



For Immediate Release

December 14, 2016

FOUR CITIES UNITE TO REQUEST WATER RATE RELIEF

Garland, Mesquite, Plano and Richardson have paid \$178 million for unused water under outdated rate methodology

Dec. 14, 2016 (Garland, Texas) – The Mayors of Garland, Mesquite, Plano and Richardson, in an unprecedented move, today announced that their cities are asking the Public Utility Commission (PUC) to conduct a review of their water rates with the North Texas Municipal Water District (NTMWD). The cities are taking this action because the rates set by the NTMWD under the six-decade old water supply contract are discriminatory, are inconsistent with water conservation and are not in the public interest. As a result, the four cities have paid a total of \$178 million for water they did not use.

“We are losing tens of millions of dollars at the expense of our taxpayers because the North Texas Municipal Water District’s current rate methodology is outdated and does not incentivize water conservation,” Plano City Manager Bruce D. Glasscock said. “Member cities pay according to a ‘take or pay’ system that is based on our greatest single year of use. This level cannot be reduced, regardless of whether or not the city uses the entire amount of water it is paying for.”

For Garland, Mesquite, Plano and Richardson, the greatest use took place during a time when water conservation was not anticipated. Years of drought and the successful adoption of water conservation strategies have changed the amount and way water is used; and it is unlikely the cities will ever again use the minimums that were set by their greatest annual usage.

“We filed this water rate review to seek a rate methodology that is equitable, encourages conservation and serves the region’s long-term interest,” Glasscock said.

The NTMWD is composed of 13 NTMWD member cities and includes approximately 34 NTMWD customer cities. The customer cities have individual contracts with the NTMWD and some of their effective rates are lower than some of the member cities. At the same time, the cost of water is rising as the NTMWD has raised water rates 69.8 percent since fiscal year 2012. Additionally, it plans to raise rates by approximately 10 percent per year for the next seven years.

City *	Greatest Single Year Usage	Dollars Paid for WATER NOT USED
Garland	2006	\$28 Million
Mesquite	2002	\$36 Million
Plano	2001	\$78 Million
Richardson	2001	\$36 Million
		\$178 Million Cumulative

** More than 60 percent of the member city ratepayers (approximately 750,000) are in Garland, Mesquite, Plano and Richardson.*

“For many years, we have been trying to rectify the disparity in the effective rates that currently exist,” Glasscock said. “We have actively participated in every possible process to seek a solution that all 13 member cities and the water district could agree upon. But it is evident that due to our lack of bargaining power with the North Texas Municipal Water District, negotiating among ourselves will not result in the much needed changes. Asking the Public Utility Commission for this review is the next step.”

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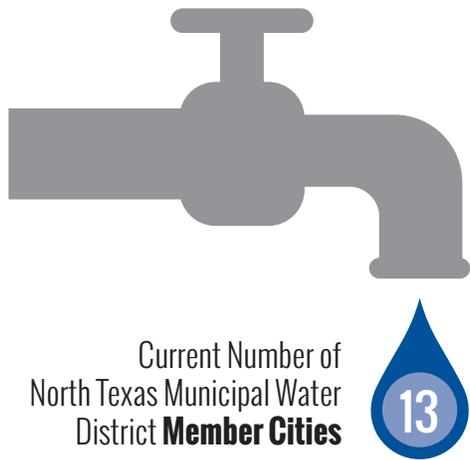
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FOUR CITIES UNITE TO REQUEST WATER RATE RELIEF BACKGROUND INFORMATION

- About 60 years ago, the North Texas Municipal Water District created a regional water system with 10 original member cities: Farmersville, Forney, Garland, McKinney, Mesquite, Princeton, Plano, Rockwall, Royse City and Wylie. Richardson joined as a member city in 1973.
- When the NTMWD regional water system was established in 1954, cities had smaller populations and water conservation measures were not adopted.
- In 1988, the individual contracts for the eleven member cities were consolidated into one agreement, but the key provisions remained the same as they were from 1954.
- Today, there are 13 member cities in the NTMWD. Allen joined in 1998, and Frisco in 2001.
- The rate methodology for NTMWD member cities is based on a “take or pay” system; cities pay for water based on the year of their greatest annual usage and this level cannot be reduced based on subsequent water use patterns.
- Any changes to the NTMWD rate methodology require the unanimous consensus of the 13 member cities and the Water District’s Board of Directors.
- The NTMWD also includes approximately 34 customer cities. These customer cities have a different type of agreement; they do not have a representative on the Board, they do not incur infrastructure debt and they pay a surcharge of 5 cents per 1,000 gallons of water.
- Effective rates for some customer cities are lower than some of the member cities, even with the surcharge.
- For many years, Garland, Mesquite, Plano and Richardson have been trying to rectify the disparity in the effective rates that currently exist.
- In 2015, Plano and other member cities sent a written letter to the NTMWD requesting that they adjust the rate methodology. Since that time, member cities have been participating in working group discussions to identify possible solutions. We are pursuing this rate appeal to provide the necessary long-term relief that we have been unable to achieve through informal negotiations.

The Costs of Water

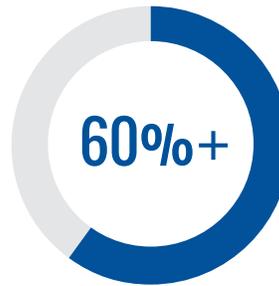


Current Number of North Texas Municipal Water District **Member Cities**

13



Current Number of North Texas Municipal Water District **Customer Cities**



North Texas Municipal Water District **Member City ratepayers** (approximately 750,000) are in Garland, Mesquite, Plano and Richardson

City	Greatest Single Year Usage	Dollars Paid for Water Not Used
Garland	2006	\$28 Million
Mesquite	2002	\$36 Million
Plano	2001	\$78 Million
Richardson	2001	\$36 Million

\$178 Million CUMULATIVE

1988

11 Member Cities executed a consolidated agreement with the North Texas Municipal Water District (two more cities joined after 1988)

69.8%

North Texas Municipal Water District has **raised water rates** since Fiscal Year 2012

Approx. 10%

North Texas Municipal Water District **plans to raise rates** per year for the next seven years





Frequently Asked Questions

Why are you requesting this rate review?

We are asking the Public Utility Commission to conduct a review of our water rates with the North Texas Municipal Water District because the rates set under the six-decade old Water Supply Contract are discriminatory, are inconsistent with water conservation and are not in the public interest.

Our residents and businesses are paying too much for water under an outdated rate method that encourages water usage, is against the public interest and is inconsistent with conservation.

How much money has the City paid for water that was not used?

Over the past 15 years, we have paid \$78 million for water we did not use.

Why are we paying so much money for water we are not using?

Our water rates are based on a “take or pay” system that is based on our greatest single year of use, which was about 26 billion gallons in 2001. Since then, the city has been required to purchase this amount every year, regardless of whether or not the city uses the entire amount of water.

With all of the growth that is taking place in North Texas, how is it possible that you won't reach your highest volumes in the future?

Successful water conservation has changed the game and we are unlikely to use the minimum set during our greatest single year of usage.

Why can't we just get out of our contract with the Water District?

The contract with the North Texas Municipal Water District is effectively indefinite. It extends until all bonds and interest shall be paid and throughout the life of the system.

If the current rate methodology is not working, what other options have been discussed?

A number of options have been discussed. Any changes to the rate methodology requires the unanimous agreement of all 13 member cities and the North Texas Municipal Water District Board of Directors, which is difficult to achieve.

Don't we get a rebate for unused water?

Member Cities receive a small annual rebate for unused water, but it is only a fraction of the cost that has been paid. The water rebate is strictly for operational costs such as electricity and treatment chemicals.

If the Member Cities receive rate relief, will the Water District still be able to afford infrastructure improvements?

The Water District's infrastructure cost projections are based on highest annual usage and do not consider our most recent water consumption numbers.

Will you remove yourself from the Water District?

Plano is a founding member of the NTMWD, and we have no intention of ending our membership. We continue supporting long-term water resource initiatives that are in the best interest of the entire region.

Why has this request been made to the PUC and not to the NTMWD?

For many years we have been trying to rectify the disparity in the effective rates that currently exist. We have participated in every possible process to seek a solution that all thirteen member cities and the Water District Board could agree upon, but these discussions have not resulted in the much needed changes. Our rate methodology review request to the Public Utility Commission is our next step.

What do you hope to accomplish with this request?

Our residents and businesses are paying too much for water under an outdated rate method. We are asking the Public Utility Commission to conduct a water rate methodology review in an effort to establish a rate structure that is equitable and serves the region's long-term best interest.

Who are the Water District's Member Cities?

Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City and Wylie.

What is the difference between Member Cities and Customer Cities?

NTMWD Member Cities are the only guarantors for the District's debt and are responsible for a proportional share of the debt issued while they are a member. Member Cities also appoint representatives to the Water District Board of Directors.