

Wholesale Water Supply: Summary of take-or-pay purchase requirements

The Manor MUDs reached a settlement with Metro-H2O, Ltd., their water supplier, regarding the wholesale water rate in May, 2011, and the wholesale water supply contract has been amended to reflect the new rate structure as well as the other terms of the settlement. The key provisions of the revised rate structure are highlighted below:

Revised Wholesale Water Rate & Terms			2011 Wholesale Water Cost	
Initial Take-or-Pay Amount ^(a)	130	million gallons per year		
Initial Wholesale Water Rate ^(b)	\$ 4.95	per thousand gallons	\$ 643,500	Take-or-Pay
Initial Annual Fee ^(b)	\$ 130,000		130,000	Annual Fee
			\$ 773,500	

- (a) Take-or-Pay means that the Master District must purchase a minimum of 130 million gallons per year. This is a standard term in water supply contracts to ensure the provider of a quantified amount of revenue in any given year thereby reducing the wholesale water rate.
- (b) The wholesale rate and the annual fee are both subject to annual increases of approximately 3%.

The \$130,000 annual fee is being paid by a combination of developer contributions and other available district funds, and the \$643,500 take-or-pay amount is being paid by the retail water fees paid by the residents of the MUDs. Once the amount of water used by the MUDs exceeds 130 million gallons, the take-or-pay amount for the following year will be increased and calculated as follows:

Increased Water Usage Take-or-Pay Calculations			Increased Wholesale Water Take-or-Pay Cost	
Increased Usage Amount	150,000,000	gallons per year		
Initial Take-or-Pay Amount	130,000,000	gallons per year	\$ 643,500	Take-or-Pay
Subtotal	20,000,000		130,000	Annual Fee
	X 90%		\$ 773,500	
	18,000,000		89,100	Additional Take-or-Pay Cost
Plus Previous Year's Take-or-Pay	130,000,000	gallons per year		
Revised Take-or-Pay Amount	148,000,000	gallons per year	\$ 862,600	Increased Take-or-Pay Cost

130 million gallons was established as the initial take-or-pay amount because the MUDs' average annual wholesale water usage each year from 2008 to 2010 was 129.7 million gallons and, with development continuing to be slow, this amount was considered to be a reasonable initial benchmark. However, due to the extreme drought conditions, water usage in the Manor MUDs has increased significantly this Summer and is currently projected to reach ±150 million gallons by the end of the year. This level of water usage will cause an increase in the minimum take-or-pay wholesale amount due to the wholesale water provider next year and, consequently, may affect retail water rates for you and your neighbors.

Therefore, in an effort to mitigate the effect that increased water usage may have on retail rates and conserve and manage the community's water resource, the District is implementing Stage 2 water use restrictions effective October 1, 2011. Under Stage 2, landscape irrigation is only permitted before 10:00 a.m. and after 7:00 p.m. on the following designated watering days:

- Sundays and Thursdays for even numbered addresses;
- Saturdays and Wednesdays for odd numbered addresses; and
- Tuesdays and Fridays for commercial customers.

Additional restrictions regarding washing vehicles, filling swimming pools, fountains and ponds, use of water from hydrants, wasting water also apply.