



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

Updated September 1, 2023

Presented at Charges Workgroup September 5, 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

*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)

Local Sewer Facilities are operated and maintained by GLWA through a separate Shared 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.

CIP #	Project Description	Cost Pool
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.

CIP #	Project Description	Cost Pool
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.

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