

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 26-19

A RESOLUTION AUTHORIZING AMENDMENT TO POLICY 8 ADDITIONAL DELIVERY POINTS FOR MEMBER CITIES AND EXISTING CUSTOMERS.

WHEREAS, in July 1972 the North Texas Municipal Water District (NTMWD) Board of Directors adopted Policy 8 to establish a method to extend transmission pipelines, 12” or larger and provide additional delivery points at the request of Member Cities; and

WHEREAS, in January 1990, the Board amended Policy 8 to add that two or more Member Cities can request and share the cost for a pipeline extension to serve them; and

WHEREAS, in June 1994, the Board amended Policy 8 by designating major pipeline systems that service multiple cities to clarify when Policy 8 would not apply; and

WHEREAS, in November 2007, the Board amended Policy 8 by adding existing Customers to the Policy; and

WHEREAS, the current Policy 8 allows capacity replacement cost to be recovered by implementation of a new annual minimum for the additional delivery point applied through a 6-year phase in of annual minimums associated with the new delivery point; and

WHEREAS, in 2024, NTMWD engaged Lloyd Gosselink Rochelle & Townsend, P.C. (legal counsel) and Carollo Engineering to review and provide recommendations, if warranted, for amending Policy 8 (Carollo Study); and

WHEREAS, at the conclusion of its review, Carollo found that Policy 8 is consistent with industry standards; and

WHEREAS, the Carollo Study recommends several changes to simplify the cost recovery approach and improve equity among Members and Customers, including;

- (i) revise policy language to better clarify the basis for the estimated capital cost owed by the Member or Customer requesting the additional delivery point;
- (ii) recover the estimated cost to provide the requested capacity at the additional delivery point in a lump sum or in annual installments paid over a period of 10 years or less; and

- (iii) the Policy should identify an indexed interest rate to use for payment plans;

WHEREAS, in addition, NTMWD staff has determined that provisions regarding pipeline extensions are no longer needed as a part of Policy 8 as those may be addressed as separate projects; and

WHEREAS, under the proposed amendments, Policy 8 will only recover replacement capacity cost through lump sum or over a 10-year annual payment or less including interest based on the U.S. 10-year Treasury Rate (Amended Policy 8); and

WHEREAS, Policy 8 was most recently applied to the Cities of Frisco (2023) and Parker (2024), and neither City has achieved its 6-year phase in of annual minimums associated with the new delivery point; and

WHEREAS, if either Frisco or Parker wish to apply the Amended Policy 8, NTMWD staff and legal counsel recommend use of the capacity replacement cost calculated at the time of the City's current contract; and

WHEREAS, under the proposed Amended Policy 8

- (i) all future Policy 8 implementation would use the cost calculated by NTMWD and estimates of Project Costs shall be valid for one year; and
- (ii) Policy 8 would apply if the Member or Customer requests an additional delivery point hydraulically further from NTMWD's treatment plant than its original delivery point; and
- (iii) if hydraulically further, NTMWD shall estimate capacity replacement cost to construct a new conveyance line with the capacity requested for the additional delivery point back to the treatment plant if on a different conveyance pipeline or to the distance of the original delivery point if on the same conveyance pipeline;

NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES AND RESOLVES THAT:

1. Defined terms appearing in the Recitals to this resolution above are incorporated for all purposes.

2. The amended and restated Policy 8 attached hereto at Exhibit A is hereby adopted to be effective as of the date of this Resolution (Amended Policy 8).
3. NTMWD staff and legal counsel are authorized coordinate with the Cities of Parker and Frisco to provide the results of the Carollo Study and make available to the Cities the benefits of Amended Policy 8.
4. NTMWD staff and legal counsel are authorized to negotiate and bring back for Board consideration any amendments necessary to current and as may be requested by the Cities of Parker and Frisco, implementing Amended Policy 8. Any such amendment shall use the capacity replacement cost calculated at the time of the City's current contract.
5. NTMWD staff and legal counsel are further authorized to implement the Amended Policy 8 for any new requests for new delivery points presented after the date of this Resolution.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON MAY 28, 2026, AT THE JOHN BUNKER SANDS WETLAND CENTER, LOCATED AT 655 MARTIN LANE, SEAGOVILLE, TEXAS.

KEITH STEPHENS , Secretary

DAVID HOLLIFIELD , President

(SEAL)

EXHIBIT A

NORTH TEXAS MUNICIPAL WATER DISTRICT

JULY 1972

DISTRICT POLICY NO. 8

AMENDED JANUARY 25, 1990

AMENDED JUNE 23, 1994

AMENDED NOVEMBER 2007

 2026

ADDITIONAL DELIVERY POINTS FOR MEMBER CITIES AND EXISTING CUSTOMERS

SECTION I. POLICY STATEMENT AND DEFINITIONS

- A. It is NTMWD's policy to consider Member City and Existing Customer requests for Additional Delivery Points where feasible, as determined in the discretion of the Board of Directors. Any funds received by NTMWD from a Member City or Existing Customer pursuant to this policy shall be dedicated to the NTMWD Regional Water System capital program.
- B. Definitions. The following definitions shall apply to this policy:

Additional Delivery Point(s): An additional delivery point for wholesale treated water service not yet in existence where wholesale treated water passes from the Regional Water System to the Member City or Existing Customer's retail system.

Annual Minimum: The minimum amount of potable water for which a Member City or Existing Customer must compensate NTMWD on an annual basis pursuant to its Water Supply Contract.

Conveyance Lines: Treated water conveyance pipelines with associated facilities and appurtenances of twelve (12") or larger which convey large volumes of water required for Member City or Existing Customer delivery points at ground storage reservoirs. Retail distribution feeder mains, which are connected directly to various sections of distribution systems and/or to elevated storage tanks to assure a more uniform pressure within a Member City or Existing Customer's retail distribution systems are not considered to be Conveyance Lines.

Existing Customer: A Customer currently receiving service from the Regional Water System at the time of its request for an Additional Delivery Point.

Project: NTMWD Regional Water System capital improvements and related planning, engineering, and right of way acquisition associated with an Additional Delivery Point requested under this policy.

Project Costs: All engineering, legal, planning, surveying, right of way, land acquisition, permitting, construction, financing, capacity replacement (if applicable), and related costs incurred by NTMWD associated with a Project, and subject to the provisions of the Member City or Existing Customer's Water Supply Contract governing delivery points. Project Costs may include, as applicable under this policy, NTMWD's estimated replacement costs of capacity reduced in an existing Conveyance Line as provided in Section V. below. Project Costs are determined by NTMWD in its sole discretion.

Water Supply Contract: For Member Cities, that certain *North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract*, as amended (Member City Contract); and for existing Customers, their current Potable Water Supply Contract, and all amendments.

Water Year: The period of August 1 of each calendar year through July 31 of the next following calendar year during which a Member City or Existing Customer's water delivery from the Regional Water System is measured.

SECTION II. GENERAL CONDITIONS

- A. This policy should not be interpreted as requiring NTMWD to issue bonds for any Project.
- B. This policy does not apply to Member City or Existing Customer requests for additional capacity at existing delivery points or to Additional Delivery Points initiated by NTMWD to benefit NTMWD Regional Water System planning and operations.

SECTION III. ADDITIONAL DELIVERY POINT REVIEW AND CONTRACT PROCESS

- A. The Member City or Existing Customer shall prepare a preliminary plan showing a proposed location for the Additional Delivery Point with estimates of usage and total future annual requirements as requested by NTMWD. This information shall also include the estimated population projections for the service area and the basis for such projections.
- B. NTMWD shall prepare a cost estimate of the Project Costs. NTMWD estimates of Project Costs shall be valid for one year.

- C. The Member City or Existing Customer agrees to reimburse NTMWD the Project Costs in a lump sum or through an annual payment plan of equal annual payments extending for a term of no greater than ten (10) years. The annual payment plan shall include interest based on the current U.S. 10-Year Treasury Rate as of and commencing on the effective date of the written agreement between NTMWD and the Member City or Existing Customer for the payment of the Project Costs. The 10-Year Treasury Rate shall be the 10 Year Treasury Par Yield Curve Rate as published by the United States Department of the Treasury.
- D. NTMWD shall prepare the written agreement with the Member City or Existing Customer regarding the Project.
- E. The Member City or Existing Customer executes a written agreement with NTMWD setting forth the terms and conditions for payment of the Project Costs to NTMWD.
- F. If it is projected that the addition of the Additional Delivery Point will result in the Member City or Existing Customer exceeding its current contractual Annual Minimum, the Member City or Existing Customer will execute an amendment to its service agreement with NTMWD reflecting the new annual minimum. The new Annual Minimum will not take effect until the subsequent Water Year.

SECTION IV. DELIVERY POINTS ON EXISTING CONVEYANCE LINES HYDRAULICALLY CLOSER TO NTMWD'S TREATMENT PLANTS THAN ORIGINAL DELIVERY POINT

- A. A Member City or Existing Customer is eligible for an Additional Delivery Point on existing Conveyance Lines when the Additional Delivery Point is located on an existing Conveyance Line and would not reduce NTMWD's water conveyance capacity to other Member Cities and Existing Customers, if adequate capacity is available, and subject to the provisions of the Member City or Existing Customer's Water Supply Contract governing delivery points

SECTION V. DELIVERY POINTS ON EXISTING CONVEYANCE LINES HYDRAULICALLY FURTHER FROM NTMWD'S TREATMENT PLANTS THAN ORIGINAL DELIVERY POINT

- A. A Member City or Existing Customer may obtain an Additional Delivery Point on an existing NTMWD conveyance line hydraulically further from the original delivery point of the Member City or Existing Customer, when adequate capacity is available if the Member City or Existing Customer agrees to pay the replacement cost of the capacity to be used in the existing Conveyance Line between the original delivery point and the Additional Delivery Point as a part of the Project Costs. To determine the replacement cost, NTMWD shall estimate the costs to construct a new conveyance line with sufficient capacity to restore the capacity reduction caused by the Additional Delivery Point. The purpose of the replacement cost calculation to be included in the Project Costs as provided in this paragraph is to compensate the Regional Water System for the reduction of available capacity in the existing

Conveyance Line. NTMWD's calculation of the replacement costs shall ensure that the Member City or Existing Customer does not double-pay for capacity.