

CHARGE STRUCTURE: FAST FACTS

What causes the changes to wholesale customer charges?

1. Changes in the budget (limited to a 4 percent increase)
2. Changes in system usage
3. Changes in contract demands

What is the difference between a charge and a rate?

The Great Lakes Water Authority (GLWA) institutes charges for each customer community with charges allocated as follows:

1. Water System Charges: 60 percent Monthly Fixed Charge and 40 percent Commodity (Metered Usage) Charge
2. Sewer System Charges: 100 percent Monthly Fixed Charge

Once a charge is determined, it is passed along to a community. The community must then determine what additional costs are necessary to provide service to their individual customers. The end cost that is ultimately passed along to consumers is a rate, which is set by each individual customer community.

It is important to note that the GLWA charges are one element of what local community consumers see on their bill. This is because each local system has its own costs to maintain that local system.

What is the 4 percent cap that was agreed upon?

In the Memorandum of Understanding (MOU), all parties at the table agreed to a 4 percent cap to increases in the GLWA's Budget. This means that the GLWA's Budget will not increase over 4 percent – not that communities' charges or consumers' rates will not increase above 4 percent. For instance, in FY 2017 the average wholesale customer will see an increase in water charges of approximately 4.5 percent, as the additional 0.5 percent is necessary to address the continued reduction in water usage. This is a trend seen nationwide. Further, the impact on individual customer communities will vary based on their specific contract demands – some will see larger increases and some will actually see decreases. Similarly, the "average" adjustment in sewer charges is an increase of approximately 5.2 percent, which reflects the 4 percent budget increase plus an amount contractually required to "true-up" prior bad debt expense related to the City of Highland Park.

Who are the GLWA's Customers?

The GLWA is a wholesale water and sewer provider and its customers are the communities served, not individual residents. The service area spans across seven counties in southeast Michigan, which includes 126 customer communities total. The GLWA's largest customer is the city of Detroit.

What has changed now that the GLWA is responsible for setting customer community charges?

While the process for setting charges remains the same, the 4 percent cap in budget requirements is a large difference. Additionally, the city of Detroit is now a customer of the GLWA, rather than the operator of the system.