



**GREAT LAKES WATER AUTHORITY
NOTICE OF PUBLIC HEARING
PROPOSED FY 2020 WATER AND SEWERAGE SERVICE CHARGES**

Notice is hereby given that the Great Lakes Water Authority Board of Directors will hold a Public Hearing on Water and Sewerage service charges proposed by the Great Lakes Water Authority for Fiscal Year 2020.

DATE: Wednesday, February 27, 2019

TIME: 2:00 p.m.

**PLACE: 5th Floor Board Room
735 Randolph
Detroit, Michigan 48226**

The proposed service charges are scheduled to take effect on July 1, 2019.

The proposed schedule of charges is available for public inspection at the office of the Authority, Water Board Building, 735 Randolph, Detroit, Michigan 48226. The proposed schedule of charges may also be found online at <https://www.glwater.org/financials/>.

Individuals or groups wishing to make oral presentations or submit prepared statements pertaining to the proposed service charges may do so at the Public Hearing. Individuals or groups giving oral presentations are encouraged to have their presentations in writing, with a copy to be submitted for the record to the Great Lakes Water Authority Board of Directors. Oral presentations should be brief to allow all parties the opportunity to participate. A time limit may be imposed based upon registration at the hearing.

Interested parties who are unable to attend the Public Hearing may submit their comments in writing to:

Sue F. McCormick, Chief Executive Officer
Great Lakes Water Authority
735 Randolph
Detroit, Michigan, 48226



Office of the Chief Executive
735 Randolph Street, Suite 1900
Detroit, Michigan 48226

January 25, 2019

To Our Water Member Partners:

The Great Lakes Water Authority (GLWA) has made tremendous progress in its first three years of operations. As we enter our fourth year, we would like to share some of the highlighted achievements for GLWA during 2018:

- GLWA's water system is now a "AA-" rated utility by Standard and Poor's and received positive rating actions from Moody's and Fitch Ratings. This will result in lower debt service costs for future bond issues;
- GLWA completed a refunding transaction on some of its outstanding water bonds. The result of the refunding is a cash savings of \$30.8 million over the life of the refunded bonds, or about \$2.8 million annually;
- GLWA was deemed to be a Utility of the Future Today by the Water Resources Utility of the Future Today Joint Recognition Program. Reasons for this important designation include 1) GLWA's organizational culture that uses the principles of effective utility management (EUM) and (2) a commitment to the principles of a Utility of the Future via the operation of its Biosolids Dryer Facility;
- GLWA, in partnership with the University of Michigan, won the first-ever LIFT Intelligent Water Systems Challenge. The team used data analytics to develop a tool to maximize the use of collecting systems and minimize combined sewer overflows. This solution can enable the regional system to handle an additional 100 million gallons with no new construction, which translates to a potential savings of about \$500 million;
- GLWA announced its second Apprenticeship Program to include a new three-year, 10-month apprenticeship designed to train and hire up to 20 Maintenance Technicians for GLWA. The Authority has committed to launching one new U.S. Department of Labor (USDOL) apprenticeship program per year until the system's remaining needs are met to ensure a trained and sustainable workforce, and to balance an aging workforce.

The Memorandum of Understanding (MOU), signed in September 2014, and which created GLWA, established a fundamental goal to limit annual budget ("BUDGET")¹ increases to no more than four percent for each of the first 10 years of the Authority's operation. This commitment was carried forward into the subsequent 40-year lease agreement (Lease) between the city of Detroit and GLWA. For the fourth consecutive year, **the Water BUDGET honors this four percent commitment with a proposed increase limited to 3.1 percent from FY 2019. As a result of offsetting revenue items, the average wholesale customer charge will increase by 0.8 percent for FY 2020.** The percentage change for your community will vary based on your unique water use characteristics.

¹ The annual BUDGET (i.e. "revenue requirement") includes operation and maintenance expense, debt service, non-operating expenses and revenue financed capital

The proposed FY 2020 water service charges reflect the results of two GLWA and member partner initiatives that were completed during 2018. The first is the Contract Alignment Process (CAP), which aligned the scheduled reopener dates (starting in 2022) for 80 of the 82 of GLWA's member partners on a water model contracts, and the second is the Phase 2 update of the Units of Service Study (USS) for GLWA's non-master metered customers as prepared by Black and Veatch. The effect of both the CAP and USS Phase 2 results in the reallocation of units of service among all GLWA water member partners. Changes in service charges among member partners will vary based on their unique water use characteristics.

Included is your organization's proposed service charges worksheet for FY 2020. This worksheet explains how the different initiatives impact your organization's revenue requirement, based on your specific water use characteristics. GLWA staff is available to answer any questions by contacting the Financial Services Group at (313) 224-4771 or via email at Jonathan.Wheatley@glwater.org. Please note that the proposed charges are subject to change after the public hearing and subsequent deliberation by the GLWA Board.

On behalf of the Great Lakes Water Authority (GLWA), we invite you to the Board of Directors' Public Hearing on the proposed FY 2020 wholesale water service charges scheduled for **2:00 p.m. on Wednesday, February 27, 2019 at 735 Randolph, 5th Floor Board Room, Detroit, Michigan 48226.**

This hearing will provide GLWA an opportunity to present the Authority's budget which encompasses the Capital Improvement Program (CIP), estimated sales volume and other factors that serve as the basis for the proposed revenue requirements and schedule of charges for FY 2020. This hearing also provides an opportunity for our member partners to comment or submit questions in writing related to the proposed charges. All comments or questions raised during the hearing will receive a written response.

Below are links to three videos GLWA has produced which are designed to inform local elected officials, staff and residents on GLWA's budget and service charges:

Introduction to GLWA Charges and Community Rates:

<http://bit.ly/2Eg4I6J>

The ABC's of Water Charges:

<http://bit.ly/2DFWnIh>

From Budgets to Customer Sewer and Water Charges:

<http://bit.ly/2DCDkyy>

Our primary objective continues to be providing our member partners with wholesale water and wastewater services of unquestionable quality at fair and equitable charges. We are committed to exceeding our member partners' expectations, and thank you for working collaboratively with GLWA in the wholesale member engagement process, and look forward to seeing you at the public hearing on February 27, 2019.

Sincerely,



Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

FY 2020 Suburban Wholesale Water Service Charge Schedule Calculation *
Huron Township

	(1)	(2)	(3)	(4)
	Total	Huron Township SHARE		Charge
	Cost Pool	% Share	Allocation	Schedule
	\$	(a)	\$	
BUDGET Categories				
1 Commodity	7,406,000	0.354%	26,200	
2 Max Day Usage	141,612,400	0.401%	568,400	
3 Peak Hour Increment	7,898,700	0.373%	29,400	
4 Peak Hour Distance	85,652,800	0.479%	410,300	
5 Commodity Distance-Elevation	17,371,800	0.355%	61,600	
6 Max Day Distance-Elevation	11,171,600	0.388%	43,400	
7 Peak Hour Distance-Elevation	47,365,400	0.390%	184,700	
8 Peak Hour Increment Distance-Elevation	8,685,700	0.398%	34,600	
9 Subtotal Common-To-All	327,164,400	0.415%	1,358,600	
10 Suburban Only - Meter Related	3,997,200	0.411%	16,400	
11 Subtotal FY 2020 BUDGET	331,161,600	0.415%	1,375,000	
12 Detroit / Suburban Capital Adjustment	20,700,000	0.472%	97,700	
13 Subtotal Adjusted FY 2020 BUDGET			1,472,700	
14 KWA / Flint Contract Adjustment	6,652,200	0.428%	28,500	
15 Highland Park Bad Debt Adjustment	1,185,000	0.414%	4,900	
16 Total Amount for Net Charges	331,161,600	0.455%	1,506,100	

FY 2020 Service Charge Schedule

17 Fixed Monthly Charges @	60%		903,700	\$75,300 per month
18 Commodity Charges @	40%	62.600	602,400	\$9.62 per Mcf

(a) Units / SHARE Calculations

	Basis	Units Mcf/day	Applied Units Mcf/day ~	
19 Annual Sales - Mcf	62,600	171.5		Sales = 36 mo "hybrid" - 9/18
20 Allocated Non-Revenue Water		33.2		Allocated share @ 19.4% of sales
21 Commodity Units		204.7	204.7	Ln 19 + Ln 20
22 Max Day Units - mgd	3.10	414.4	447.6	Contract or proxy + Ln 20
23 Peak Hour Units - mgd	3.91	522.7	555.9	Contract or proxy + Ln 20
24 Distance - miles	29.9			
25 Elevation - feet	635.0			
26 Dist-Elev Factor - miles	32.3			[Ln 25-610]/10.56 + Ln 24

Cost Pool / Usage Category

	Huron Township	System	SHARE	
27 Commodity Units - Mcf	204.7	57,904	0.354%	Ln 21
28 Max Day Units - Mcf/Day	447.6	111,521	0.401%	Ln 22
29 Peak Hour Increment - Mcf/Day	108.3	29,045	0.373%	Ln 23 - Ln 22
30 Peak Hour Distance - Mcf-miles/Day	16,621.1	3,469,811	0.479%	Ln 23 x Ln 24
31 Commodity Distance-Elevation - Mcf-miles/Day	6,611.8	1,864,035	0.355%	Ln 21 x Ln 26
32 Max Day Distance-Elevation - Mcf-miles/Day	14,457.8	3,725,112	0.388%	Ln 22 x Ln 26
33 Peak Hour Distance-Elevation - Mcf-miles/Day	17,955.3	4,603,994	0.390%	Ln 23 x Ln 26
34 Peak Hour Increment Dist-Elev - Mcf-miles/Day	3,497.5	878,881	0.398%	[Ln 23 - Ln 22] x Ln 26
35 Suburban Equivalent Meters	278	67,661	0.411%	Equivalent 5/8" meters
36 Suburban Wholesale BUDGET - \$	1,375,000	291,324,900	0.472%	Ln 11

CTA Summary by Major Category

37 CTA Commodity		0.354%	87,800
38 CTA Max Day		0.400%	611,800
39 CTA Peak Hour		0.441%	659,000
40 CTA Total Demand		0.420%	1,270,800
41 TOTAL CTA SHARE		0.415%	1,358,600

* The proposed charges in this document are preliminary in nature and are subject to change or modification by the Great Lakes Water Authority Board following a public hearing of the FY 2020 Financial Plan and service charge schedule for the System. The public hearing is scheduled for February 27, 2019. The Notice of this Public Hearing can be found in the customer portal.

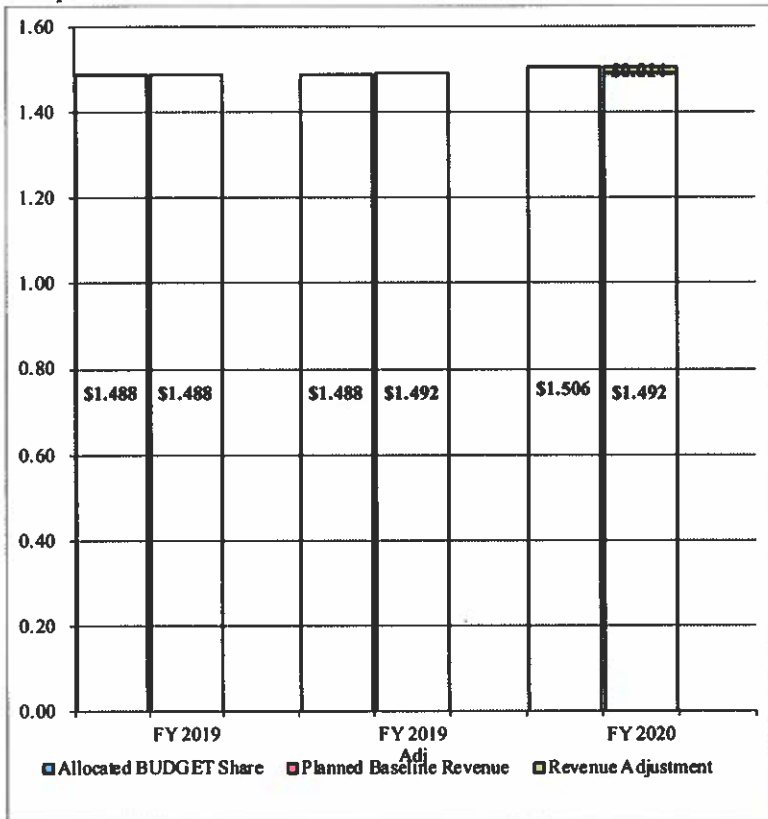
**Impact of Wholesale Water Service Charge Proposals
"Unbundling" of Revenue and Unit Cost Adjustment
Huron Township**

	Allocated BUDGET \$	Sales Projection Mcf	Unit Cost \$/Mcf	Variance
1 Original Allocated FY 2019 BUDGET (a)	1,488,100	62,200	23.92	Sales = adjusted 36 mo avg thru 9/2017
2 Revenue Under Adjusted Sales	1,491,900	62,600	23.83	-0.4% Sales = adjusted 36 mo avg thru 9/2018
3 Variance	3,800	400		
Adjustments				
4 Anticipated Step #2 of Phase 1 UoS Study for NMM	(20,300)	62,600	(0.32)	-1.4% Projected 2nd step of FY 19 UoS for NMM
5 Initial Target FY 2020 BUDGET Adjustment	48,000	62,600	0.77	3.2% (a) 3.5% BUDGET increase * unadjusted Ln (1)
6 Investment Income Offset	(21,900)	62,600	(0.35)	-1.5% (a) 1.6% increased credit * unadjusted Ln (1)
7 Impact of Phase 2 UoS Study for NMM Customers	20,700	62,600	0.33	1.4% Relative Phase 2 UoS Study for NMM
8 Impact of Contract Alignment Process (CAP)	(26,900)	62,600	(0.43)	-1.8% Relative Contract Demands - CAP
9 Final FY 2020 BUDGET Modifications	(6,000)	62,600	(0.10)	-0.4% Deferral of SRF Bond Sale
10 Other Impacts (b)	24,400	62,600	0.39	1.6% (b) Consolidate (7)&(8), Cost Pool Allo, etc.
11 Total Adjustments	18,000		0.29	1.2% Ln (11) / Ln (2)
12 Allocated FY 2020 BUDGET	1,506,100	62,600	24.06	1.0%
13 Ratio of Revised Projected Sales to Original		100.6%		Ln (2) / Ln (1)
14 BUDGET to BUDGET Change (a)	18,000	62,600	0.29	1.2%
15 Specific Sales/Revenue Variance	(3,800)	62,600	(0.06)	-0.3% Necessary to adjust to baseline rev req't
16 Net Adjusted Revenue Req'd from Charges	14,200	62,600	0.23	1.0% Net Charge Impact

(a) Includes modifications to initial BUDGET allocation including amounts to reflect fixed adjustments established by the Agreements.

(b) Other impacts are related to the FY 2020 Cost of Service Study, and adjustments made to the FY 2019 charges after the FY 2019 Cost of Service Study was completed.

Impact Illustration - \$ millions



Relative Revenue Req't Change - \$ millions

