: 2006 Estimated Water Supply Availability

>> Kenny, per our conversation earlier today, we have worked up some numbers
 >> comparing the 2006 Estimated Water Supply based on various inflow conditions and
 >> the decision to release from Harlan County Dam.

FREE.	ED
SECY	BP
TREAS.	GH
CLIFT.	KN

07/06/2005

KBID 000173

>> 1.A. If we assume inflows similar to 2004 throughout the remainder of the year and no irrigation release from Harlan County, the January 2006 estimated farm delivery would be approximately 3 inches.

>> 1.B. If we assume inflows similar to 2004 throughout the remainder of the year and irrigation releases are made during 2005, the January 2006 estimated farm delivery would be approximately one inch.

>> 2.A. If we use the last five-year average inflows throughout the remainder of the year and no irrigation release is made from Harlan County, the January 2006 estimated farm delivery would be approximately 4.5 inches.

>> 2.B. If we use the last five-year average inflows throughout the remainder of the year and irrigation releases are made during 2005, the January 2006 estimated farm delivery would be approximately 2.5 inches.

>> 3.A. If we use '93 level inflows' and no irrigation release is made from Harlan County, the January 2006 estimated farm delivery would be approximately 8.0 inches (utilizing some storage above the sediment pool).

>> 3.B. If we use '93 level inflows' and irrigation releases are made during 2005, the January 2006 estimated farm delivery would be approximately 7.0 inches (utilizing some storage above the sediment pool).

>> 4. Using the average annual evaporation rate at today's lake level of 1929.7 feet the lake would lose approximately 28,400 acre-feet. The annual loss to evaporation using the average annual rate and the shutoff elevation of 1928.17 feet would be 26,500 acre-feet. The 2,000 acre-feet difference in evaporation loss would be significantly less than the 12,000 acre-feet that currently exist between elevation 1929.7 and 1928.17. This is a pretty rough estimate but should illustrate that if irrigation releases are not made the storage will not all be lost to evaporation.

>> Let us know if you have additional questions or comments.

>> Bill

KBID

From: "William Peck" <WPECK@gp.usbr.gov>
To: <kbid@courtland.net>
Sent: Monday, June 27, 2005 5:15 PM
Subject: Re: water in Harlan

PRES.	WPECK
SECY	BP
TREAS.	CLH
SUPT.	KN

Good Morning Kenny,

As of 6/27/05 the estimated total water supply from HCL that is available for irrigation release is 14,200 acre-feet. Kansas Bostwick's share of the available water supply from HCL is approximately 5,200 acre-feet.

Did some looking into early season canal efficiencies. As you know there are many factors that can affect start up efficiencies but (on average) it appears that by the fifth day we are generally approaching 40 percent gradually increasing to 50-55 percent by day 10. Not much consolation when looking at a 14 day season.

Also, looked at your draft newsletter, just a couple of notes on the water supply section. First, the 1931.75 elevation that you refer to as top of sediment (bottom of irrigation) pool was given in the new contract in 2000, however, the C.O.E. completed a sediment survey and developed a new table in 2001 that adjusted this elevation to 1932.5 feet (this is the elevation that we currently use as the bottom of irrigation pool). The total irrigation pool remained at 150,000 acre-feet as was given in the new contract. One other minor correction, the estimated May 31 level was actually 1930.88 rather than 1930.93 (I believe I gave your the 1930.93 number a while back - oops). Not sure when you planned on sending out the newsletter but Marv will not be back in the office until Friday, just in case you wanted him to review.

Bill

>>> "KBID" <kbid@courtland.net> 6/27/2005 1:07:59 PM >>>

Hi Bill,

As of today, how many acre feet would Kansas Bostwick have available for delivery from Harlan this year? Kenny

6/30/05

KBID 000175



United States Department of the Interior



BUREAU OF RECLAMATION
Great Plains Region
Nebraska-Kansas Area Office
P.O. Box 1607
Grand Island, Nebraska 68802-1607

IN REPLY REFER TO:
NK-100
FIN-6.00 BSW

JUN 10 2005

PRES.	ECH
SEC'Y	BP
TREAS.	GLH
ADM.	KN

Kenneth Nelson, Superintendent
Kansas-Bostwick Irrigation District No. 2
P. O. Box 165
Courtland, KS 66939

Subject: Operation and Maintenance Budget for Calendar Year 2006, Kansas-Bostwick Irrigation District, Lovewell and Harlan County Units, Bostwick Division, Pick-Sloan Missouri Basin Program, Kansas and Nebraska

Dear Mr. Nelson:

We have completed an estimate of the 2006 multipurpose expenses associated with each of the dams. This estimate is based on the appropriate budget documents, proposed extraordinary maintenance items, and an estimate of the Corps of Engineers' charges to be paid in 2006. The following estimate is our formal notification to you and the District of the multipurpose expenses for calendar year 2006 associated with Lovewell and Harlan County Reservoirs.

Reservoir	Share - General	Remote	Total	Reimbursable by District	
<u>Field Costs</u>	<u>Admin Expenses</u>	<u>Control</u>	<u>Costs</u>	<u>O&M</u>	<u>Remote Control</u>
<u>Corps</u>	Allocation Against Irrigation		\$161,175	\$100,251	
<u>Bureau (Lovewell)</u>					
\$204,518	\$105,975	\$20,170	\$330,663	\$3,105	\$3,458
				TOTAL: \$106,814	

Enclosed is a more detailed breakdown of these estimated costs. If you need additional information, please contact Sandy Hughson at the above address or by telephone at 308-389-5305.

Sincerely,

Alice E. Johns
Area Manager

Enclosure

Bostwick Unit, Lovewell Dam
 Calendar Year 2006 Estimated Costs

Harlan County Dam

Revised: 6/6/2005

Estimated Allocation of Multi-Purpose O&M Expenses			COE Costs
Salaries & Overhead	265,653		
Utilities	6,355		
Material, Supplies, Equip	37,700		
Other Services	10,574		
Subtotal (including remote):		320,282	1,395,000
RAX Items*			
Dam Safety Assurance Costs			(345,000)
RAX Subtotal:		0	(345,000)
Minus Remote Control		9,789	
O&M Subtotal:		310,493	1,050,000
Remote Control % Dist.	7.0%		
Remote Subtotal:		20,170	
TOTAL EST. DAM COSTS:	330,663		1,050,000

*RAX Items are subject to change or be delayed due to funding and/or Area Office/Regional Office priority.

REVISED ESTIMATED OPERATIONS & MAINTENANCE EXPENSE
HARLAN COUNTY LAKE
FY 05 (IN THOUSANDS)

28-Jun-04

FEATURE	TITLE	JOINT	SPECIFIC IRRIGATION	SPECIFIC RECREATION	EXCLUSION	TOTAL
02	OPER FOR FLOOD DAMAGE REDUCTION	756.0				756.0
04	OPER FOR ENVIRONMENTAL STEWARDSHIP	155.0				155.0
	MGMT OF CULTURAL RESOURCES					0.0
05	OPER FOR RECREATION			529.0		529.0
	SUBTOTAL OPERATIONS	911.0	0.0	529.0	0.0	1440.0
12	MAINT FOR FLOOD DAMAGE REDUCTION	178.0				178.0
14	MAINT FOR ENVIRONMENTAL STEWARDSHIP	34.0				34.0
15	MAINT FOR RECREATION			336.0		336.0
	SUBTOTAL MAINTENANCE	212.0	0.0	336.0	0.0	548.0
	TOTAL REG O&M	1123.0	0.0	865.0	0.0	1988.0
05.12	SRUF OPERATIONS					0.0
15.12	SRUF MAINTENANCE					0.0
	GRAND TOTAL O&M	1050	1123.0	865.0	0.0	1988.0
	% APPL TO IRR	15.35%	15.35%			
		161.2	172.4			

6/8/05

Note: Telephone call w/ John Grothaus, Planning, OE's - R.C.
 FY 2005 budget - initially \$1,902,000 w/ additional \$358,000 reprogrammed into it's for total FY05 of \$2,260,000. Of this specific recreation O&M is \$865,000, leaving joint costs of \$1,395,000. The joint costs include \$345,000 for Dam Safety Assurance Evaluation Study (deduct from joint costs for Districts O&M billing estimate). Estimated District costs based on adjusted joint costs of \$1,050,000. *[Signature]*



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Great Plains Region
Nebraska-Kansas Area Office
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Grand Island, Nebraska 68802-1607

McCook Field Office
1706 West 3rd Street
McCook NE 69001

IN REPLY REFER TO:

NK-410
WTR-4.10 BSW

JUN 08 2005

Kansas Bostwick Irrigation District No. 2
PO Box 165
Courtland, KS 66939-0165

Subject: Updated 2005 Available Water Supply (Franklin, Superior-Courtland and Courtland Units, Bostwick Division, Kansas, Pick-Sloan Missouri River Basin Program)

Gentlemen:

The Bureau of Reclamation (Reclamation) has established the shutoff elevation for Harlan County Lake (HCL) for the 2005 irrigation season as provided for in Attachment B to the Contract No. 009D6B0120 between the United States and the Kansas-Bostwick Irrigation District No. 2. The shutoff elevation using the actual May 31 data is 1928.17 ft. m.s.l.

Currently, the estimated total water supply from HCL that is available for irrigation release is approximately 8,700 acre-feet. The District's share of available water supply from HCL is 3,086 acre-feet.

This estimate is based on the assumption that inflow to HCL equals evaporation from the lake during the irrigation season.

If you have any questions, please contact this office at 308-345-1044.

Sincerely,

Marvin R. Swanda
Office Manager

PRES.	ECB
SEC'Y	BP
TREAS.	CLH
SUPT.	KN



United States Department of the Interior



BUREAU OF RECLAMATION
Great Plains Region
Nebraska-Kansas Area Office
P.O. Box 1607
Grand Island, Nebraska 68802-1607

IN REPLY REFER TO:

NK-100
ADM-13.00 BSW

APR 20 2005

PRES.
SEC'Y
TREAS.
SUPT.

ECM

BP

GLH

KN

Kenneth Nelson, Superintendent
Kansas Bostwick Irrigation District No. 2
P O Box 165
Courtland, KS 66939-0165

Subject: Operation and Maintenance Costs for FY 2004 for Harlan County Dam and Reservoir,
Kansas Bostwick Irrigation District, Franklin Unit, Bostwick Division, Pick-Sloan
Missouri Basin Program, Kansas

Dear Mr. Nelson:

For your information, enclosed is a copy of the letter and backup data received from the Corps of Engineers concerning the actual O&M cost for Harlan County Dam and Reservoir for FY2004. The actual O&M costs were \$1,210,187.44 less Dam Safety Assurance Evaluation/Tainter Gate Evaluation of \$283,000 for a total charge of \$927,187.44 of which Irrigation's share of 15.35% equals \$142,323.27. Your District's share will be 60.0% of \$142,323.27 or \$85,393.96.

The Bill of Collection due July 1, 2005, for the FY2004 COE's charges to be paid by your District will be in the amount of \$85,393.96.

If you have any questions or comments, please contact Sandy Hughson at the above address or telephone 308-389-4622, extension 222.

Sincerely,

Alice E. Johns
Alice E. Johns
Area Manager

Enclosures

Attachments
X
Abulbuc



United States Department of the Interior



BUREAU OF RECLAMATION
Great Plains Region
Nebraska-Kansas Area Office
P.O. Box 1607
Grand Island, Nebraska 68802-1607

McCook Field Office
Rural Route 1
McCook NE 69001

IN REPLY REFER TO:
NK-410
WTR-4.10 BSW

JAN 13 2005

PRES.	<i>Lara</i>
SECY.	<i>ECM</i>
TREAS.	<i>GLH</i>
ASST.	<i>KN</i>

Kansas Bostwick Irrigation District No. 2
PO Box 165
Courtland, KS 66939-0165

Subject: 2005 Available Water Supply (Franklin, Superior-Courtland and Courtland Units, Bostwick Division, Kansas, Pick-Sloan Missouri River Basin Program)

Dear Mr. Nelson:

As provided for in Attachment B to the Contract No. 009D6B0120 between the United States and the Kansas-Bostwick Irrigation District No. 2 in Kansas, the estimated reservoir shutoff elevation for Harlan County Lake (HCL) is 1930.33 ft. msl and the total available release from HCL for the 2005 irrigation season is 4,719 acre-feet. These estimates are based on a net storage gain of 42,409 acre-feet in HCL from January through May and the assumption that inflow to both HCL and Lovewell Reservoir will equal evaporation from the reservoirs during the irrigation season. The District's share of storage that will be available for release at the end of May based on the procedures outlined in the Contract is 1,460 acre-feet.

Attached is an estimate of water availability for the 2005 irrigation season.

If you have any questions, please contact this office at (308) 345-4400.

Sincerely,

Marvin R. Swanda
Office Manager

Enclosure

ESTIMATED WATER AVAILABILITY -- 2005

January 12, 2005

<u>DISTRICT</u>	<u>ESTIMATED FARM DELIVERY (INCHES)</u>
Mirage Flats	4.5
Ainsworth	Full Supply
Twin Loups	Full Supply
Frenchman Valley	0.5
H&RW	0.5
Frenchman-Cambridge	
Meeker, Red Willow & Bartley	5.0
Cambridge Canal	8.0
Almena	2.5
Bostwick In Nebraska	0.5*
Kansas-Bostwick	
Upper Courtland	0.5*
Lower Courtland	6.0*
Kirwin	1.5
Webster	1.5
Glen Elder	Full Supply

*Estimates based on most recent delivery efficiencies.

NOTES: Inches of availability are estimates only and do not constitute a guaranteed delivery. These estimates are for the District's use in determining an estimate to supply to your water users. In water short districts the estimates would need to be adjusted if the district does not plan to deliver one inch of water each six or seven days.

KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

Kenneth E. Nelson, Supt.
Courtland, Ks 66939
Home Phone (785) 374-4283
Bus. Phone (785) 374-4514

PO BOX 165/528 Main Street
Courtland KS 66939-0165
Fax (785) 374-4305
E-Mail: kbid@courtland.net

24 June 2005

Alice Johns, Area Manager
U.S. Bureau of Reclamation
PO Box 1607
Grand Island NE 68802-1607

Dear Ms. Johns:

Recently I inquired of your office on the status of our request for deferment of our 2005 distribution works and water supply payments due to continuing drought and lack of supply. It is my understanding there remains some lingering questions within reclamation regarding Kansas Bostwick's request for a deferment. In this letter, I shall try to highlight our needs and the consequences if the deferment were not granted. For those of us making every effort to preserve the short and long term future of the district it seems to be the obvious right answer and we make the mistake of assuming everyone would understand that as we do. If this letter does not provide that understanding, I would appeal for further communications with anyone who might remain uncertain.

To first address why we would seek a deferment. I do not think there is a question about continuing drought and the inability to produce irrigated crops throughout the system. Our irrigators above Lovewell have received no releases from Harlan County for two years with several years of severe restrictions before that. Our irrigators below Lovewell rely on Harlan County supplies for approximately 60% of their supply. While receiving a small supply and making the best of it, they certainly are not producing enough irrigated value to pay the irrigated expense. Most irrigators below Lovewell are dry cropping 50% of their crops in order to adequately irrigate the remainder. The district in order to make the supply go as far as possible has shortened the length of the season thus limiting maximum production even if an irrigator has a good supply for the acres he has chosen to irrigate. As was pointed out in my letter requesting this deferment, from our crop census, we lost \$6 million dollars in crop value last year down from \$12 million the year before. It is well known in the farm community in order to make a living on dry land, a producer must farm twice as much as an irrigator. This helps explain why our irrigated communities are more populated than the non irrigated areas. The irrigator has no choice in this because there is not additional acre available and they are stuck with what they have. All of the above points are placing an undue burden upon the irrigator. If this deferment request is denied, the undue burden will be multiplied.

With that said, the knowledge of deferments being available when districts cannot make their payments is well documented. We are contracted with Reclamation which means everything we would have for collateral would be considered as part of the distribution works and

part of the debt. To go to a bank and ask for a loan without collateral would seem futile unless the banks are willing to take an unsecured loan to keep the district going. When a person has need to restructure a loan every effort should be made to utilize any tool that is available from the organization that holds the loan first. It seems every effort should be made to restructure the loan with reclamation through the deferment process especially considering reclamation has much at stake in the future success of the district.

During a lengthy contract renewal process which was finalized in 2000, several important issues were agreed upon by the parties. Protection of infrastructure and improved efficiencies were demanded by reclamation and certain commitments were plugged into the contracts to assure these things will happen. Reserve funds were established to protect the district in case of emergencies but also to provide an avenue to repair infrastructure and improve the aging system to build a better district. The district had small reserves prior to renewal and a schedule was put forth to build the funds to a point where portions of them could be used for infrastructure repair and improvements while still maintaining an emergency reserve. Kansas Bostwick has many areas where we may have to use these funds to keep the district operating. We are currently looking into replacing the flume across the Republican River to the White Rock Extension Project in the not too distant future. These are the only funds we can point to at this time. The other item agreed upon during contract renewal was the need for improved efficiency. This district along with others has faced great pressure from recreation and other interest questioning our efficient use of the resource. A great deal of controversy and animosity existed during the last drought period which peaked out in 1991 with low levels in Harlan County Reservoir. There were certain interests who unsuccessfully took court action to try to prevent irrigators from using the supply. The renewals were designed to assure those interests and others that every effort would be made to improve our systems to be as efficient as possible. So far, those assurances have helped us to the point that we have cautiously and within the terms of our contracts utilized the supplies to lower elevations than were reached during the 1991 controversy. Because of these efforts, there has been no outcry from competing users. The commitment to improve our system is a vital tool in this effort. The most effective and principal effort on our behalf is our ability to bury our lateral system to pipe. Kansas Bostwick has long had a program to accomplish as much of this as we could afford on an annual basis. We have buried a great deal (over 40 miles) of laterals which is having very positive results in our total water use in this district. Efficiency improvements take place every year in Kansas Bostwick which has had marked improvement in our overall water use on an annual basis. One of the really good points in the contract was permission to accumulate conservation funds for large projects. This revolving fund is vital to the future of the district. The Kansas Bostwick board of directors recognize the importance of the ongoing conservation efforts and as the

projects which require relatively small pipe are being accomplished first, larger projects which will be far more expensive are being planned. We have reserve funds in hopes of burying such areas as Pump #4 and Pump #1 South. There are other large laterals which will require long distances of large pipe are being planned as well. These projects could easily cost in the \$300,000 to \$500,000 range at today's values but will make huge improvements in water conservation.

The irrigators within Kansas Bostwick have responded to the need for on farm efficiency. All of the pipeline projects which we have installed, have included irrigator contribution. In 2004, we installed \$310,806 worth of conservation projects which the irrigators participated in. We have started 2005 projects with similar commitments and expect to accomplish similar dollar values from our conservation funds in 2005. We have emphasized to our irrigators the long term future of the district relies upon their ability to be efficient with the use of the water. Prior to 1990, there was a handful of pivot system in this district. Today, there are over 150 with most of them being installed in the last 5-10 years. The average development cost for these systems is easily over \$50,000. Our irrigators have of course not paid the \$7.5 million for these systems it is a long term debt they are paying towards improved efficiency. It is extremely hard to pay that debt when they are not getting any or a very limited supply of water.

In 2000 with a full supply of water, it was determined we had a very small ability to pay. Whether agricultural conditions have improved since then or not may be debatable but with little or no water, ability to pay become a negative in any shape or form.

The district is taking internal measures to deal with our operations during this period of drought. We are painfully operating with 3 less full time employees and two less part time employees. Our current employees are putting out additional effort to help us through these difficult times but they have a right to have stress and concern as well. Without this deferment, more experienced, trained workers may chose to leave or be let go.

In Kansas, we are required to create a budget for the upcoming year in July, hold equalization hearings in August, and to file our assessments with the county treasurer in August as well. As you know, in July of 2003 we budgeted and consequently assessed our irrigators for repayment charges for the 2004 season. Reclamation will not accept a request for deferment because of lack of supply until it is certain the supply will be limited. Your office produced an estimate in January which predicted the upcoming shortage and our request for a deferment which was ultimately approved followed. We collected those funds from the irrigators and are holding them in reserves for future payments which can be reviewed in our "REPORT ON AUDIT" being sent to you by separate mailing, on page 9 NOTE E RESERVED ASSETS. We have also sent your office financial information

regarding all our conservation funds and reserves as required by contract. In July of 2004, we did not assess any repayment charges with the knowledge we were holding the 2003 funds if another deferment would not be needed in 2005. Because of the adding on effect of a deferment, these repayment funds held in reserve would not be enough to cover the repayment charges and the district would have to find a way to come up with the difference probably spending other reserve funds. Of course, we need and are requesting a 2005 deferment moving this problem one more year down the road. We are now at the July time frame. We once again do not know whether the 2005 deferment will be approved or not so we don't know how to handle the 2006 budget. We could not with a clear mind assess our irrigators a repayment charge at this time. Our total operating budget is approximately \$1.5 million. Our total reserve funds of \$35,000 water supply reserves, \$65,000 distribution works reserve funds, and \$320,000 conservation reserve funds, are only a fraction of our budget and are dedicated to other purposes..

Now to summarize the consequences of not getting this deferment:

1. Irrigators will face an undue burden of paying irrigation charges while not being able to produce irrigated crops and trying to exist with reduced incomes.
2. The district will lose it's ability to do much needed repairs on infrastructure.
3. Conservation efforts will come to a halt preventing us from living up to the terms of our contract.
4. Trained and experienced help may be lost
5. Public outcry will once again be pointed at reclamation, the district, and the irrigators for not improving the system.

The board of directors have determined there will be no tax increases as long as there is a very limited or no supply of water. We have been assessing \$22/acre for O&M charges and \$10/acre for Repayment charges. If repayment charges are not deferred, the payments will come from O&M funds. We do not have enough money in reserves to avoid a train wreck with all the above future plans and efforts to live up to the terms of the contract. Competing users will once again and this time maybe rightfully so, be pointing at the lack of effort to solve the problems of being inefficient. Our irrigators will not be able to pay their debts on pivots systems and other conservation efforts they have borrowed funds for placing a tremendous undue burden upon them. We will become a regressive district immediately and head backwards into the mistakes of the past when districts simply try to get by day by day until they disappear or are back on the steps of congress begging for money.

We do not have a history of asking for deferments. We have been in a five year drought and did not reach a decision to ask for one until last year. At that time, we considered the possibility of some type of partial deferment but was quick to realize it wouldn't be

adequate to prevent the above mentioned undue burdens upon the irrigators and there would be a fairness question on how to administer that when some irrigators are getting a partial supply. That deferment was approved and conditions are worse today. I hope this letter adequately addresses the concerns that might remain. The drought is showing signs of letting up. Controls on ground water are coming about and this district will recover down the road. Without this deferment, we will go backwards for several years regardless of the drought breaking or not. The entire community we live in expects and supports the boards decision to not raise taxes until conditions improve. The burden of dollars leaving the community does not only place an undue burden on the irrigator. There are only two choices left for me as the manager of this district. Pay these charges or continue to adequately maintain the district. These are not good choices but we've reached a point where we can't have it both ways.

I hope this adequately answers any remaining concerns. If not please contact me.

Sincerely,



Kenneth Nelson
Superintendent

KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

Phone (785) 374-4514
Fax (785) 374-4305
E-Mail: kbid@courtland.net

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DOUGLAS G. SIMMS, Attorney
Belleville, KS 66935
Phone 785-527-5316

3 March 2005

Alice Johns
Area Manager
US Bureau of Reclamation
PO Box 1607
Grand Island NE 68802-1607

Dear Ms. Johns:

Enclosed is a Resolution approved and signed at our Board meeting on March 2, 2005, requesting a deferment of our 2005 Distribution Works and Water Supply payments as described in our letter to you dated 22 February, 2005.

Sincerely,



Kenneth Nelson
Superintendent

enclosure

RESOLUTION

Whereas, the Kansas Bostwick Irrigation District has Water Supply Repayment Obligation for 2005 and Distribution Works Repayment Obligation for 2005 in the amount of \$21,841 and \$410,880 respectfully as determined by the Bureau of Reclamation according to Contract No. 009D6B0120 and,

Whereas, drought and depletions have severely limited the supply the past several years and,

Whereas the Bureau of Reclamation is estimating severe shortages below Lovewell Reservoir and a nondeliverable supply from Harlan County Reservoir and,

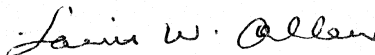
Whereas, without an adequate water supply, a financial burden has been placed upon the irrigators of the Kansas Bostwick Irrigation District and the districts ability to operate and maintain the district and,

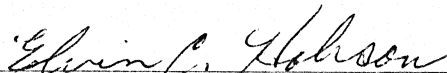
Whereas, the Kansas Bostwick Irrigation District is under contractual obligation to improve efficiencies of it's system through conservation measures.

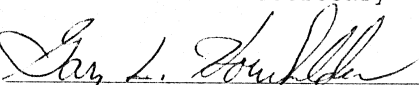
Therefore Be It Resolved by the Board of Directors of the Kansas Bostwick Irrigation District #2 that the above charges of \$21,841 and \$410,880.00 are requested to be deferred by the Bureau of Reclamation throughout the remaining term Contract No. 009D6B0120.

The foregoing resolution was considered by the Board of Directors of the Kansas Bostwick Irrigation District #2 at the meeting held on 2 March 2005, and unanimously adopted.

Board of Directors


Louis W. Allen - President


Elvin C. Hobson - Secretary


Gary L. Housholder - Treas.

KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

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DOUGLAS G. SIMMS, Attorney
Belleville, KS 66935
Phone 785-527-5316

22 February 2005

Alice Johns, Area Manager
Bureau of Reclamation
PO Box 1607
Grand Island NE 68802-1607

Dear Ms. Johns:

The continuing drought coupled with depleted flows in the Republican River Basin is causing an extreme financial burden on the irrigators of the Kansas Bostwick Irrigation District. We therefore request the Bureau of Reclamation to grant us a deferment of our 2005 Water Supply Repayment Obligation (Article 5 our contract) and 2005 Distribution Works Repayment Obligation (Article 6 our contract).

Reclamation produced its estimate of water supply for the 2005 season on January 12, 2005 which was a much worst estimate than the one produced in January 2004. It appears the irrigators above Lovewell will not be able to irrigate again this year and the irrigators below Lovewell will have less than ½ their normal supply.

We have a contractual obligation to improve efficiencies both on farm and within district operations. Without a deferment we will not be able to live up to that obligation.

I am enclosing several pieces of information as justification for this deferment request.

First, there is a requirement within the contracts for reserve funds. I am enclosing a February 1, 2002 letter without attachments from Mr. Fred Ore, Area Manager to the IPRC districts discussing the lack of these funds reaching Bureau guideline amounts. As emphasized in our contracts, and the Administrative Memo dated September 18, 2002, the reserve funds were envisioned to be a revolving fund to accumulate money for work that would be beyond the District's financial capability to fund on an annual basis. An example of this possibility would be the replacement of a 530' steel pipeline over the Republican River which delivers water to the White Rock Extension Canal which is showing considerable deterioration. To our knowledge, reclamation has no current program to address these type of major

repairs and it is in the districts best interest to hold funds in emergency reserves for these purposes as allowed in our contract. There are many other examples where infrastructure repair would equate to improved efficiencies but they are large projects and will not happen without an accumulation in reserve funds.

Second, is a commitment within the contract and described within the Administrative Memo, to improved efficiencies. I am enclosing a copy of a survey which Kansas Bostwick has been conducting on a 4 year basis since 1990 to demonstrate irrigators efforts to improve on farm efficiency. The survey began in 1990 when the district did not have enough pivot irrigation to consider it a category. The last survey was ran in 2002 and shows 27% of the district being irrigated by pivot. The percentage has increased considerably the last two years and Kansas Bostwick currently has 144 pivots in our district mostly installed in the last 10 years. The average pivot development will run + or - \$50,000.00. This equates to \$7,200,000.00 of pivot development by the irrigators. Whereas the majority of these pivots have been installed in the last few years, most irrigators still owe their bankers on these projects. I am also enclosing a sheet entitled Operations and Conservation Meeting with BOR. We hold an annual operations meeting with reclamation where we present this information as outlined in the contract calendar. This represents conservation funds spent by the district and by irrigators for 2004 projects. The \$310,806 represents the cost of pipe laterals installed to replace inefficient open ditch laterals. Of this, we utilized \$40,200 of cooperative agreement funds from Reclamation and \$25,820 contributed by irrigators and the remaining \$244,786 being Kansas Bostwick's contribution from conservation funds. Also shown on this sheet is \$39,499.00 worth of on farm conservation material such as pipe, screens, meters and so on purchase by the irrigators from the district. As agreed to in the Operating Plan of the contract, we have established a revolving fund from O&M charges which allows the district to continue the \$300,000 annual effort on conservation projects.

The third and perhaps most important point to consider is the financial position of the district being caused by the drought. I am enclosing a copy of a page from our Annual Report which is compiled by information from our Annual Crop Census. This shows nearly a \$6,000,000 decline from last years gross value of irrigation. Consider this along with the ongoing problem of having no ability to pay and it is apparent why the irrigator needs a deferment at this time. In Kansas, we are required to set our assessments in August to be collected the next year. In Aug. 04, we lowered our O&M assessments for the 13,000 acres above Lovewell from \$22.00/acre to \$10.00/acre a reduction of \$156,000.00. We left the O&M assessments below Lovewell at \$22.00/acre the same as it has been since 2003. This not only cuts into our budget but does not allow any inflationary increases since 2003. As you know, we were granted a deferment of our 2004 Repayment. We did not assess any Repayment for

05 but have carried over the funds collected in 04. These funds would not pay all of the 05 charge because a deferred amount increase has been added to the 05 charges. With a deferment of our 05 charges, we will carry these funds to 06 to be available for repayment charges at that time.

Please allow this deferment regardless of \$35,448.33 in Water Supply Reserve Funds, \$62,522.85 in Distribution Works Reserve Funds, or \$306,791.00 in Conservation Reserve Funds as required by the contract and as necessary to reach the required efficiencies within the contract. The irrigator understandably cannot pay the same charges for a limited or no supply of water as they did with full supplies. If we are required to spend these funds for normal O&M purposes we cannot improve our system and everyone will be losers.

Please allow the deferment of our 2005 Distribution Works Repayment Obligation of \$410,880 and our 2005 Water Supply Repayment Obligation of \$21,841. In regards to the distribution works, please allow the majority of the payment to be a balloon payment due in 2015 thus equalizing the payments in the remaining years of payments.

If you have any questions please contact me. I am available to discuss this with you or others within Reclamation at any time.

For the Board of Directors,



Kenneth Nelson
Superintendent

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KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

Kenneth E. Nelson, Supt.
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24 January 2005

Alice Johns, Area Manager
US Bureau of Reclamation
PO Box 1607
Grand Island NE 68802-1607

Dear Ms. Johns:

Due to continuing drought coupled with depleted inflows, Harlan County Reservoir has not recovered from it's low supply at this time. With this, it is critical for us to store as much water as possible in Lovewell Reservoir.

We appreciate reclamation's efforts and the Corps of Engineers cooperation in allowing utilization of flood pool area in the past. With todays critically short supply we request this effort to be carried forward for this upcoming year as well. If we can be of any assistance in explaining the nature of this request, don't hesitate to call.

Respectfully,



Kenneth Nelson
Superintendent

cc: Marv Swanda