

North Kaufman WSC Rate Adjustment Explanation

The primary factor contributing to the rate increase is North Kaufman WSC's decision to become a direct customer of the North Texas Municipal Water District (NTMWD). This step is necessary to secure long-term and reliable water supply, meet increasing demand, support system sustainability, and comply with future growth and infrastructure requirements, while continuing to meet all state regulatory standards.

Currently, NKWSC purchases water from the Cities of Kaufman and Terrell, both of which obtain their supply from NTMWD, apply a markup, and pass those additional costs on to us. By becoming a direct NTMWD customer, North Kaufman WSC ensures access to water for years to come at a significantly lower cost per 1,000 gallons.

To make this transition possible, North Kaufman WSC partnered with College Mound SUD, Scurry-Gastonia SUD, and Becker-Jiba SUD to construct a new 42-inch transmission line from NTMWD's Tawakoni Pump Station, connecting to the existing 20-inch main at FM 987.

The total cost of this project is \$10.8 million per participating water supply company. Financing was secured through the Greater Texoma Utility Authority (GTUA) using bonds issued by the Texas Water Development Board (TWDB).

A Pro Forma analysis prepared by GTUA projected the need for a \$13.00 rate increase in 2025 and an additional \$14.00 increase in 2026. Based on this guidance, North Kaufman WSC increased the base rate from \$52.00 to \$65.00.

However, after receiving the first debt service invoice of \$85,000, it became clear that the initial \$13.00 increase would not fully cover the system's financial needs. We carefully reviewed our financial information using a rate model that looks at both fixed and variable costs to ensure the system remains stable and reliable. As a result, the base rate was adjusted from \$65.00 to \$85.00 and expanded from four usage tiers to six tiers shifting a greater portion of costs to higher usage levels.