



May 26, 2016

RE: Great Lakes Water Authority FY 2017 Wholesale Water Schedule of Charges

On May 25, 2016, the Great Lakes Water Authority (“GLWA”) Board of Directors approved the schedule of wholesale water charges for FY 2017. These service charges continue to incorporate our ongoing efforts to control expenses while providing quality water services to all our customers.

When the FY 2017 water service charges were presented in January 2016, the proposed increase in charges reflected a budget increase of 4 percent, consistent with the terms of the Memorandum of Understanding (MOU) and Lease Agreements that established GLWA. In addition to the budget increase, the charges also reflect adjustments due to reductions in sales volumes. On average, volume reductions result in an average increase of 0.3 %. Based on the schedule of charges adopted by the Board, GLWA has held to the 4.3 percent average charge increase to the wholesale customer class as shown below:

<u>Category</u>	<u>Water</u>
Budget Variance	4.00%
Sales Volume Adjustment	0.30%
Total Charge Adjustment	<u>4.30%</u>

Our pledge to you is to continue to control the budget within a four percent ceiling to mitigate increases in future system revenue charges. Cost containment initiatives continue to be a top priority for GLWA.

Since the stand-up of the GLWA on January 1, 2016, we have been working diligently to complete the separation of the GLWA regional system and the DWSD local system. One of primary efforts over the past five months has been the completion of GLWA’s inaugural financial plan, including its first biennial budget, its first capital improvement plan and its first schedule of wholesale customer charges. The evolution of these documents can be found on both the Audit Committee and Capital Improvement Committee pages at glwater.org.

As noted in the charge calculations for FY 2017, the water system continues to experience declining billable water units. The FY 2017 water charges represent the second year where the rolling twenty-four (24) month average actual usage for each community is used to determine customer volumes in the calculation of revenue requirements and the resulting 60 percent Fixed Monthly Charge and 40 percent Commodity Charge cost recovery allocation.



Although the average wholesale customer charge increase is 4.3 percent, the change in water service charges for your community will differ from the wholesale customer average based on your specific contracted demands on the water system and your change in 24 month average annual water usage.

For FY 2016 this has resulted in annual volume and revenue performance of 99 percent compared to budgeted amounts through April, 2016. This performance indicates we are achieving the intended goal of more consistent revenues with the updated charge structure, allowing GLWA to accomplish the operating and capital program improvements required to provide reliable delivery of the high quality water your community deserves.

The approval of the new charge schedule comes as a result of our collaborative process with representatives of our suburban wholesale and Detroit retail customers. GLWA continues to extend its thanks to the efforts of the Water Technical Advisory Committee and related activities of the Customer Outreach Program. The Board of Directors and the GLWA staff value their continuing participation and feedback through these forums.

Your community is currently served under the terms of a non-model wholesale water customer contract. , GLWA would like to offer you the opportunity to negotiate a new model contract. Currently, the vast majority of our wholesale water customers receive service via the provisions of the water model contract. The model contract offers customers many advantages as compared to the old contract-. Please feel free to contact us to obtain more information.

It continues to be our pleasure to provide you these services. If you have any questions regarding the upcoming changes in unit costs and charges, or other related matters in this letter, please contact Jon Wheatley, Public Finance Manager at (313) 224-4771.

Sincerely yours,

Sue F. McCormick
Director

Enclosures

Great Lakes Water Authority
Proposed FY 2017 Water Supply System
Schedule of Wholesale Service Charges and
Total Revenue Requirement for the Detroit Customer Class
Effective July 1, 2016

<u>Community</u>	<u>Proposed Service Charges</u>		<u>Community</u>	<u>Proposed Service Charges</u>	
	<u>Fixed Mo</u> \$/mo	<u>Commodity</u> \$/Mcf		<u>Fixed Mo</u> \$/mo	<u>Commodity</u> \$/Mcf
Allen Park	113,700	6.59	Mayfield Twp	1,400	23.86
Almont Village	10,700	9.51	Melvindale	32,700	5.57
Ash Township	36,400	7.28	New Haven, Village of	17,100	9.79
Belleville	15,300	8.19	N O C W A	1,137,400	9.78
Berlin Township	35,300	9.74	Northville	36,400	9.11
Brownstown Township	165,800	9.75	Northville Township	321,900	20.12
Bruce Twp	2,400	19.40	Novi	426,900	12.98
Canton Township	638,600	15.77	Oak Park	64,400	5.00
Center Line	23,300	5.49	Oakland Co. Drain Comm.	3,200	2.84
Chesterfield Township	186,000	9.18	Plymouth	50,100	9.54
Clinton Township	377,500	7.59	Plymouth Township	205,200	9.95
Commerce Township	245,600	21.13	Redford Township	166,500	7.70
Dearborn	463,100	5.90	River Rouge	34,400	4.75
Dearborn Heights	186,400	6.84	Riverview	44,800	7.79
Eastpointe	79,400	5.43	Rockwood	14,700	10.66
Ecorse	70,300	3.60	Romeo	12,800	17.05
Farmington	47,500	8.09	Romulus	179,600	7.33
Farmington Hills	430,900	9.50	Roseville	130,500	5.02
Ferndale	47,000	5.70	Royal Oak Township	11,200	7.47
Flat Rock	58,100	7.50	S O C W A	1,099,900	6.84
Fraser	63,600	7.83	Shelby Township	667,900	13.49
Garden City	81,200	7.06	South Rockwood	5,000	8.08
Genesee County DC	964,800	12.71	Southgate	105,900	6.83
Gibraltar	22,900	10.79	St. Clair County-Burtchville	14,600	12.98
Grosse Ile Township	62,600	11.64	St. Clair County-Greenwo	19,000	15.17
Grosse Pt. Park	69,300	9.09	St. Clair Shores	150,400	5.45
Grosse Pt. Shores	30,100	12.68	Sterling Heights	774,900	10.05
Grosse Pt. Woods	69,600	7.42	Sumpter Township	31,800	8.49
Hamtramck	34,300	4.49	Sylvan Lake	11,700	13.37
Harper Woods	42,400	5.84	Taylor	235,800	6.60
Harrison Township	68,800	5.92	Trenton	103,800	9.12
Hazel Park	34,600	5.13	Troy	653,000	12.01
Highland Park	62,600	4.56	Utica	28,900	10.05
Huron Township	68,800	9.18	Van Buren Township	140,900	8.54
Imlay City	56,800	11.22	Walled Lake	45,200	11.66
Inkster	89,800	6.90	Warren	490,200	5.42
Keego Harbor	15,300	11.13	Washington Township	150,800	18.28
Lapeer	69,700	9.36	Wayne	132,500	10.70
Lenox Township	14,800	6.23	West Bloomfield Townshir	487,000	15.16
Lincoln Park	108,400	5.94	Westland	295,300	7.45
Livonia	663,700	10.88	Wixom	115,900	14.48
Macomb Township	516,000	13.90	Woodhaven	100,100	12.52
Madison Heights	99,700	5.39	Ypsilanti Comm Util Auth	524,500	8.56
			Imlay Township	134	10.84

Allocated Detroit Annual Revenue Requirement

Wholesale Revenue Requirements (a)	15,490,300
Indirect Retail Revenue Requirements (b)	40,536,000
Direct Retail Revenue Requirements (c)	36,574,900
Total	92,601,200

(a) Reflects Great Lakes Water Authority (GLWA) wholesale amounts only.

(b) Reflects amounts allocable to the Detroit Local System subject to the GLWA Master Bond Ordinance flow of funds.

(c) Reflects amounts allocable to the Local System, for which GLWA transfers monies to DWSD.