North Texas Municipal Water District (NTMWD)


What is the role of the NTMWD in providing water to the region?

The North Texas Municipal Water District (NTMWD) is a non-profit, wholesale water provider serving many cities and communities northeast and east of Dallas. In the 1950s, ten cities joined together to form the NTMWD to collectively fund a regional water system that would support their future needs. Three other Member Cities joined years later. The cities recognized the benefit of sharing costs – saving each city the cost of independently funding complex pipelines and facilities to serve their residents. The Member Cities agreed to pay the same wholesale water rate regardless of size, location or proximity to the infrastructure or water sources. In addition to Member Cities, NTMWD has other area cities, towns, water utility and supply districts who are wholesale Customers and pay a slightly higher wholesale water rate. NTMWD is responsibly planning new projects to meet the future needs of the region which is expected to double in population over the next 50 years.

What are the benefits of a regional system?

NTMWD operates and maintains a regional water system which serves communities in 10 counties and covers 2,200 square miles. The system includes more than 570 miles of transmission pipelines, 17 pump stations and six treatment facilities. By operating a shared regional system, the total costs of building and operating the water system can be spread over a greater population. If each individual city had to build, maintain and operate its own water system, they would have greater costs to be covered by fewer customers. The NTMWD regional system allows the cities to benefit from cost-sharing with other participating cities and communities to meet current and future residents’ water service needs.

What determines NTMWD wholesale water rates?

The NTMWD must collect enough revenue to cover the regional water system fixed costs for the pipes and facilities that have been constructed to meet the highest potential water demands. Fixed costs include the repayment of bonds that have funded past projects and borrowing costs for new projects. Other fixed costs are from ongoing operations, maintenance and rehabilitation on the system to maintain reliability and comply with public health, safety and environmental regulations.

Eleven Member Cities signed one water supply contract when it was last amended in 1988 – two cities signed similar contracts when they joined the District later – Allen (1998) and Frisco (2001). The contract is structured so that each City pays for its allocation of the costs for the entire regional water system based on its year of highest annual usage. For fiscal year 2016-2017, the NTMWD wholesale water rate for its Member Cities is $2.53 per thousand gallons of treated water. Of that, $2.12 per thousand gallons funds the fixed/capital costs (infrastructure), and $0.41 cents per thousand gallons is for the actual amount of water consumed. Each City then determines its own end-user rates for residential, commercial and industrial customers to cover the NTMWD wholesale water costs plus the City’s own system and operating costs.
Why are water rates projected to continue increasing?

The Associated Press, the Alliance for Water Efficiency, and the Circle of Blue have reported in recent years that rising water costs is an issue facing water providers and cities nationwide, especially in drought-prone regions. The NTMWD and all water utilities are challenged with increasing costs for maintaining and rehabilitating aging infrastructure, building pipelines and reservoirs for anticipated population growth, as well as implementing new technologies to comply with changing regulatory requirements.

Why do some cities say they have to pay for water they don’t use?

Cities don’t pay for “unused” water — they pay an allocation of the shared regional water infrastructure and system costs based upon the maximum amount of potential capacity each City needs. The Cities and Customers are paying for water service from a shared system, not just the water molecules that are delivered.

The “take or pay” term is used by some to describe the water supply contract means that the Cities pay the fixed costs component of the wholesale water rate based on highest year of consumption, even if in subsequent years they don’t reach that same level of water use. This ensures the fixed system costs are covered regardless of the amount of water used. The Cities and Customers receive an annual rebate for the variable costs, such as chemicals and power not used for treatment and delivery, based on each City’s actual consumption for that year. NTMWD has issued rebates of nearly $92 million to cities since 1990.

Why are some Member Cities asking for a change to the water supply contract?

With watering restrictions and conservation resulting in reduced revenues to cover fixed costs, some Member Cities have questioned the structure of the water supply contract and are interested in exploring alternate methods for allocating the shared regional system costs across the Member Cities and Customers.

Because all 13 Member Cities signed the current water supply contract, it will take all 13 to discuss and agree to any changes. Previous analysis and studies related to adjusting a City’s allocation of the shared system have shown that lowering one City’s percentage would increase the proportionate share of costs for other participating Cities.

The NTMWD has held working group discussions with staff representatives from all 13 Member Cities throughout 2016 and believes the best way to reach resolution is through ongoing discussions among the Cities to consider potential alternatives to the current water supply contract. The District is open to considering a change to the contract with agreement and support from the Cities.

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