

region bordering the Rio Grande River. The goal of the Project is to provide greater utilization of Rio Grande surface water, to better protect the quality of ground and surface water; to preserve the Hueco and Mesilla ground water bolsons (basins), to implement a year-round delivery system of surface water, and to increase surface water supply through efficient delivery and water treatment.

The Utility spent \$78.36 million for water system capital improvements in Fiscal Year 2004-2005. Major water expenditures included the Canutillo, Hueco Bolson Wellfield & Well Construction, Hueco and Mesilla Bolson Arsenic Removal, and the Eastside Planned Service Area Project.

DESALINATION PLANT . . . The Utility, in conjunction with Fort Bliss, have started construction on a joint desalination plant to treat brackish ground water. The desalination plant, which is expected to be online by spring of 2007, would be the country's largest inland desalination plant and is expected to cost approximately \$83.7 million. The goal of the project is to extend the Utility's underground water supply by tapping the abundant brackish water in the Hueco Bolson. This plant will provide water supply during a drought impacting the Rio Grande and will further reduce fresh water pumping from the Hueco Bolson. The plant will produce 27.5 million gallons per day of drinking water for both the City and Fort Bliss. Brine disposal will be handled through deep well injection. This plant will complement and add to current water supplies for both El Paso and Fort Bliss.

TABLE 1 - HISTORICAL WATER CONSUMPTION (MILLION GALLONS)

| Calendar Year | Daily Average | Peak Day | Daily Average in Peak Month | Water Pumped | Water Billed | Water Revenue ⁽¹⁾ |
|---------------|---------------|----------|-----------------------------|--------------|--------------|------------------------------|
| 2000 | 110.0 | 181.0 | 162.0 | 40,464 | 36,022 | \$ 56,477,968 |
| 2001 | 108.1 | 167.9 | 148.2 | 39,444 | 35,387 | 58,163,945 |
| 2002 | 105.7 | 174.2 | 159.5 | 38,462 | 35,372 | 60,176,479 |
| 2003 | 101.7 | 161.8 | 158.2 | 36,999 | 33,898 | 66,611,256 |
| 2004 | 95.0 | 156.4 | 141.5 | 34,663 | 32,042 | 82,820,602 |

(1) For fiscal year beginning on March 1 of year shown.

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SOURCE: OFFICIAL STATEMENT 2/14/06

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