

# CBT Market Price Consideration

July 17, 2013

# Purpose

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- 2006: LUC Direction to Staff

- Any +/- 5% change in 6-month moving avg.
- Small Transactions receive more weight
- Emphasize rapidly developing trends

- June 19, 2013 LUC Direction to Staff

- Provide alternatives to the 6-month moving average method

## CBT Unit Market Price Summary - 6 Month Moving Average

### June 2013

Current Market Price: \$13,000

#### All Units

Month	Units Sold	Avg Price per Unit	6 Month Moving Avg	Difference from Current Market Price
Jan 2013	12	\$10,833	\$10,109	-22.2 %
Feb 2013	6	\$10,500	\$10,380	-20.2 %
Mar 2013	45	\$12,833	\$11,208	-13.8 %
Apr 2013	107	\$14,556	\$11,878	-8.6 %
May 2013	0		\$11,878	-8.6 %
Jun 2013	150	\$18,017	\$13,348	2.7 %

\*see note

#### 20 Units

Month	Units Sold	Avg Price per Unit	6 Month Moving Avg	Difference from Current Market Price
Jan 2013	12	\$10,833	\$9,870	-24.1 %
Feb 2013	6	\$10,500	\$10,245	-21.2 %
Mar 2013	45	\$12,833	\$11,208	-13.8 %
Apr 2013	5	\$13,500	\$11,667	-10.3 %
May 2013	0		\$11,667	-10.3 %
Jun 2013	25	\$18,200	\$13,173	1.3 %

#### 10 Units

Month	Units Sold	Avg Price per Unit	6 Month Moving Avg	Difference from Current Market Price
Jan 2013	12	\$10,833	\$10,129	-22.1 %
Feb 2013	6	\$10,500	\$10,504	-19.2 %
Mar 2013	13	\$13,500	\$11,375	-12.5 %
Apr 2013	5	\$13,500	\$11,800	-9.2 %
May 2013	0		\$11,800	-9.2 %
Jun 2013	5	\$17,000	\$13,067	0.5 %

\*see note

#### 5 Units

Month	Units Sold	Avg Price per Unit	6 Month Moving Avg	Difference from Current Market Price
Jan 2013	6	\$10,667	\$10,088	-22.4 %
Feb 2013	6	\$10,500	\$10,463	-19.5 %
Mar 2013	3	\$13,500	\$11,333	-12.8 %
Apr 2013	5	\$13,500	\$11,767	-9.5 %
May 2013	0		\$11,767	-9.5 %
Jun 2013	5	\$17,000	\$13,033	0.3 %

\*Please note that the June numbers are staff estimates based on information provided by Northern Water. We will have actual numbers the last week of July.

## CBT Unit Market Price Summary - 4 Month Moving Average

### June 2013

Current Market Price: \$13,000

#### All Units

Month	Units Sold	Avg Price per Unit	4 Month Moving Avg	Difference from Current Market Price
Mar 2013	45	\$12,833	\$11,208	-13.8 %
Apr 2013	107	\$14,556	\$12,181	-6.3 %
May 2013	0		\$12,630	-2.8 %
Jun 2013	150	\$18,017	\$15,135	16.4 %

\*see note

#### 20 Units

Month	Units Sold	Avg Price per Unit	4 Month Moving Avg	Difference from Current Market Price
Mar 2013	45	\$12,833	\$11,208	-13.8 %
Apr 2013	5	\$13,500	\$11,917	-8.3 %
May 2013	0		\$12,278	-5.6 %
Jun 2013	25	\$18,200	\$14,844	14.2 %

#### 10 Units

Month	Units Sold	Avg Price per Unit	4 Month Moving Avg	Difference from Current Market Price
Mar 2013	13	\$13,500	\$11,375	-12.5 %
Apr 2013	5	\$13,500	\$12,083	-7.1 %
May 2013	0		\$12,500	-3.8 %
Jun 2013	5	\$17,000	\$14,667	12.8 %

\*see note

#### 5 Units

Month	Units Sold	Avg Price per Unit	4 Month Moving Avg	Difference from Current Market Price
Mar 2013	3	\$13,500	\$11,333	-12.8 %
Apr 2013	5	\$13,500	\$12,042	-7.4 %
May 2013	0		\$12,500	-3.8 %
Jun 2013	5	\$17,000	\$14,667	12.8 %

\*Please note that the June numbers are staff estimates based on information provided by Northern Water. We will have actual numbers the last week of July.

# Options

- Use the standard 6-Month Moving Average
  - Market Price stays the same.
- Staff's Recommendation (next slide)
  - Market Price: \$14,000                    CIL: \$14,700
- Use the 4-Month Moving Average
  - Market Price: \$15,000                    CIL: \$15,750
- Use June's Averages (Not Recommended)
  - Market Price of \$17,800                    CIL: \$18,690

# Recommendation

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- Staff's Recommendation: Compute the C-BT Market Price by using both the 6-Month and 4-Month Moving Averages.

Add the four June 6-Month Moving Averages to the four 4-Month Moving Averages:

Median: \$14,008

Mean: \$13,992

# Recommendation

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- Recommend adopting LUC Resolution R-3-2013U
  - Market Price: \$14,000 per CBT Unit

- Cash-in-lieu
  - Determined by formula
$$\frac{CBT \text{ Market Price}}{Yield \text{ of } 1 \text{ CBT Unit}} * 1.05 = \text{cash-in-lieu fee}$$
  - Cash-in-lieu fee: \$14,700 per acre-foot

# Questions?

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