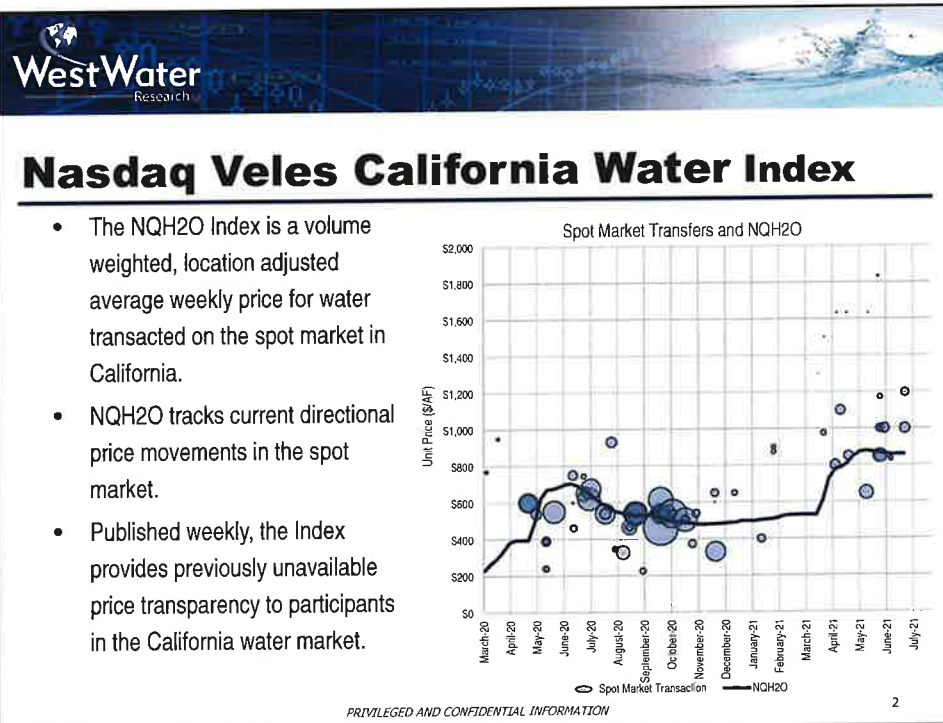
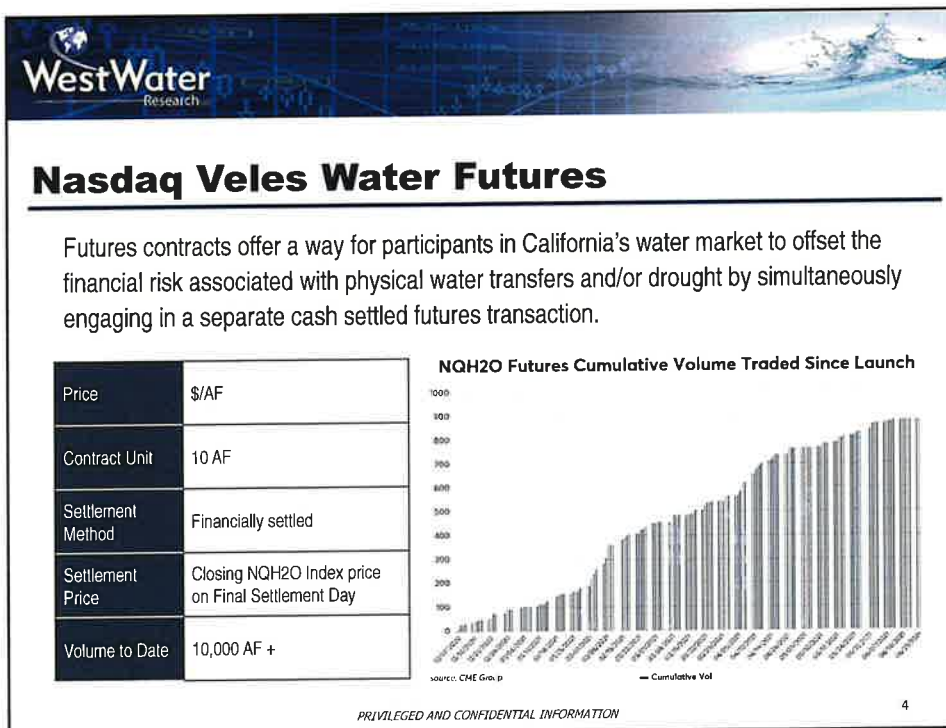
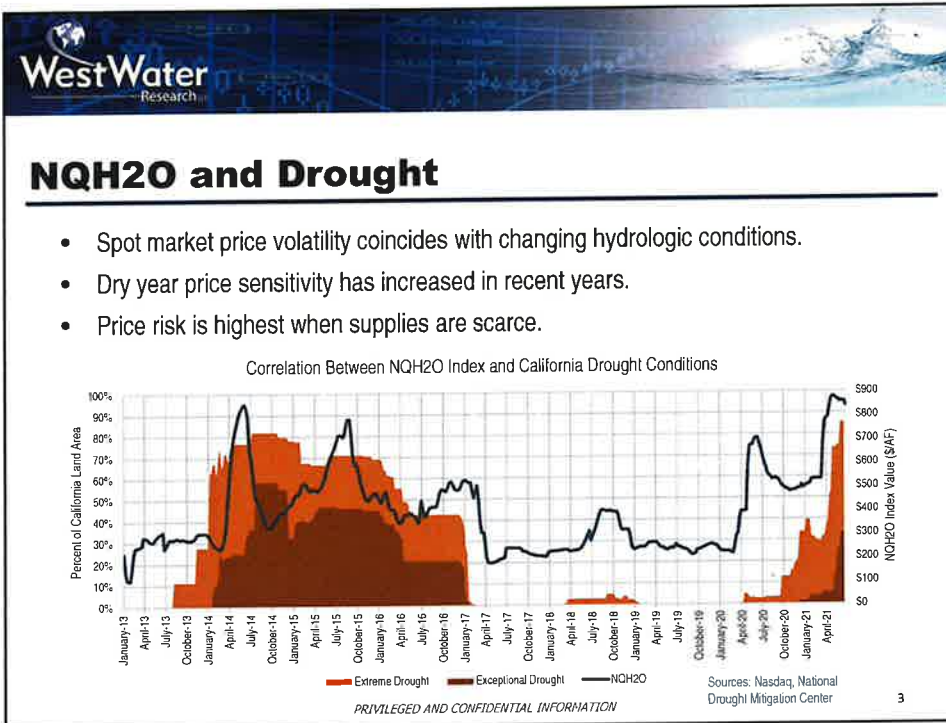



# Managing Water Risk in California

Mesa Water District

September 28, 2021





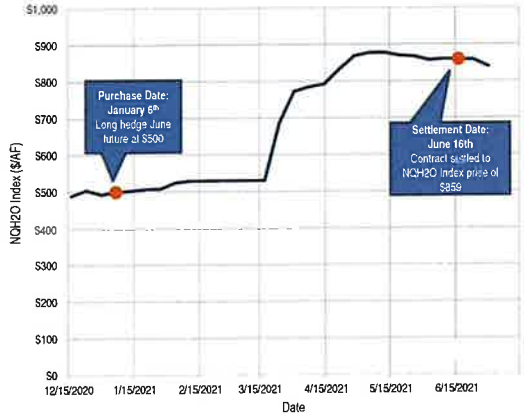


## Hedging with Futures - Example

Retail water agency anticipates needing to hedge decreasing revenues caused by State-mandated conservation during a drought:

- Retail agency purchases 1,000 futures contracts at a price of \$500/AF in January.
- Contracts settle at \$859/AF in June.
- Participant has realized a gain of \$359/AF, for a total gain of \$3,590,000.

**NQH2O Index and Futures Hedge**



| Date       | NQH2O Index (\$/AF) |
|------------|---------------------|
| 12/15/2020 | ~\$500              |
| 1/15/2021  | ~\$550              |
| 2/15/2021  | ~\$550              |
| 3/15/2021  | ~\$550              |
| 4/15/2021  | ~\$800              |
| 5/15/2021  | ~\$850              |
| 6/15/2021  | \$859               |

PRIVILEGED AND CONFIDENTIAL INFORMATION 5



**Contact Us:**  
**(602) 595-7009**  
**payne@waterexchange.com**  
**www.waterexchange.com**

---

Water Asset Valuation    Water Asset Transactions    Water Investments

---

|                                 |                                     |                                 |  |                                   |
|---------------------------------|-------------------------------------|---------------------------------|--|-----------------------------------|
| <b>Main Office</b><br>Boise, ID | <b>West Coast</b><br>Sacramento, CA | <b>Southwest</b><br>Phoenix, AZ | <b>Intermountain</b><br>Fort Collins, CO | <b>Northwest</b><br>Vancouver, WA |
|---------------------------------|-------------------------------------|---------------------------------|--|-----------------------------------|