



FY 2026 – FY 2030  
Capital Improvement Plan  
Discussion Draft #1 -  
Cost Pool Allocation Report  
As of November 6, 2024  
for the  
**Wastewater System**

**Compiled by: Charges Outreach & Modeling Team**

Matt Lane, Manager

Guy Belew, Management Professional

## Table of Contents

Introduction.....	2
Scope of Review – New CIP Projects.....	2
Wastewater System New CIP Projects This Year.....	2
Next Steps .....	2
Preliminary Feedback & Questions on New Wastewater CIP Projects.....	2
Cost Pool Reconsideration Requests .....	2
APPENDIX.....	4
Appendix 1 - Schedule of Wastewater CIP Cost Pool Allocations.....	5
Appendix 2 - Status of Prior Year Sewer System CIP Reconsideration Requests .....	8
Sewer System Projects Identified as TBD.....	8
Sewer System Projects Identified as Other .....	8
Appendix 3 - GLWA’s Wastewater Project Cost Allocation Communication and Member Partner Feedback Process – Updated September 1, 2023 .....	9
Appendix 4 – GLWA Charges Manual Excerpt – “CIP Cost Pool Allocation Factors Overview” .....	14

## Introduction

The Capital Improvement Plan (CIP) Discussion Draft 1 for FY 2026 to FY 2030 was presented to Member Partners at Charges Rollout Meeting #1 on October 17, 2024. This *Cost Pool Allocation Factor Report* is a companion communication that identifies the assigned cost pool allocations related to the projects in CIP Draft 1. For reference, the [Capital Improvement Plan Discussion Draft 1 for FY 2026 to FY 2030](#) is now available online. It includes detailed information for each project. The GLWA Capital Improvement Planning team has also recently launched the online and interactive [CIP Dashboard](#) in addition to a geographic information system based [GLWA Capital Projects Viewer](#).

This companion report provides a further level of information by assigning a cost allocation pool category to each project in the CIP. The importance of this information is to convey GLWA's recommended cost allocation early in the CIP process to provide a transparent opportunity for Member Partner feedback and engagement.

## Scope of Review – New CIP Projects

Given that most of GLWA's projects span two or more years, the entire list of capital projects and related cost pool assignments are provided for historical context. The scope of this year's effort, however, is limited to new projects in CIP Draft 1 and their cost pool assignment. Cost allocation assigned for projects presented in prior years is resolved unless noted otherwise.

## Wastewater System New CIP Projects This Year

As presented at Charges Rollout #1 on October 17, 2024, there is one (1) new sewer system project added this year for the Water Resource Recovery Facility (WRRF).

CIP #	Description	Cost Pool
260803	WRRF Roof Improvements - Phase II	WRRF

## Next Steps

### Preliminary Feedback & Questions on New Wastewater CIP Projects

Member Partners are asked to provide written feedback, questions, or notification of contesting a cost pool for new projects within 30 days of the date of this report to [outreach@glwater.org](mailto:outreach@glwater.org). This year, the due date is **December 7, 2024**. Member Partners will receive confirmation that their response was received.

### Cost Pool Reconsideration Requests

Requests by Member Partners to formally reconsider the cost pool assignments must be submitted by **December 31, 2024** to [outreach@glwater.org](mailto:outreach@glwater.org). Members Partners will receive confirmation that their response was received. Absent any written requests by that date, the assigned cost pool remains as shown in this *Cost Pool Allocation Factor Report*.

It should be noted that the Next Steps outlined above are designed to be in alignment with the more detailed process outlined in a communication titled “GLWA’s Wastewater Project Cost Allocation Communication and Member Partner Feedback Process – Updated September 1, 2023” which has remained in draft status. That document is included in this report as Appendix 3.

# APPENDIX

## Appendix 1 - Schedule of Wastewater CIP Cost Pool Allocations

The Schedule of Wastewater CIP Cost Pool Allocations on the next page is scaled to fit an 11x17 inch page setup.



FY 2026-2035 Schedule of Wastewater CIP Cost Pool Allocations

CIP #	New to CIP?	Description	Primary Cost Pool	FY 2026 - 2035 CIP										10 Year CIP Total		
				Current Year	2025	2026	2027	2028	2029	2030	2031	2032	2033		2034	2035
270009	No	Site Improvements at St. Aubin, Belle Isle, and Baby Creek CSO Facilities	CSO 83/17	-	-	15,200	78,500	76,400	25,700	402,000	609,800	182,400	-	-	1,390,000	
270010	No	HVAC Improvements at Puritan Fenkell and Seven Mile CSO Facilities	CSO 83/17	116,600	462,500	1,691,600	2,099,700	2,138,300	99,600	-	-	-	-	-	6,491,700	
270011	No	HVAC Improvements at Conner Creek and Belle Isle CSO Facilities	CSO 83/17	-	-	-	-	-	-	72,200	249,300	2,112,400	3,369,900	-	5,803,800	
270012	No	Control System Upgrades at Conner Creek, Oakwood, and Puritan Fenkell CSO Facilities	CSO 83/17	-	-	64,500	337,400	329,300	48,300	325,200	410,700	159,500	-	-	1,674,900	
270013	No	Facility Improvements at Puritan Fenkell and Seven Mile CSO Facilities	CSO 83/17	-	-	-	18,200	91,200	57,300	295,600	296,500	143,400	-	-	902,200	
270014	No	Conversion to Complete Capture Basin at Puritan Fenkell and Seven Mile CSO Facilities	CSO 83/17	-	-	-	39,400	205,300	205,300	101,400	772,300	1,120,400	1,120,400	917,800	4,482,300	
273001	No	Hubbell Southfield CSO Facility Improvements	CSO 83/17	809,300	1,549,700	3,263,600	8,891,600	14,590,000	14,574,100	10,438,200	7,618,100	-	-	-	60,925,300	
273002	No	CSO Hubbell Southfield VR-8 Gate Improvements	CSO 83/17	-	-	19,600	100,900	98,200	112,800	584,700	586,300	283,500	-	-	1,786,000	
277001	No	Baby Creek Outfall Improvements Project	CSO 83/17	7,383,400	2,548,300	-	-	-	-	-	-	-	-	-	2,548,300	
277002	No	Baby Creek CSO Facility Influent Flushing System	CSO 83/17	-	-	-	-	-	-	-	-	-	15,100	75,700	90,800	
				<b>\$ 171,173,100</b>	<b>\$ 200,328,700</b>	<b>\$ 286,379,000</b>	<b>\$ 313,596,600</b>	<b>\$ 256,042,200</b>	<b>\$ 189,541,800</b>	<b>\$ 156,629,400</b>	<b>\$ 137,262,100</b>	<b>\$ 137,790,500</b>	<b>\$ 172,656,200</b>	<b>\$ 241,144,300</b>	<b>\$ 2,091,370,800</b>	
<b>Primary Cost Pool Summary</b>																
				WRRF	\$ 70,812,200	\$ 68,679,800	\$ 110,066,100	\$ 138,006,300	\$ 132,105,900	\$ 107,313,800	\$ 106,688,300	\$ 90,743,700	\$ 78,310,400	\$ 119,497,700	\$ 198,475,300	\$ 1,149,887,300
				Conveyance	45,270,300	56,167,100	40,672,600	24,188,800	7,827,600	2,286,900	4,870,000	6,540,600	6,522,900	4,325,900	3,031,100	156,433,500
				CSO 83/17	18,220,700	14,081,600	27,392,000	40,645,800	42,168,800	36,228,200	28,126,000	23,176,000	11,815,800	7,749,600	4,567,200	235,951,000
				Subtotal	134,303,200	138,928,500	178,130,700	202,840,900	182,102,300	145,828,900	139,684,300	120,460,300	96,649,100	131,573,200	206,073,600	1,542,271,800
				Other	3,961,200	22,902,400	30,547,100	21,385,600	6,051,600	-	-	-	-	-	-	80,886,700
				TBD	32,908,700	38,497,800	77,701,200	89,370,100	67,888,300	43,712,900	16,945,100	16,801,800	41,141,400	41,083,000	35,070,700	468,212,300
				Total	\$ 171,173,100	\$ 200,328,700	\$ 286,379,000	\$ 313,596,600	\$ 256,042,200	\$ 189,541,800	\$ 156,629,400	\$ 137,262,100	\$ 137,790,500	\$ 172,656,200	\$ 241,144,300	\$ 2,091,370,800

"Other" denotes cost pools assignment of 50% Conveyance, 25% WRRF, and 25% Wet Weather (New Single-Use Cost Pool) as described in an August 26, 2024 memo to the GLWA Board of Directors.

"TBD" denotes a project added to the prior year that has a cost pool under review with GLWA and Member Partners.



## Appendix 2 - Status of Prior Year Sewer System CIP Reconsideration Requests

Written requests were received from member Partners in the prior year for a review of the cost pool assignment. Those projects are identified as To Be Determined (TBD) or Other and further described below.

### Sewer System Projects Identified as TBD

As a carryover from the prior year CIP, there are eight (8) projects classified as TBD (To Be Determined). This is the direct result of Member Partner written request to review these projects in more detail. GLWA and Member Partners have met several times over the course of the past year with some Member Partners expressing an interest in developing alternate cost pool approaches. Those projects include the following.

<b>CIP #</b>	<b>Description</b>	<b>Cost Pool</b>
232002	Conner Creek Pump Station Improvements	TBD
232005	Freud Pump Station Improvements	TBD
260500	Combined Sewer Overflow (CSO) Outfall Rehabilitation	TBD
260508	B-39 Outfall Rehabilitation	TBD
260510	Conveyance System Repairs (Outfalls)	TBD
260700	Sewer System Infrastructure Improvements and Pumping Stations	TBD
260701	Conveyance System Infrastructure Improvements	TBD
260702	Pump Station Assets Updates	TBD

### Sewer System Projects Identified as Other

Also carried forward from the prior year CIP, is one project that was previously identified as TBD (To Be Determined). Over the course of the year, through an engaged dialog with GLWA and Member Partners, an alternative cost pool allocation emerged. This one-time, non-precedent setting cost pool assignment was presented to the GLWA Board of Directors on August 28, 2024 (Agenda Item 2024-237) and is now shown as "Other" on the CIP project cost pool assignment table. Other denotes a cost pool allocation of 50% Conveyance, 25% WRRF (Treatment), and 25% Wet Weather (New Single-Use Cost Pool).

<b>CIP #</b>	<b>Description</b>	<b>Cost Pool</b>
222001	Oakwood District Intercommunity Relief Sewer Modification at Oakwood District	Other

Appendix 3 - GLWA's Wastewater Project Cost Allocation Communication and Member Partner Feedback Process – Updated September 1, 2023



## GLWA's Wastewater Project Cost Allocation Communication and Member Feedback Process

Updated September 1, 2023

### Purpose of This Document

This document outlines the process by which GLWA will communicate wastewater project cost allocation information to Member Partners and engage Member Partners to obtain their feedback. This document also explains the wastewater cost pools that are used to allocate costs.

### Wastewater Capital Improvement Program (CIP) and Process for Providing Feedback on CIP Cost Allocations

The CIP is a five-year plan, including a 10-year outlook, that identifies GLWA's major capital projects and programs. The CIP provides descriptions; estimated schedules; and estimated costs for rehabilitation, replacements, and upgrades to the regional water and wastewater system infrastructure. GLWA reviews and, as needed, adjusts the CIP every year.

*\*Note that actual costs are generally not incurred until a project is begun as a result of a public procurement process. Often the project bid or proposal award is subject to Board approval in accordance with the GLWA Procurement Policy. This provides additional opportunities for Member Partner feedback before a project begins.*

The annual CIP review identifies new equipment, new facilities, and rehabilitation projects that must be undertaken to meet regulatory requirements, to operate reliably and cost-effectively, and/or to expand the system to meet future needs. As part of the CIP process going forward, GLWA will review each project and identify in the draft CIP documents a **primary** cost pool for each project in a "Cost Allocation" field. Given that the fiscal year (FY) 2024-2028 CIP did not include this field, there will be a different timeline for member engagement on the FY 2025-2029 CIP than the annual process that is being established.

The primary cost pool designation is intended to provide information on how facilities constructed as part of the CIP will be reflected in the GLWA fixed asset data that is used in the wastewater charge methodology, once the actual costs associated with an asset are incurred and reported as construction work-in-progress (CWIP). All parties should recognize that it is possible that CIP project execution results in assets that are booked to a primary cost pool that differs from the original project plan. Further, certain projects may have complexities that do not fit discretely into a primary cost pool. Some of those types of projects are discussed herein. In these cases, the CIP will include brief explanations in addition to the primary cost pool.

For the FY 2025-2029 CIP, Member Partners will notify GLWA of any cost allocations that it may contest by September 15, 2023 and will have until December 31, 2023 to formally contest the cost allocation assignment of any specific project.

For the FY 2026-2030 CIP and beyond, Member Partners will notify GLWA thirty (30) days from GLWA's publication of the CIP Draft #1 of any cost allocations that it may contest and will have until December 31st of that year to formally contest the cost allocation assignment of any new project added to the CIP.

In contesting a cost allocation assignment, the Member Partner shall communicate in

writing to GLWA at outreach@glwater.org, clearly identifying which project is being challenged by name and CIP number, the published cost pool, to which cost pool it believes the project should be assigned, and the rationale for that proposed assignment. Further the rationale shall include any data or principles it is relying on to support its position and/or identify what additional data or information is needed to support its position. Should additional data or information be sought, the Member Partner will be responsible for all costs related to additional data and information collection needed to support its position.

The One Water Partnership or its designated work group shall review the data provided by the contesting Member Partner and any additional data it deems necessary to evaluate whether a different cost pool assignment is merited at the next available work group meeting, or within 30 days. Upon completion of its evaluation, attending First Tier Wastewater Members Partners and the City of Detroit will vote – by a show of hands or roll call vote of those in attendance at the meeting where the vote is called – to recommend a cost allocation assignment to GLWA.

Regardless of the vote outcome, GLWA administration will relay the vote results to the GLWA Board of Directors and make a recommendation to the Board as part of the charge-making process. The GLWA Board approves the outcome of cost allocation decisions as part of their approval of the CIP and charges.

### **Wastewater Cost Pools**

The Sewer SHAREs Methodology comprises three (3) primary cost pools\*:

1. **Water Resource Recovery Facility (WRRF) Cost Pool** – Costs incurred to treat wastewater at the WRRF are allocated based on:
  - 50% on Average Volume, and
  - 50% in Sanitary Volume.
2. **Conveyance Cost Pool** – Costs incurred to transport wastewater through the regional conveyance and collection system are allocated by each Member Partner's Average Volume.
3. **CSO Cost Pool** – Costs incurred for certain existing and future wet weather control facilities or projects are fixed at 83% for Detroit and 17% for other Member Partners, consistent with historical agreements as previously negotiated and memorialized in legal documents.

### **Cost Allocation as Relates to Shared Services with DWSD**

Regional assets operated by GLWA are identified and established through the Sewer Lease Agreement. Certain additional conveyance and CSO control assets that are DWSD Local Sewer Facilities are operated and maintained by GLWA through a separate Shared

---

\*The Sewer SHAREs Methodology also includes the following cost pools that recover costs but are not allocable across all Member Partners:

1. **OMID Specific:** Costs charged only to the Oakland-Macomb Interceptor Drain Drainage District (OMID)
2. **Industrial Waste Control (IWC):** WRRF costs charged to IWC users (industrial dischargers and high strength dischargers)

Services or Intergovernmental Agreement (IGA) with DWSD.

The CIP includes projects that provide improvements performed at multiple facilities under a single contract. The following table provides example projects from the CIP that include regional facilities that are leased and operated by GLWA, as well as facilities that are not part of the Lease Agreement but operated by GLWA under a separate Shared Services or Intergovernmental Agreement with DWSD. The costs of improvements performed at the latter facilities are allocated entirely to DWSD. CIP projects that include a component of shared services or intergovernmental agreements are examples of projects that require special explanation beyond the primary cost pool designation.

<b>CIP #</b>	<b>Project Description</b>	<b>Cost Pool</b>
260702	Pump Station Assets Updates	Conveyance
270006	Control System Upgrades at Baby Creek and Belle Isle CSO Facilities	CSO
270007	Disinfection System Improvements at Baby Creek, Belle Isle, Conner Creek, and Puritan Fenkell CSO Facilities	CSO
270011	HVAC Improvements at Conner Creek and Belle Isle CSO Facilities	CSO

For example, CIP Project #270007 provides disinfection improvements at each of four separate CSO Control Facilities. At the Baby Creek, Conner Creek, and Puritan Fenkell CSO Facilities the assets will be assigned to the CSO cost pool as agreed to in the 1999 Rate Settlement Agreement. The Belle Isle CSO Facility improvements are addressed through the Shared Services Agreement and will be allocated entirely to DWSD.

The CIP also includes a project for a pump station that is not part of the Lease Agreement and is entirely addressed by the Shared Services Agreement.

<b>CIP #</b>	<b>Project Description</b>	<b>Cost Pool</b>
232004	Condition Assessment at Bluehill Pump Station	Conveyance

CIP Project #232004, Condition Assessment at Bluehill Pump Station, provides for improvements at a facility entirely addressed via the Shared Services Agreement. This project will be allocated entirely to DWSD.

### **Cost Allocation and Collaboratively Funded Projects**

Under relatively rare circumstances, the CIP includes projects that are planned to be funded using a separate collaborative funding process. The CIP will document projects that are either fully or partially funded through a separate funding process, and will include a brief explanation of the separate funding sources.

For example, GLWA, DWSD, and MDOT have entered into a Memorandum of Agreement for the I-94 Modernization Project, Package 1 Drainage, wherein MDOT will provide approximately \$37 million for Alternative Compliance with the DWSD Stormwater Ordinance. The MDOT funds will be used for the design and construction of a demonstration project for long term CSO control that includes disposable netting facilities.

The \$37 million in funding was established based on the anticipated full cost to complete this project.

<b>CIP #</b>	<b>Project Description</b>	<b>Cost Pool</b>
270001	Pilot CSO Netting Facility	CSO 83/17

DRAFT

## Appendix 4 – GLWA Charges Manual Excerpt – “CIP Cost Pool Allocation Factors Overview”

### What are cost pools and how do they impact charges for GLWA services?

A basic definition of a **cost pool** is a group of similar expenses. A **cost pool allocation factor** is related *data* that informs *how to allocate expenses* to achieve an equitable distribution of charges among Member Partners.

### When, and how, does a project in the CIP begin to impact charge allocation?

There is no impact until after the first dollar is spent on the project. Even then, there is a timing delay because the asset is first recorded in accounting records. Then, those records are used, after the year-end close is completed, as a data source for the subsequent year’s cost of service study. So, CIP expenditures in year one (e.g. FY 2025) initially impact charges in year three (e.g. FY 2027) and continue to do so for the remaining life of the asset.

Costs that are allocated among Member Partners based on the asset record data include debt service payments and funds set aside in the improvement and extension funds for future pay-as-you-go funding.

### Water System - Capital Improvement Plan & Cost Allocation

During much of calendar years 2023 and 2024, a working group of Member Partners and GLWA set out to simplify the water charges methodology. The resulting simplified methodology established an allocation of ALL water costs (both operating and capital) of 10% to Commodity, 50% to Max Day, and 40% to Peak Hour. That simplified approach to allocate shares of water system budgeted costs was implemented with the FY 2025 charges. Core analysis supported that 10/50/40 allocation based on historic and forecasted data. The allocation categories are defined below.

Commodity is determined based on the amount of water a member uses – this element is primarily related to utilities, chemicals and other purchased commodities, and not to capital investments.

Max Day is the maximum amount of water the member is expected to use on the day that the regional system, in aggregate, is using the most water. Being able to meet Max Day demands is a driver of the Treatment function’s operating and capital budget needs and a high priority service delivery performance measure.

Peak Hour is the maximum amount of water the member might use during the hour that the system as a whole is using the most water. Like Max Day, being able to meet Peak Hour demands, is a driver of Delivery function’s operating and capital budget needs and a high priority service delivery performance measure.

Historically, the *default cost pools were* Treatment and Delivery and are defined below.

Treatment costs are associated with treating raw water at the five GLWA water treatment plants.

Delivery costs are associated with transporting water to each member partner, including transmission mains and booster pump stations.

The bottom line is that water system cost pool designation of individual CIP projects no longer impacts charges. That being said, GLWA's underlying asset records will continue to assign a cost pool to support future analysis.

### **Sewer System - Capital Improvement Plan & Cost Allocation**

In 2019, the sewer "SHARES Think Tank Group" proposed a simplification of the Wastewater Charge methodology to move away from a complex allocation approach that included "strength of flow" to determine charges. The resulting charge methodology, implemented for FY 2022 charges identifies three basic cost pools of WRRF, Conveyance and CSO 83/17, and allocates costs based on contributed wastewater volumes.

**WRRF:** All costs associated with wastewater treatment at the Water Resource Recovery Facility (WRRF). 50% of these costs are allocated to Member Partners based on total contributed volume and 50% based on contributed sanitary volume.

**Conveyance:** All costs associated with conveyance of wastewater to the WRRF to be treated. All of these costs are allocated to Member Partners based on total contributed wastewater flow.

**CSO 83/17:** The costs associated with specific combined sewer overflow (CSO) facilities identified in legal settlement agreements. Eighty-Three (83%) of these costs are assigned to the City of Detroit and seventeen (17%) to wholesale member partners based on these contractual agreements.