

# Elements of a Rational Plant Investment Fee

Encouraging Efficiency of Use Through Linking PIF's  
and Water Budgets



# Desired characteristics

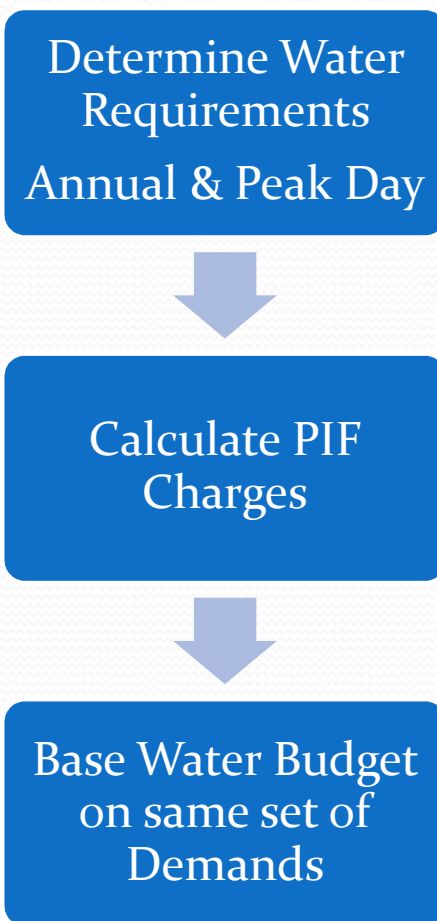
- PIF's must be linked to
  - Real water demands
  - Real costs
- PIF's must be fair to the all customers
  - Avoid subsidies
  - Insure that customers pay for what they use (and only what they use)
  - Reward conservation efforts by reducing PIF's
- Link Water Budgets to PIF's
  - To insure compliance



# PIF Components

- Raw Water Fee
  - Based on annual amount of water required
  - Market value of raw water resources
    - Water rights, storage, transmission
  - (\$/AF)
- System Infrastructure Fee
  - Based on amount of treatment and distribution capacity used (\$/MGD)
  - Peak day demands

# Logical Process



# Raw Water Charges

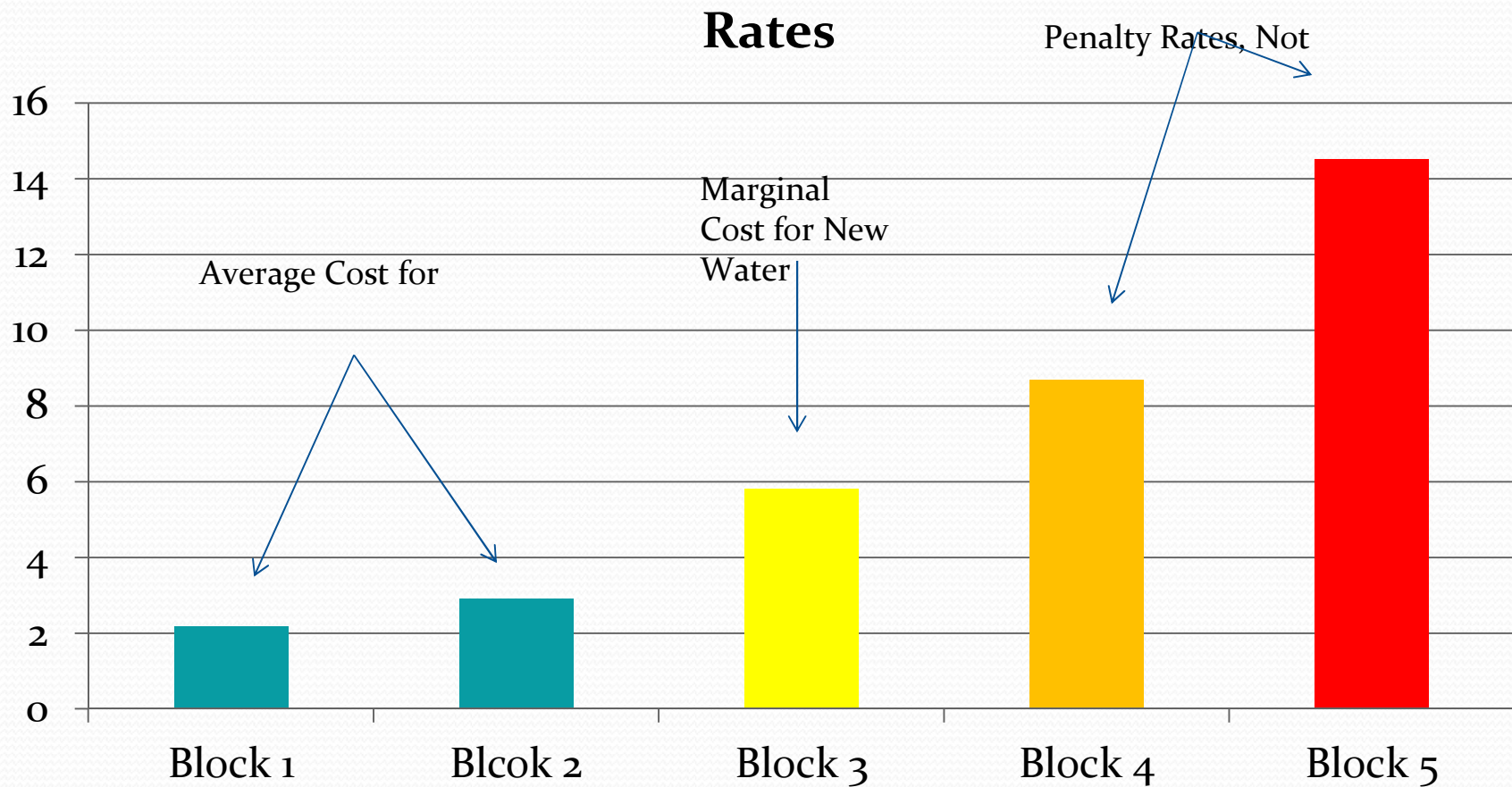
- Based on Customer Demand
  - AF/Year of Demand = AYWD
- Total System Safe Yield
  - Yield available for allocation = Y
- Estimated value of raw water
  - \$V
- Simple Proportion
  - $PIF = AYWD/Y \times \$V$



# Infrastructure Charges

- Water Treatment Capacity
- Raw Water System
- Treated water storage and distribution
- All expressed in terms of MGD
- Based on replacement costs

# Link to Water Budgets





# Benefits

- Encourages thoughtful demand analyses by builders and developers
- Rewards efficiency with lower PIF fees
- Conserves water
- Difficult to game because of water budget rate system
- Easy to verify compliance