

**TFG**  
**THE FOSTER GROUP**

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MEMORANDUM

FY 2019 Charges Development

January 4, 2018

To: Nicolette Bateson

From: Bart Foster

You have asked for a brief update on the development of recommended FY 2019 water and sewer charges. With receipt of the preliminary proposed budget this week, we have all of the data necessary to complete our analyses and recommendations over the next few weeks. We are confident that we will be able to present proposed charges the Board of Directors on January 24, and to Customers on January 25, as anticipated by the published schedule.

Our analyses in the coming weeks will include specific focus on the following topics:

- Evaluation of the preliminary five year financial plans in the preliminary budget, including the overall revenue requirement increases, the proposed policy considerations, and the adequacy to responsibly address capital and operating program requirements;
- Detailed review of the operating expense budget, and establishment of appropriate allocation of operating costs to cost pools, including:
  - Recognition of the administrative and centralized services cost allocation plan;
  - Review of costs assignable to specific cost pools, such as CSO and OMID only.
- Incorporation of information from the new fixed asset inventory and valuation analysis into capital revenue requirement cost of service allocations;
- Incorporation of the updated Water units of service into cost of service allocations, including:
  - Results of the Units of Service (“UoS”) study for non-master metered customers and GLWA Administration implementation plan of same;
  - Updated customer demands from the contract re-opener negotiations;
  - Results of the master meter inventory update, into cost of service allocations.
- Direct recognition of Flint and Highland Park in the water charges calculations, and elimination of GCDC from the charge calculations;
- Development of phase 2 of the implementation plan for the FY 2018 Sewer SHARES;
- Evaluation of customer collection performance and its impact on water and sewer charge strategies;
- Review and incorporation of DWSD Local System revenue requirements.

We look forward to rolling out updates on the results of our analyses to the Audit Committee on January 5 and 19, to the full Board on January 10 and 24, and to Customers at formal roll out meetings on January 11 and 25.