



Financial Services Audit Committee Communication

Date: February 15, 2019

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Update: GLWA One Water Charge Methodology Initiatives

Background: GLWA continues to pursue strategies to ensure equitability and stability in its wholesale water and sewer charge structure, while embracing the best available, verifiable information to prepare recommended charges. In 2017, GLWA identified a timeline for the related initiatives to plan for, and understand, how these strategies impact member partner water and/or sewer charges. **Table 1 - Charge Methodology Initiatives** is the most current version of that timeline which was shared with GLWA's member partners in May 2018.

Analysis: Since **Table 1 - Charge Methodology Initiatives** has been presented, GLWA has completed the following water initiatives and the results of which were included in the proposed FY 2020 water service charges.

- 1) The Contract Alignment Process (CAP); and
- 2) The Phase 2 of the Units of Service Study for GLWA's non-master metered member partners.

One of the key GLWA projects to be completed during calendar year 2019 is the Wastewater Master Plan (WWMP). This project includes modeling and analysis of flows in the sewage collection system and Combined Sewage Overflow (CSO) Facilities as well as flows and treatment processes through the Water Resource Recovery Facility. Several flow scenarios will be evaluated with the purposes of planning for future capacities and developing updated short and long term CSO and wet weather operational plans. Additionally, recommendations for improvement in treatment processes as well as evaluation of long-term solids disposal and disinfection methods will be evaluated and proposed. While this study is designed to establish the most efficient and effective overall wastewater operating scenario, it will provide valuable information for the equitable allocation of costs. The Wastewater Master Plan is scheduled to be completed in October 2019.

A topic related to wastewater that arose outside the WWMP, began with a June 7, 2017 Board Resolution related to peaking and the FY 2021 Charges (see attached Board resolution). Peaking and other considerations are being evaluated by two work groups through the Member Partner Outreach efforts: Charges Methodology Work Group and Sewer Shares Work Group. As we work to strategically and efficiently align initiatives, a timing question arises as to revisiting shares and methodology (with peaking as a new concept) before completion of the Wastewater Master Plan (WWMP)– especially as it relates to a regional perspective. Below is a high-level summary of the WWMP timing from GLWA’s Planning Group for calendar year 2019. Much of the financial analysis requested by the planning consultant is for May and June 2019 with a target completion date of October 2019.

- January - Complete investigation of existing systems
- February - Complete models
- March - Formulate alternatives by water body
- April - Select regional alternatives
- May - Review water quality impacts of regional alternatives
- June - Review costs of regional alternatives
- July - Draft report submitted and continued discussion of alternatives and costs
- August - Decisions on alternatives, discussion of cost allocations
- September-Final Draft Report
- October - Project Completion

Table 2- Charge Methodology Initiatives includes the proposed changes as a *discussion draft* to the original **Table 1** timelines for each initiative. The proposed updates are shown in gray. Since the Wastewater Master Plan will include information that will be vital to the next Sewer Shares update initiatives, we have extended the timelines in this draft. GLWA will continue to meet with the wastewater member partners via the Sewer Shares Workgroup and Sewer Charges Methodology Workgroup during 2019 to complete the technical and financial evaluations that are necessary for the next Sewer Shares Update. Based on the revised schedule, it is anticipated that the results of these initiatives will be included in the future charges.

As a reminder as it relates to sewer SHARES which emerged from the 2013 Rate Simplification, the initial “Rate Period” was three years (FY 2015, 2016, and 2017) and the working understanding was that the second “Rate Period” was five years subject to evaluation of first “Rate Period”. After changes were made related to strength of flow as a result of the Member Partner Outreach/strength of flow report dated March 15, 2017 for FY 2018, the second “Rate Period” was amended to be three years (FY 2018, 2019, and 2020) rather than five years.

Also included in ***Table 2 - Charge Methodology Initiatives*** are changes in the timeline for several water initiatives. As GLWA gets closer to taking its Northeast Water Treatment Plant offline as a treatment facility, we will be embarking on initiatives to evaluate possible changes to the water charges model. This includes looking at alternate ways to allocate pumping and transmission costs and reviewing the distance and elevation concepts. As shown in ***Table 2 - Charge Methodology Initiatives***, we may want to consider extending those schedules into calendar year 2020, to accommodate the resources needed to complete the Sewer Shares Update. Based on the revised schedule, it is anticipated that the results of these initiatives would be included in future water charges.

GLWA management believes it is important to work with its member partners to deliver on each of these initiatives and to do so in a manner that is consistent with having best available information. It is also important to manage internal and external resources effectively to deliver a quality outcome for all stakeholders. This may result in strategically revising the timeline for the completion of certain projects in order to achieve these goals.

Budget Impact: None

Proposed Action: Receive and file report.

Table 1

GLWA One Water Charge Methodology Initiatives (May 2018) *

	Calendar 2018				Calendar 2019				Calendar 2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Cost Allocation Project	Continual process improvement and phased implementation											
1.0 Functional GL Cost Reporting Implementation			x				x				x	
1.1 Administrative and General Cost Allocation Approaches			x				x				x	
1.2 Refined Functional Cost Structure			x				x				x	
1.3 Fixed Asset Project- Completed			x									
2 Wastewater Charges / Methodology Update												
2.1 2nd year of phase in for FY 2018 SHARES- Completed			X									
2.2 SHARE Update - 3rd Fixed SHARE Period											X	
2.3 Evaluation of Peak Wastewater Flows and Costs												
2.4 Wastewater Strength of Flow Sampling Plan- Completed												
2.5 Wastewater Strength of Flow Sampling												
2.6 Wastewater Master Plan												
2.7 Modeling & Monitoring												
2.8 Wet Weather Optimization Refinements												
2.9 Leverage National Expertise and Benchmarks												
Charge Update - Current Methodology			x				x					
3 Water Charges / Methodology Update												
3.1 Units of Service Study PHASE 1- Non-Master Metered- Completed												
Updated Water Charges - Current Methodology, Aligned Contracts												
3.2 Units of Service Study PHASE 2- Non-Master Metered												
3.3 System Water Audit												
3.4 Contract Alignment Project (CAP)												
3.5 Alternative Allocators for Pumping and Transmission												
3.6 Reflection of NE WTP Repurposing												
3.7 Leverage National Expertise and Benchmarks												
3.8 Updated Water Charges - potential new methods												X

* Designed to achieve hallmark objectives of charge stability and equity.

Table 2

GLWA **One Water** Charge Methodology Initiatives *
Discussion Draft - February 15, 2019 Update

	Calendar 2018				Calendar 2019				Calendar 2020				Calendar 2021			
	Q1	Q3	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Continual process improvement and phased implementation</i>																
1 Cost Allocation Project																
1.0 Functional GL Cost Reporting Implementation			x				x				x					x
1.1 Administrative and General Cost Allocation Approaches			x				x				x					x
1.2 Refined Functional Cost Structure			x				x				x					x
1.3 Fixed Asset Project- Completed			x													
2 Wastewater Charges / Methodology Update																
2.1 2nd year of phase in for FY 2018 SHARES- Completed			X													
2.2 SHARE Update - 3rd Fixed SHARE Period											X	or...				X
2.3 Evaluation of Peak Wastewater Flows and Costs																
2.4 Wastewater Strength of Flow Sampling Plan- Completed																
2.5 Wastewater Strength of Flow Sampling																
2.6 Wastewater Master Plan																
2.7 Modeling & Monitoring																
2.8 Wet Weather Optimization Refinements																
2.9 Leverage National Expertise and Benchmarks Charge Update - Current Methodology			x				x									
3 Water Charges / Methodology Update																
3.1 Units of Service Study PHASE 1- Non-Master Metered- Completed																
Updated Water Charges - Current Methodology, Aligned Contracts											X					
3.2 Units of Service Study PHASE 2- Non-Master Metered											X					
3.3 System Water Audit																
3.4 Contract Alignment Project (CAP) Completed																
3.5 Alternative Allocators for Pumping and Transmission																
3.6 Reflection of NE WTP Repurposing																
3.7 Leverage National Expertise and Benchmarks																
3.8 Updated Water Charges - potential new methods																X

* Designed to achieve hallmark objectives of charge stability and equity.

Board Resolution Regarding Consideration of Peaking in Sewer Share Methodology

Source: Legistar

File ID	2017-282	ID	Type	Resolution	Status	Passed
In Control	Board of Directors			File Created	6/7/2017	
Title	Resolution Regarding Consideration of Peaking in Sewer Share Methodology			Agenda Date	6/7/2017	
				Final Action	6/7/2017	

..Title

Resolution Regarding Consideration of Peaking in Sewer Share Methodology

..Body

Agenda of: June 7, 2017
Item No.: **2017-282**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

RE: Resolution Regarding Consideration of Peaking in Sewer Share Methodology

MOTION

As a part of its budget deliberations, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) notes that the Budget reflects an adjustment to the weighting of certain strength of flow factors in the methodology for determining sewer shares, that the sewer shares and sewer shares factors will be next adjusted by the Board for Fiscal Year 2021, that GLWA is actively engaging its customers regarding the factors to be considered as a part of any Fiscal Year 2021 adjustment, and that in addition to any other factors suggested by customers for consideration in that process, the Board requests that peaking be included in the factors considered as a part of the Fiscal Year 2021 determination of what, if any, adjustment should be made to sewer shares and sewer share factors.