



## PRICING POLICY

### Long-Term Pricing

The Authority will establish the long-term price for water based on the total cost for all water delivered or used within the Authority boundary with the specific goal that all water users incur the same cost for water—whether the user is converted to a surface water supply or the user remains on groundwater for a period of time. The Authority may adjust the price for water, including its Groundwater Pumpage Fee, based on actual capital costs and operating costs.

Long-term pricing will include the following components:

1. All surface water costs on an annualized basis.
2. All non-depreciated groundwater costs on an annualized basis.
3. All operating and maintenance costs for both groundwater and surface water facilities.

### Short-Term Pricing

The Authority will establish the short-term price for water that is purchased or sold through the Authority prior to the time that surface water is delivered to the system to encourage and to facilitate the orderly transition from a predominately groundwater supplied system to a predominately surface water supplied system. The short-term pricing is established to encourage the maximum utilization of existing groundwater facilities and to limit the construction of new groundwater facilities that are not part of the Groundwater Reduction Plan.

Water user participation with the Authority for short-term water (2002-2009) will be on a voluntary basis.

Short-term pricing will include the following components:

1. The Authority will sell water for \$1.70/1,000 gallons.
2. The Authority will purchase water from existing water suppliers/users for \$1.25/1,000 gallons.
3. The Authority will allow a non-depreciated asset credit for Buyers, in accordance with the Long-Term Pricing; however, the credit will be limited to a maximum of \$0.80/1,000 gallons of water purchased from the NHCRWA.
4. The \$0.80/1,000 gallon cap will not limit capital contributions made toward the construction costs for the 2010 conversion requirements.
5. The water producer will pay the Authority's Groundwater Pumpage Fee for every 1,000 gallons pumped, including water that it sells back to the Authority.



## PRICING POLICY GUIDELINES

1. Non-depreciated asset credit:
  - a. Water user must request and submit appropriate documentation.
  - b. Based on the date each facility was constructed.
  - c. Includes actual construction, land, and engineering/design costs.
  - d. Depreciation credit will be based on a 30-year life for all components using a 6% amortization schedule to determine the annual credit.
  - e. Between 2002 and 2010, the depreciation credit for each Buyer will be prorated based on the total amount of water purchased from the Authority, divided by the total amount of water used, times the annualized depreciation value for each Buyer.
  - f. All facilities constructed before January 1, 2003, receive full credit with appropriate documentation.
  - g. Facilities planned for construction after January 1, 2003, must be approved by the Authority to qualify for the non-depreciated asset credit in the future.
  
2. New Facilities inside the 2010 Conversion Area:
  - a. Must be submitted to the Authority for review, inventory purposes, and conformity with the goals of the 2010 GRP.
  - b. Depreciation credit for water quality enhancements will generally be disallowed if the Authority can provide water to the water user in lieu of the user making capital expenditures for new or upgraded facilities.
  - c. Depreciation credit for water wells will generally be disallowed if the Authority can provide water to the user in lieu of the user drilling a new or replacement water well.
  - d. Water users can proceed with new projects and upgrades at their own expense, but must secure Authority concurrence and approval to be eligible for the non-depreciated asset credit for any facility that is constructed.
  
3. New Facilities outside the 2010 Conversion Area:
  - a. Must be submitted to the Authority for general review and inventory purposes.
  - b. Where possible, the Authority will takes steps to make water available on a voluntary basis to new and existing water users under the general pricing strategy.
  - c. Within the limits of its jurisdiction, the Authority will regulate water well locations and spacing to accomplish the goals of the GRP.

August 15, 2002



**SUMMARY OF PROPOSED LONG TERM PRICING  
Integrated Water System Pricing**

<b>DESCRIPTION</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>
<b>Groundwater User</b>			
a. Integrated Water System Price	\$1.80	\$2.80	\$2.94
b. Non-Depreciated Asset Credit	\$0.77	\$0.56	\$0.39
c. Capital Contribution Credit <sup>(1)</sup>	\$0.38	\$0.38	\$0.38
d. GW O&M Credit	\$0.33	\$0.33	\$0.33
e. Pumpage Fee	\$0.32	\$1.53	\$1.84
<b>Surface Water User</b>			
a. Integrated Water System Price	\$1.80	\$2.80	\$2.94
b. Non-Depreciated Asset Credit	\$0.77	\$0.56	\$0.39
c. Capital Contribution Credit <sup>(1)</sup>	\$0.38	\$0.38	\$0.38
d. GW O&M Credit	\$0.00	\$0.00	\$0.00
e. Surface Water Price	\$0.65	\$1.86	\$2.17
<b>Combined Water User</b>			
a. Integrated Water System Price	\$1.80	\$2.80	\$2.94
b. Non-Depreciated Asset Credit	\$0.77	\$0.56	\$0.39
c. Capital Contribution Credit <sup>(1)</sup>	\$0.38	\$0.38	\$0.38
d. GW O&M Credit	\$0.33	\$0.33	\$0.33
e. Pumpage Fee <sup>(2)</sup>	\$0.32	\$1.53	\$1.84
f. Surface Water Price <sup>(3)</sup>	\$0.65	\$1.86	\$2.17

(1) \$1,000,000 capital contribution plus 14% bond issuance costs amortized at 6% over 30 years based on an annual water demand of 219,000,000 gallons.

(2) Applies to groundwater produced by user.

(3) Applies to quantity of surface water delivered to user.



**SUMMARY OF PROPOSED LONG TERM PRICING**  
**Integrated Water System Pricing**

<b>DESCRIPTION</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>
<b>Groundwater User</b>			
a. Integrated Water System Price	<b>\$1.80</b>	<b>\$2.80</b>	<b>\$2.94</b>
b. Non-Depreciated Asset Credit	<b>\$0.77</b>	<b>\$0.56</b>	<b>\$0.39</b>
c. Capital Contribution Credit <sup>(1)</sup>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
d. GW O&M Credit	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.33</b>
e. Pumpage Fee	<b>\$0.70</b>	<b>\$1.91</b>	<b>\$2.22</b>
<b>Surface Water User</b>			
a. Integrated Water System Price	<b>\$1.80</b>	<b>\$2.80</b>	<b>\$2.94</b>
b. Non-Depreciated Asset Credit	<b>\$0.77</b>	<b>\$0.56</b>	<b>\$0.39</b>
c. Capital Contribution Credit <sup>(1)</sup>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
d. GW O&M Credit	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
e. Surface Water Price	<b>\$1.03</b>	<b>\$2.24</b>	<b>\$2.55</b>
<b>Combined Water User</b>			
a. Integrated Water System Price	<b>\$1.80</b>	<b>\$2.80</b>	<b>\$2.94</b>
b. Non-Depreciated Asset Credit	<b>\$0.77</b>	<b>\$0.56</b>	<b>\$0.39</b>
c. Capital Contribution Credit <sup>(1)</sup>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
d. GW O&M Credit	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.33</b>
e. Pumpage Fee <sup>(2)</sup>	<b>\$0.70</b>	<b>\$1.91</b>	<b>\$2.22</b>
f. Surface Water Price <sup>(3)</sup>	<b>\$1.03</b>	<b>\$2.24</b>	<b>\$2.55</b>

(1) Applies to districts electing not to make a capital contribution to NHCRWA.

(2) Applies to groundwater produced by user.

(3) Applies to quantity of surface water delivered to user.



**SUMMARY OF PROPOSED SHORT TERM PRICING <sup>(1)</sup>**

**Integrated Water System Implementation Plan**

<b>New Water User</b>	<b>\$1.70</b>
<b>NHCRWA Fee</b>	<b><u>\$0.00</u></b>
<b>Net to New User</b>	<b>\$1.70</b>
<b>Seller</b>	<b>\$1.25</b>
<b>NHCRWA Fee</b>	<b><u>\$0.34</u></b>
<b>Net to Seller</b>	<b>\$0.91</b>
<b>Buyer</b>	<b>\$1.70</b>
<b>Non-Depreciated Asset Credit (max \$0.80)</b>	<b>\$0.77</b>
<b>Capital Contribution Credit</b>	<b><u>\$0.38</u></b>
<b>Purchase Price</b>	<b>\$0.55</b>

<sup>(1)</sup> Assumes maximum GW Fee of \$0.34



**NON-DEPRECIATED ASSET CREDIT EXAMPLE**

**Integrated Water System Implementation Plan**

<b>WP Facilities</b>	<b>Total Cost (\$) (1)</b>	<b>Annual Costs (2)</b>	<b>2003 Credit (3)</b>	<b>2010 Credit (3)</b>	<b>2020 Credit (3)</b>
<b>WP #1 (1982)</b>	<b>\$537,834</b>	<b>\$39,100</b>	<b>\$0.14</b>	<b>\$0.11</b>	<b>-</b>
<b>WP #1 Exp. (1986)</b>	<b>84,388</b>	<b>6,135</b>	<b>0.02</b>	<b>0.02</b>	<b>-</b>
<b>WP #1 Exp. (1997)</b>	<b>264,684</b>	<b>19,243</b>	<b>0.07</b>	<b>0.05</b>	<b>0.05</b>
<b>WP #1 Gen. (2000)</b>	<b>204,835</b>	<b>14,891</b>	<b>0.05</b>	<b>0.04</b>	<b>0.04</b>
<b>WP #2 (2000)</b>	<b>2,352,092</b>	<b>170,997</b>	<b>0.61</b>	<b>0.49</b>	<b>0.48</b>
<b>Total Facility Credit</b>			<b>0.89</b>	<b>0.71</b>	<b>0.57</b>

(1) Total cost includes construction, engineering, site acquisition, etc.

(2) Annualized costs at 6% interest for 30 years.

(3) Credit per 1,000 gallons.